COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3388-04
Bill No.: SCS for SB 726
Subject: Education, Elementary and Secondary; Socials Services Department; Health Department; Children and Minors
Type: Original
Date: February 11, 2008

Bill Summary: This legislation modifies provisions relating to child care facilities.

This legislation will sunset in six years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Greater than $74,483,422)	(Greater than $101,817,775)	(Greater than $105,671,790)
Total Estimated Net Effect on General Revenue Fund	**(Greater than $74,483,422)**	**(Greater than $101,817,775)**	**(Greater than $105,671,790)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 FTE**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Missouri Senate**, **University of Missouri**, **Office of the Missouri House of Representatives** and the **Office of the State Treasurer** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the following:

Proposed Sections 208.026 & 208.046:
The change to Department of Social Services's (DSS) subsidy schedule (which many of the Missouri Preschool Projects (MPP) use) in addition to the development of the quality rating system (which is not currently used), will have an unknown impact. All of the MPPs would have to be changed over to the new rating scale. Subsidies would be affected by how well the MPPs rated on the new rating scale, thus impacting the program's finances and their ability to serve children. The fiscal impact is unknown because DESE cannot predict how the grantees will perform on the quality rating system and because DESE does not know how many programs would be affected by the change in the subsidy schedule.

Proposed Section 210.205:
The Department could incur costs associated with this proposal, depending upon the extent to which the Department becomes involved with collecting and distributing resource materials, developing and distributing educational materials, and posting the ratings of the quality rating system on the internet. These costs are unknown as DESE cannot determine at what level the Department will be involved; however, the costs could be significant.

Officials from the **Department of Mental Health** (DMH) assume this proposed legislation places no requirements upon the DMH, other than collaborating with the Department of Social Services and the Department of Elementary and Secondary Education. DMH collaborates with other state agencies in many areas; therefore, there should be no significant cost to the DMH associated with this bill.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services (DHSS)** assume the following:

Proposed Sections 210.205. 1. - 3:
Based on discussion with the Department of Social Services (DSS), all costs related to the development of the rating system will be included in the DSS fiscal notes response. The Division assumes that any collaboration between the DHSS and the DSS required by the proposal would be accomplished with existing staff and resources. DHSS assumes no cost to develop the rating system.

Proposed Section 210.205.4:
The proposal requires DSS to administer the newly created "Early Childhood Program Quality Improvement Grant Fund". The DHSS assumes no cost related to this fund.

Proposed Section 210.205.5:
Based on discussion with DSS, their costs related to developing the rating system will include the costs of collection, development and distribution in Subsection (1) and (2). Subsection (3) requires that the provider ratings be posted on the Internet. Based on information received from the Office of Administration-Information Technology Services Division, $50,000 is included as an estimate of the cost to post this information on the DHSS Internet site. It is assumed that this cost would be paid from General Revenue during FY 2009.

Proposed Section 210.205.6:
The proposal requires DSS to promulgate rules. The DHSS assumes no cost related to rules.

Implementation of this proposal might result in an increase in the number of licensed facilities with a corresponding increased inspection workload for the Section for Child Care Regulation. If such an increase were to occur, the program would ask for additional staff through the budget process at a later date.

The increased demand for required annual training hours for licensed providers has the potential to exceed the current training capacity of the Missouri Child Care Resource and Referral Network (MOCCRRN). If such an increase were to occur, the program would ask for additional funding through the budget process at a later date.

ASSUMPTION (continued)

Officials from the **Department of Social Services** (DSS) assume the proposal requires DSS to utilize the model from the existing Missouri Quality Rating System pilots developed by the University of Missouri Center of Family Policy and Research. Therefore, the Children's Division (CD) provided its estimate of costs for this fiscal note based largely on estimates prepared by the University of Missouri. There are four components to the cost:

(1) The cost of implementing the Quality Rating System, which involves reviewing and monitoring all licensed providers in the state.

(2) The Quality Rating System Program Improvement Grant Funds, which provides grants directly to licensed providers to help them improve their operations and achieve a higher level on the quality rating scale.

(3) A tiered system of reimbursement for child care subsidies based on the quality rating system.

(4) One FTE within the CD to oversee the quality rating system with MU and, ultimately, to distribute improvement grant funds, if appropriated.

The UMC estimates are based on an ongoing process that increases the number of programs rated each year until FY 13 when 70% of the providers would be rated. FY 14 and FY 15 costs are shown if, hypothetically, all facilities were to be rated. That schedule is shown below:

Year	Percent Rated	QRS	Improvement Fund (Optional)	Total Cost
FY 09	10%	$0 to $780,228	$0	$780,228
FY 10	25%	$0 to $1,397,575	$0 to $2,250,000	$1,397,575 to $3,647,575
FY 11	40%	$0 to$1,890,891	$0 to $3,600,000	$1,890,891 to $5,490,891
FY 12	55%	$0 to $2,663,048	$0 to $4,950,000	$2,663,048 to $7,613,048
FY 13	70%	$0 to$3,454,020	$0 to $6,300,000	$3,454,020 to $9,754,020
FY 14	85%	$0 to$4,321,489	$0 to $7,650,000	$4,321,489 - $11,971,489
FY 15	100%	$0 to$5,257,261	$0 to $9,000,000	$5,257,261 - $16,650,000

Costs are shown as a range because they are dependent on appropriations. While 10% represents the maximum number of facilities that MU could expect to rate in the first year, the actual number rated will depend on appropriations. Likewise, because this proposal establishes, but does not fund, the Quality Rating System Program Improvement Grant Fund, CD is showing the proposed funding for this part of the program as optional and as a range.

ASSUMPTION (continued)

While it's reasonable to assume that as long as this is a voluntary system, that the best estimate of the percentage of providers that will choose to be rated will be approximately 70%, the projections for FY 14 and FY 15 are for illustrative purposes only and assume the most extreme scenario that all 100% of providers will choose to be rated.

By July 1, 2011, all licensed facilities receiving quality improvement funds or services shall be rated using the quality rating system. CD assumes that these facilities will be rated in the first three years.

No cost is shown for the tiered reimbursement system. A change in the wording of the committee substitute requires only that recommendations for a reimbursement system be submitted by December 31, 2009, but the plan cannot be implemented unless the General Assembly passes a concurrent resolution. Therefore, no cost is shown.

CD anticipates the need for one Program Development Specialists. The PDS would be responsible for UMC grant oversight; be the liaison with the Coordinating Board for Early Childhood to develop and implement the tiered reimbursement system; and ultimately be responsible for administering the Quality Rating System Program Improvement Grant Fund, if funds are appropriated.

Market Rates
Market rate reimbursement would only be paid to licensed providers. The cost is based on the 2006 Market Rate Survey adjusted to account for the revised Metropolitan Statistical Area geographic structure developed by the DSS. Differential market rates are based on core counties, non-core counties, micropolitan counties, and counties in the rest of the state, as well as the type of facility; i.e., center group, or family home providers.

The total cost to raise rates to the market rate is $73.6 million ($17.5 million for infants, $38.1 million for preschool children, and $18 million for school children).

Enhanced Eligibility
The total cost to raise eligibility to 140% FPL (185% FPL for those already receiving services) is $23,737,139 in FY 10 and $25,837,139 in FY 11.

The transitional group from 140% to 160% FPL would receive 75% of the full benefit; from 161% to 185% FPL the benefit level would be 50%.

ASSUMPTION (continued)

Since this eligibility change would impact an additional 4,340 children, there will be an impact on FSD staffing needs. In lieu of new FTE, FSD will explore enhanced efficiencies and technology. The funding requirement shown in the fiscal note is $774,838 in FY 10 and $683,790 in FY 11, which equates to the cost of 11 eligibility specialists, one supervisor, and 2 clerical staff.

FISCAL IMPACT - State Government	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
Costs- Department of Elementary and Secondary Education	(Unknown)	(Unknown)	(Unknown)
Costs - Department of Health and Senior Services			
Post Information on Internet Site	($50,000)	$0	$0
Costs - Department of Social Services			
Personal Services	($31,629)	($39,109)	($40,282)
Fringe Benefits	($13,986)	($17,294)	($17,813)
Equipment and Expense	($7,579)	($1,820)	($1,875)
Program Costs-QRS	($780,228)	($1,397,575)	($1,890,891)
Program Costs-QRS Program Improvement Grant Fund	$0	(Unknown but Less than $2,250,000)	(Unknown but Less than $3,600,000)
Program Costs-Market Rates	($73,600,000)	($73,600,000)	($73,600,000)
Program Costs-Enhanced Eligibility	$0	($23,737,139)	($25,837,139)
Funding to Manage Caseload Increase	$0	($774,838)	($683,790)
Total Costs - DSS	($74,433,422)	($101,817,775)	($105,671,790)
FTE Change - DSS	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Greater than $74,483,422)**	**(Greater than $101,817,775)**	**(Greater than $105,671,790)**
Estimated Net FTE Change for General Revenue Fund	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - Local Government	FY 2009 (10 Mo.)	FY 2010	FY 2011
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Childcare providers may incur costs for quality improvements in order to achieve their desired level of quality rating.

FISCAL DESCRIPTION

The proposed legislation requires the Department of Social Services in collaboration with the Departments of Health and Senior Services, Elementary and Secondary Education, and Mental Health to develop by September 1, 2008, a quality rating system for early childhood and before-and after-school programs licensed by the Department of Health and Senior Services that operate in this state. The licensing of such facilities shall be the baseline, while the highest rating includes accreditation. The Departments shall utilize the model from the existing Missouri quality rating system pilots developed by the University of Missouri Center for Family Policy and Research to establish the system. The system will allow consumers and parents to evaluate and select high quality programs and creates a system of accountability for policymakers and those who fund such programs.

By July 1, 2011, all licensed child care facilities voluntarily receiving quality improvement funds and services shall, upon the facilities' request, be rated using the quality rating system established under this legislation. The Coordinating Board of Early Childhood shall develop a plan for a tiered system of reimbursement for child care subsidies based on the quality rating system established under this legislation. The proposed plan shall be submitted to the General Assembly with recommendations for implementation of the reimbursement system by December 31, 2009. The plan shall only become effective upon passage of a concurrent resolution by the General Assembly authorizing the implementation of the plan.

The Quality Rating System Program Improvement Grant Fund is established and shall consist of all gifts, donations, transfers, moneys appropriated by the general assembly, and bequests to the fund. Money in the fund shall be used to provide grants directly to licensed providers seeking assistance for quality improvements to undergo evaluation under the quality rating system established under this act or to community-based organizations assisting providers with such improvements.

FISCAL DESCRIPTION (continued)

The Department of Social Services in collaboration with the Departments of Health and Senior Services, and Elementary and Secondary Education shall be responsible for promoting and distributing materials to educate the public and providers about the quality rating system established under this legislation. By January 1, 2010, the ratings of the quality rating system shall be posted on the Internet in a format easily understood and accessible by the public.

The provisions relating to the quality rating system shall sunset in six years.

This legislation provides that the Children's Division within the Department of Social Services, shall develop rules to become effective by July 1, 2009, modifying the income eligibility criteria for any person receiving state-funded child care assistance, either through vouchers or direct reimbursement to child care providers.

Persons receiving state-funded child care assistance with family incomes of less than 140 percent of the federal poverty level shall receive child care subsidy benefits, less a sliding scale fee established by the Division based on family size and income.

A person receiving state-funded child care assistance and whose income surpasses 140 percent of the federal poverty level may continue to receive reduced subsidy benefits on a scale established by the Division until such person's income reaches 185 percent of the federal poverty level. At such time, the person will have assumed the full cost of the maximum base child care subsidy rate established by the Children's Division and shall no longer be eligible for child care subsidy benefits.

If appropriations in a given fiscal year are insufficient to provide the subsidy established under this legislation for all eligible recipients, the Division shall establish a waiting list and promulgate rules for the prioritization of eligible recipients on the waiting list. The sliding fee scale may be waived for children with special needs.

By July 1, 2009, the Children's Division shall be required to reimburse all licensed child care providers serving families receiving state-funded child care assistance at the current market rate for child care as established by the Division's biennial state market rate survey.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Mental Health
Department of Health and Senior Services
Office of the Missouri House of Representatives
Office of the Missouri Senate
University of Missouri
Office of the State Treasurer
Department of Social Services

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February 11, 2008