

Revised based on new information

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$2,679,474		\$3,572,631	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$2,679,474		\$3,572,631	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill directs the Department of Health and Human Services to amend the child care subsidy state plan to pay providers based on a child's enrollment rather than a child's attendance.

In April the Governor issued an executive order allowing child care providers to bill based on enrollment rather than attendance. The executive order remains in effect and will be in effect until 30 days after the Public Health Emergency is terminated. Prior to the executive order the average monthly number of cases was 15,918. The average monthly cost per case was \$513 or \$8,165,775 total per month. The average number of cases declined to 12,583 during the Public Health Emergency while the average monthly cost increased to \$653 per case for a total of \$10,396,045 per month. Assuming the number of cases return to the pre-pandemic level of 15,918 and using the monthly average cost per child while the executive order was in effect, the monthly cost difference is \$2,230,270.

In September 2020, the department implemented a permanent regulatory change that allows providers to bill up to five absence days per month for each child. This change is noted but not accounted for in the department's fiscal note. The executive order remains in effect and supersedes the regulatory change. Once the executive order is terminated the five-day per month absence regulation will be applied.

Full time enrollment is 22 days a month not including holidays, vacation days or days when the provider is ill. Providers are not allowed to bill for holidays, vacation days or sick days. Five days equate to 23% of full time enrollment; not including the days the provider is not allowed to bill. Using the difference in costs between pre-pandemic costs and enrollment and those since the Governor's executive order was in effect, the monthly cost difference is \$297,719. In a full year the maximum additional costs would be \$3,572,631; for three-quarters of the year in FY 2022, the costs would be \$2,679,474. This is the maximum as it is assumed that conditions under the pandemic may have resulted in higher absences because of quarantine requirements for those who were exposed to or infected with COVID-19.

The department states that the federal child care block grant is fully allocated and general funds are used to supplement the program. The department received an increase of \$12 million in FY 2018. The increase was partially designed for compliance with the Childcare Development Block Grant Act of 2014.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB: 68	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services		
REVIEWED BY: Ann Linneman	DATE: 2-8-2021	PHONE: (402) 471-4180		
COMMENTS: No basis to disagree with the Nebraska Department of Health & Human Services' assessment of fiscal impact.				

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 2-5-2021

Phone: (5) 471-6719

	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$26,137,068		\$26,137,068	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$26,137,068		\$26,137,068	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 68 would require the Department of Health and Human Services (DHHS) to pay child care providers based on a child’s enrollment rather than on a child’s attendance.

Title 392 Child Care Subsidy Program regulations were updated on September 15, 2020, now allowing child care providers to bill up to 5 absence days per child per month. Prior to this passing, regulations only allow for providers to bill based on attendance. Due to the COVID-19 pandemic, Governor Ricketts issued an executive order on April 16, 2020 to temporarily allow providers to bill based on authorized enrollment rather than attendance. In the 12 months prior to the executive order, DHHS child care had an average 15,918 cases with an average cost of \$512.99 per month (total costs \$8,165,775 per month). In the 4 months after the executive order, DHHS had an average of 12,583 cases with an average cost of \$653.10 per month (total costs \$8,217,957 per month). The average difference between the two billing practices was \$140.11 per month.

Due to system limitations, DHHS is unable to identify if the provider is billing based on enrollment rather than attendance. For this fiscal note, DHHS is assuming that child care goes back to levels prior to the pandemic (15,918 cases per month) at the \$653.10 per month. The costs per month would be \$10,396,046. The difference between current costs and estimated costs would be \$2,178,089 per month or a total of \$26,137,068 per year. Because DHHS has already obligated all federal funds to the child care program, the ongoing costs would need to be paid with general fund dollars. Any increase to rates or cases above the pre-COVID amounts would require additional general funds be appropriated to the budget.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2021-2022	2022-2023
		21-22	22-23	EXPENDITURES	EXPENDITURES
Benefits.....					
Operating.....					
Travel.....					
Capital Outlay.....					
Aid.....				\$26,137,068	\$26,137,068
Capital Improvements.....					
TOTAL.....				\$26,137,068	\$26,137,068