

# FISCAL NOTE

## LEGISLATIVE FISCAL ANALYST ESTIMATE

### ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
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 pilot program to provide child care support for the child care work force via categorical eligibility for Nebraska's Child Care Subsidy program. The pilot program begins October 1, 2025 and ends September 30, 2028. The Department of Health and Human Services (DHHS) notes technical concerns with meeting deadlines set out in the bill due to the federal approval process for the amending the State Plan for the Child Care Development Block Grant (CCDBG).

If an adult household member, for at least 20 hours weekly, listed in the Nebraska Early Childhood Professional Records System, and has an income under 85% of the State Median Income (SMI), then the earned and unearned income of the household is excluded for purposes of eligibility determination for the child care subsidy program. In the status quo, household with income over 100% of the Federal Poverty Level are required to participate in a cost sharing agreement. Household who are newly eligible under this pilot program would be exempt from cost sharing.

According to the American Community Survey (2022 5-Year Estimates) released by the U.S. Census, Nebraska's early childhood educator workforce amounts to 21,350 individuals. Early childhood educator means anyone who works in any occupation within the industry child day care services plus anyone who works as a child care worker in the industry religious organizations. Approximately 27.4% (5,846) of the early childhood educator workforce are parents of kids between 0-12 years old and of that population an estimated 3,580 have incomes that fall below 85% of SMI. Due to the population eligible for the pilot program not being subject to cost sharing, DHHS uses the average monthly subsidy amount of \$1,377 or \$16,524 annually. Assuming 30% utilization of the estimated qualifying population of 3,580 or 1,074 people, the estimated fiscal impact is \$17,746,776. The DHHS fiscal note utilizes alternative demographic information and presents a chart showing varying estimates of fiscal impact depending on utilization and low-end- and high-end- methodologies. The DHHS estimate ranges from \$2m to \$49m. All costs would be General Funds as the Child Care Subsidy program fully expends available CCDBG funds.

In order to implement the pilot program, DHHS would need to update IT systems (\$65,000 for NFOCUS plus additional costs for temporary data collection) and potentially hire additional staff depending on the added caseload. The bill requires annual reporting on specific data enumerated in the bill. There is no basis to disagree with the estimated administrative costs including the potential need for additional staff.

#### ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB:	95	AM:	AGENCY/POLT. SUB: Nebraska Dept of Health & Human Services	
REVIEWED BY:	Ann Linneman		DATE:	2-10-2025
			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 2-10-25

Phone: (5) 471-6719

	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
<b>GENERAL FUNDS</b>				
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW

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

**Explanation of Estimate:**

LB95, as part of the federal Child Care Subsidy program, requires the Department of Health and Human Services (DHHS) to create a pilot program in order to provide childcare support for the childcare workforce. The pilot program begins October 1<sup>st</sup>, 2025, and is set to end September 30<sup>th</sup>, 2028. The deployment of the pilot program shall require the Department to promulgate new regulations as needed. Regulation updates needed to allow the pilot population to be eligible for a subsidy with income up to 85% State Medium Income (SMI) and exclude the pilot population from having a cost-share for the first 12 months of eligibility. Due to the bill creating a new class of individuals eligible for the child care subsidy program and eliminating the requirements of a cost-share obligation or a sliding fee, the department will not be able to meet the operational deadline of July 1<sup>st</sup>, 2025 as system changes and regulation updates would be required. In addition to the regulation and system changes, the Child Care Development Fund (CCDF) state plan would also need to be amended.

Enactment of this bill would allow any households where an applicant or a household member is either an owner or a staff member in a child care program, including a federal Head Start and Early Head Start program, to be eligible for child care subsidy as long as they are listed in the Nebraska Early Childhood Professional Records System (NECPRS), are working 20 hours per week, have income under 85% of the SMI, and meets all other eligibility requirements of the subsidy program.

Implementation of this pilot program would require DHHS to make changes to the Nebraska Family Online Client User System (N-FOCUS) eligibility requirements for households participating in the pilot program. The additional changes that would be required include the following:

1. Increase the initial eligibility threshold to allow pilot participants income up to 85% SMI for initial eligibility.
2. Exclude pilot participants from having a sliding fee for the first 12 months.
3. Track NECPRS participation.
4. Create tracking mechanisms for required reports.

The child care subsidy guidance document and job aid will be required to be updated. Training will need to be developed and delivered for field staff to ask focused based questions in order to determine if the applicant is eligible under the pilot program. Staff will need to verify that the pilot participant is registered in NECPRS and works at least 20 hours per week at a licensed childcare program, which needs to be documented in the NFOCUS system accordingly.

Furthermore, this bill requires DHHS to provide the following annual reports which must be reviewed by Data Governance to ensure that they meet the public records release standards:

1. Monthly number of enrolled children and households by county and type of employment;
2. The annual total of enrolled applicants or household members that are employed in the childcare industry for less than two months prior to enrollment in the pilot;
3. The annual total of enrolled applicants or household members that are employed in the child care industry for more than two months prior to enrollment in the pilot program; and
4. Program expenditures, including aid disbursed each month and average monthly household cost.

Currently, households with income over 100% of the FPL are subject to the share of cost. With the deployment of the pilot program, eligible households would be exempt from the share of the cost if their income is between 100% FPL and 85% SMI.

According to DataUSA, 93.7% of the childcare workforce are females. Based on the US Census American Community Survey, 15.25% of females aged 20-64 in the workforce have children under the age of 6 (the percentage would increase when accounting for childcare workers who have school-aged children 6 or older that utilize childcare).

The data for the number of individuals in the childcare workforce varies significantly by the source as well as on what types of workers are included in the counts, e.g., childcare workers, administrators, cooks, etc. The Nebraska Department of Labor's "Nebraska Workforce Trends Report November/December 2023 Issue" states that there are 8,050 childcare workers and a total of 14,030 in childcare occupations. However, the US Dept. of Labor Occupation Statistics states Nebraska has 9,270 childcare workers, and the one-pager from the Nebraskan Bipartisan Center shows 19,433 in the childcare workforce.

In Federal Fiscal Year (FFY) 2024, households utilizing childcare subsidies averaged \$1,377 in childcare assistance per month. Since over 90% of the workforce is female, utilizing the Census information from the American Community Survey for the percentage of women in the workforce with children under six would be the best methodology to determine the cost estimate for the pilot program.

This estimate uses 8,050 childcare workers as the low-end estimate and 19,433 childcare workers as the high-end estimate. Assuming 15.25% of workers have children under age 6, potentially between 1,227 and 2,963 women in the childcare workforce have children under the age of 6. If 100% of those people utilized these, it could result in an annual increase of \$20,283,099 to \$48,964,157. Additionally, these amounts would increase for men in the childcare workforce with children over 6 who utilize childcare.

The table below shows the cost estimates with less than 100% utilization. This would utilize state general funds since child care subsidy costs already exceed the annual value of the child care block grants.

Percent Utilization	Low Estimate	High Estimate
90	\$18,254,789	\$44,067,741
80	\$16,226,479	\$35,254,193
70	\$14,198,169	\$34,274,910
60	\$12,169,859	\$29,378,494
50	\$10,141,550	\$24,482,078
40	\$8,113,240	\$19,585,663
30	\$6,084,930	\$14,689,247
20	\$4,056,620	\$9,792,831
10	\$2,028,310	\$4,896,416

The table below shows the cost estimates required for NFOCUS System changes for the pilot program.

Resource	Rate	Hours	Cost
Expert System Technical Analyst	\$100	60	\$6,000
Gen Technical Analyst	\$100	350	\$35,000
Batch Technical Analyst	\$100	100	\$10,000
Business Analyst	\$80	175	\$14,000
GRAND TOTAL		685	\$65,000

The cost to create the necessary annual data reports is estimated to be \$4,000 (estimating one resource for one week and the data is in the warehouse). If there is new data that needs to be ingested (including changes to existing NFOCUS tables), that estimate would be an additional \$32,000 (4 resources for 2 weeks). Those costs would be year 1 costs, and the reports would be set up to be available when needed going forward. The total Year 1 estimated costs would be anywhere between \$4,000 to \$36,000.

Caseloads will increase due to this pilot program which will create the need to have additional Social Service Workers (SSW). However, due to unknown utilization of this program the additional staff need in indeterminable. State General Funds or Federal Funds may be used.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2025-2026	2026-2027
	26-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			SEE ABOVE	SEE ABOVE