

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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

This bill creates a new category of eligibility for Nebraska’s Child Care Subsidy program. If an adult household member, for at least 20 hours weekly, is legitimately employed or self-employed at a licensed child care program or employed at a Head Start or Early Head Start program, the earned and unearned income of the household is excluded for purposes of eligibility determination for the child care subsidy program. Kentucky initiated such an income exclusion for child care workers in 2022. Various other states (Arizona, Rhode Island, Oklahoma, Maine, Washington, and Iowa) have implemented pilots programs based on the Kentucky model in 2023.

The Department of Health and Human Services (DHHS) estimates needing additional funding for administration in the amount of \$106,732 in FY25 and \$149,425 for FY26. These operational costs include two new Social Service Workers starting in October 2024 as well as updates to the NFOCUS system. There is no basis to disagree with the estimate of operational expenses.

The estimation of \$21,487,385 in additional aid expenses is reasonable based on the assumptions proposed by DHHS:

1. 77.5% of the 5,700 child care employees have children under the age of six, yielding 4,418 potential recipient parents
2. The average monthly subsidy amount in Federal Fiscal Year 2023 was \$1,351
3. 12 months of subsidy at the \$1,351 monthly cost for 4,418 parents is \$71,624,616
4. 30% of newly qualifying parents utilize the program results in the estimated aid cost of \$21,487,385

DHHS recognizes the limitation of the accuracy of their estimate. The total number of Nebraska child care workers, 5,700, appears to be low. The 2022 American Community Survey 1-year estimate indicates there were 20,287 total Early Childhood Education Workers in Nebraska, 40% or 8,116 being parents, and 6,694 being parents of children ages 0-12 years old. DHHS’s application of the Department of Labor statistic of 77.5% of all workers having children ages 0-6 years old may or may not be accurate for the child care worker population. Additionally, it is unclear if Head Start workers are included in the calculation. The figure of 4,418 potential newly qualifying child care worker parents may be an underestimation.

Conversely, the subsidy amount of \$1,351 appears to be high. DHHS indicates this was the average monthly subsidy in FFY 2023. The fiscal note for [LB 35](#) introduced in 2023 used the average monthly subsidy from July 2021 through August 2022, \$524. It is reasonable to assume the average subsidy has gone up overtime however the increase seems high. It is also possible that not all newly qualifying parents will utilize subsidy for the full 12 months in a year. The average subsidy and the number of months may be an overestimation.

Using data from Kentucky’s implementation of child care subsidy for child care workers and scaling the population to be proportional to Nebraska’s, approximately 3,535 children from 2,175 child care worker parents would claim subsidies. Using the subsidy amount from LB 35 (2023) of \$523.75 and assuming 12 months of use, the total would amount to \$22,217,475 which is analogous to the DHHS estimate. The factors in the assumptions offset each other and the estimated impact in aid of approximately \$20 million is reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	856	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	1-24-2024	PHONE: (402) 471-4180
COMMENTS: Concur 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) John Meals

Date Prepared 1-24-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$21,594,117		\$21,636,810	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$21,594,117	\$0	\$21,636,810	\$0

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

Explanation of Estimate:

LB856 would exclude all earned and unearned income when determining child care subsidy eligibility for households where one member is working in a child care, Head Start, or Early Head Start setting. Additionally, section 2(b)(iii) to Neb. Rev. Stat. § 68-1206 states that there are no restrictions that precludes a household from meeting additional federal requirements. Per 45 CFR, household’s income cannot exceed 85% of the state median income (SMI), unless there is federal approval. This bill would require Department of Health and Human Services (DHHS) to submit an amendment to the state plan. Should the intent of this bill want to exclude all income, even if it is over 85% SMI, then DHHS would need to request a federal exception for each individual household.

Implementation of LB856 would require DHHS to update Title 392 Nebraska Administrative Code to exclude all countable income for households who have one member working in a child care setting. This would require an application and eligibility process for those eligible to apply. DHHS would need to verify that individuals are working a minimum of 20 hours per week and enrolled with Nebraska Early Childhood Professional Records System. In addition to the eligibility requirements for the family, the family’s child care provider would be required to accept Child Care Subsidy in order for the family to benefit from this bill. If the provider did not accept Child Care Subsidy, there would be no benefit to the family who may be eligible under this bill.

Currently, there are approximately 9,000 households receiving child care assistance. DHHS does not have a way to determine the number of families, who could potentially qualify for child care subsidy under this bill. According to the Department of Labor, 77.5% of people participating in the workforce have children under age 6. Utilizing the approximate 5,700 child care employees and labor statistics, there could potentially be 4,418 employees with children in that age group that would be eligible for childcare assistance without utilizing their household income. This potential impact could be underestimated or overestimated depending on various factors that are not considered in the estimate, including, but not limited to: current subsidy families utilizing child care subsidy with an out-of-pocket fee, child care providers who allow staff to enroll child(ren) in their child care program at no cost, and potential new families eligible for child care that may be attending a provider who does not accept child care subsidy. In FFY 2023, households averaged \$1,351 in childcare assistance each month. If the 4,418 employees utilize childcare subsidies, this could potentially result in an annual increase of \$71,624,616 in subsidy payments for childcare.

If DHHS assumes 30% utilization of the potential annual increase of \$71,624,616, that would result in an annual state general fund cost of \$21,487,385. This is truly an estimate as DHHS is very limited in our ability to project this cost. The table below illustrates potential annual state general fund cost based on potential utilization.

Potential Annual Increase	% Utilization	State General Fund Cost
\$ 71,624,616	100%	\$ 71,624,616
\$ 71,624,616	90%	\$ 64,462,154
\$ 71,624,616	80%	\$ 57,299,693
\$ 71,624,616	70%	\$ 50,137,231
\$ 71,624,616	60%	\$ 42,974,770
\$ 71,624,616	50%	\$ 35,812,308
\$ 71,624,616	40%	\$ 28,649,846
\$ 71,624,616	30%	\$ 21,487,385
\$ 71,624,616	20%	\$ 14,324,923
\$ 71,624,616	10%	\$ 7,162,462

DHHS will need to exchange data with the Nebraska Department of Education to verify who is enrolled in the Nebraska Early Childhood Professional Records System. Additionally, it would require 2 new Social Service Workers, to address the increased caseload, monitoring, and oversight of this program. This is based on a projected 30% utilization of the potential 4,418 employees resulting in 1,325 new applications. Each new application results in approximately 3.25 hours of work for a total of 4,300 hours or 2 FTEs at 2,080 annual hours. With additional need for staff, DHHS will also need to create new workspaces to accommodate the new staff. Furthermore, NFOCUS will need to create fields to identify the type of application and processing rules for excluding income.

Every household eligible for this program will need to be tracked on a case-by-case basis, which will result in a large amount of staff time. The estimated time for NFocus changes, system testing, and training would take longer than 90 days to implement.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
	24-25	25-26	EXPENDITURES	EXPENDITURES
C72172 – Social Services Worker	1.5	2	\$62,400	\$87,360
Benefits.....			\$21,840	\$30,576
Operating.....			\$22,492	\$31,489
Travel.....				
Capital Outlay.....				
Aid.....			\$21,487,385	\$21,487,385
Capital Improvements.....				
TOTAL.....			\$21,594,117	\$21,636,810