

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3543-02
Bill No.: SB 584
Subject: Children and Minors; Children's Division; Domestic Relations; General Assembly; Public Assistance; Revenue Department; Social Services Department
Type: Original
Date: January 21, 2020

Bill Summary: This proposal modifies provisions relating to child care benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	(\$46,276)	(\$1,123,090 or \$6,179,047)	(\$1,123,215 or \$6,179,172)
Total Estimated Net Effect on General Revenue	(\$46,276)	(\$1,123,090 or \$6,179,047)	(\$1,123,215 or \$6,179,172)

* High end of range represents no waiver and all program disbursements paid from General Revenue.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses could exceed \$5 million annually net to \$0 if a waiver is granted.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	0.18 FTE	0.18 FTE	0.18 FTE
Federal Funds	0.82 FTE	0.82 FTE	0.82 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.053 - "Hand-Up Program"

Officials from the **Department of Social Services (DSS), Family Support Division (FSD), Children's Division (CD)** and **Division of Legal Services (DLS)** provide the following information:

Officials from **CD** state the program, subject to appropriations, is to be implemented by July 1, 2021, as a pilot in three counties (Clay, Greene, and Jackson) as defined in the legislation, to be called the "Hand-Up Program."

The program allows applicants to receive transitional child care benefits without first being income eligible under traditional child care income guidelines. Persons would enter child care subsidy based on transitional income level guidelines.

Provisions of this legislation also require CD to track the number of recipients in the program and provide an annual report to the general assembly beginning September 1, 2021, and annually thereafter on September 1st. These provisions would result in an additional fiscal impact on the division.

To develop, implement and oversee the program once implemented, a full time Program Development Specialist (PDS) (\$42,448 annually) would be needed beginning in FY21. The full-time PDS would be needed to draft program policy, regulations, and contract amendments for child care providers in the defined counties, coordinate system changes with the Information Technology Services Division (ITSD), calculate data required by the provisions and write an annual report for the general assembly. The estimated cost for 1 FTE salary, fringe and expenses for FY21 totals \$72,278; FY22 costs total \$79,367; and FY23 costs total \$80,209 (18.25% General Revenue, 81.75% Federal).

CD assumes all eligible children will have access to the program. The costs for FY21 would include personnel and systems changes due to the program implementation date of July 1, 2021. The cost for implementation in FY22 results in an increase of \$6,165,801 for subsidy payments. Calculation is based on the number of children rejected per level of transitional child care multiplied by the transitional level rate and then annualized. Subsidy payments are paid out of the Child Care Development Fund (CCDF) block grant. General revenue and federal fund splits for this program may shift in future years depending on the availability of the block grant and future fund obligations.

ASSUMPTION (continued)

Greene County Calculations

(A) TLC Level *	(B) Projected # of Children	(C) Ave Monthly Rate by County	(D) % of Base Rate Paid for Subsidy	(E) Ave Monthly Rate % of base rate	(F) Sliding Fee \$5 per day for average 21 days per month	(G) Base Rate, less transitional % of payment less sliding fee	(H) Monthly Expenditure (B * G)	(I) Annual Expenditure
1	231	\$592	75%	\$444	\$105	\$339	\$78,309	\$939,708
2	73	\$592	50%	\$296	\$105	\$191	\$13,943	\$167,316
3	45	\$592	25%	\$148	\$105	\$43	\$1,935	\$23,220

*Transitional Level of Care

Subtotal Greene County \$1,130,244

Jackson County Calculations

(A) TLC Level *	(B) Projected # of Children	(C) Ave Monthly Rate by County	(D) % of Base Rate Paid for Subsidy	(E) Ave Monthly Rate % of base rate	(F) Sliding Fee \$5 per day for average 21 days per month	(G) Base Rate, less transitional % of payment less sliding fee	(H) Monthly Expenditure (B * G)	(I) Annual Expenditure
1	757	\$611	75%	\$458	\$105	\$353	\$267,410	\$3,208,923
2	368	\$611	50%	\$306	\$105	\$201	\$73,784	\$885,408
3	122	\$611	25%	\$153	\$105	\$48	\$5,825	\$69,906

*Transitional Level of Care

Subtotal Jackson County \$4,164,237

ASSUMPTION (continued)

Clay County Calculations

(A) TLC Level *	(B) Projected # of Children	(C) Ave Monthly Rate by County	(D) % of Base Rate Paid for Subsidy	(E) Ave Monthly Rate % of base rate	(F) Sliding Fee \$5 per day for average 21 days per month	(G) Base Rate, less transitional % of payment less sliding fee	(H) Monthly Expenditure (B * G)	(I) Annual Expenditure
1	171	\$611	75%	\$444	\$105	\$339	\$57,969	\$695,628
2	69	\$611	50%	\$296	\$105	\$191	\$13,179	\$158,148
3	34	\$611	25%	\$148	\$105	\$43	\$1,462	\$17,544

*Transitional Level of Care

Subtotal Clay County \$871,320

Total Greene, Jackson, and Clay Counties \$6,165,801

Oversight assumes the CD would receive the required federal waivers and, other than FTE and ITSD expenses, there would be no additional child care expenses paid for by the State beyond the state's 18% share of program disbursements. However, since there is a possibility that the federal waiver would not be received, Oversight is ranging additional child care costs for the "Hand-up Program" as (\$1,109,844) or (\$6,165,801) to the General Revenue Fund for FY21 and FY22 (if the State pays the \$5,055,957 million in childcare costs instead of the Federal government); there are no child care disbursement costs for FY21 since the program is to be implemented July 1, 2021.

Officials from **FSD** state Section 208.053.1 creates a pilot program called the "Hand-Up Program" in Clay, Greene, and Jackson counties. The pilot program allows applicants in the program to receive transitional child care benefits without having to be first eligible for full childcare benefits with three different tiers with income maximums of 165% FPL, 190% FPL, and 215% FPL.

The individuals who would be eligible for the pilot program in the areas listed were determined by identifying the individuals in these areas who applied for Child Care Subsidy in State Fiscal Year 2019 with household incomes exceeding 138% FPL, but less than 215% FPL.

The FSD determined there would be 1,870 individuals eligible for the Hand Up program if the provisions of this bill are enacted as proposed.

ASSUMPTION (continued)

FSD arrived at 1,870 individuals in this manner:

In SFY 2019, the FSD rejected 1,159 children with household income between 138% FPL and 165% FPL; 510 children with household income between 166% FPL and 190% FPL; and 201 children with household income between 191% FPL and 215% FPL.

Tier One Children - 75% of maximum base rate for child care assistance: 1,159

Tier Two Children - 50% of maximum base rate for child care assistance: 510

Tier Three Children - 25% of maximum base rate for child care assistance: 201

Total Children eligible for Hand Up program: 1,870

FSD determines eligibility for child care assistance. FSD assumes existing staff will be able to complete necessary additional work because of this proposal.

FSD further assumes OA-ITSD will include the FAMIS programming costs for the system changes as well as the system-generated notice needed to implement provisions of this bill in their response.

Therefore, there is no fiscal impact to the Family Support Division.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the no fiscal impact assumed by FSD for fiscal note purposes.

Officials from **DLS** state they do not foresee a fiscal impact as a result of this legislation. FSD estimates that approximately 2,533 children would be added to the Child Care rolls as a result of SB 584. DLS would be able to handle any additional advisory or regulatory work resulting from this legislation with its currently-available resources. Since the legislation results in less applicants being rejected for Child Care assistance, it could cause a decrease in the number of administrative hearings conducted for that program. At the same time, a long-term increase in participation in the program could gradually cause an increase in hearings. Considering both possibilities, SB 584 would not have a significant impact on the overall number of hearings conducted by DLS.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the no fiscal impact assumed by DLS for fiscal note purposes.

ASSUMPTION (continued)

DSS officials provided the response for the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS**. ITSD states FAMIS already has a process in place to determine eligibility for Transitional Child Care Eligibility Units. The system already caters to Transitional Child Care 1, 2, and 3 (TCC1, TCC2, and TCC3) based on the specified income guidelines. The current functionality within the TCC Program Eligibility Determination is to fail a participant/family if the income exceeds the specified limit. The proposed functionality is to allow recipients to continue to receive benefits should their income rise above the maximum allowable monthly income for persons to receive full child care benefits if the recipient pays a premium that is applied only to the portion of the recipients income above such maximum allowable monthly income for the receipt of full child care benefits. The system needs to stop failing them and instead move them to a new program called the "Hand-Up Program". This will involve screen changes, eligibility determination changes, forms notice changes in addition to any new processes that may be needed. There could be changes on the data warehouse programs as well.

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$95 per hour. It is assumed FAMIS changes will require 673.92 contract hours. Therefore, FY 2021 costs are estimated to be:

ESTIMATED NET EFFECT ON STATE FUNDS

<u>Fund Affected</u>	<u>FY 2021</u>
General Revenue	\$33,932
Federal Funds	\$30,090
Total Costs	<u>\$64,022</u> (673.92 hours * \$95)

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by OA, ITSD/DSS for fiscal note purposes.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State** (SOS) state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue** have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization.

Oversight notes the provisions of this proposal only apply to Clay, Greene and Jackson counties. Officials from Clay, Greene and Jackson counties did not respond to Oversight's request for a statement of fiscal impact. Therefore, Oversight assumes the proposal will have no fiscal impact on these counties.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Costs - DSS (§208.053)</u>			
Personal service p. 3	(\$6,367)	(\$7,717)	(\$7,794)
Fringe benefits p. 3	(\$3,842)	(\$4,636)	(\$4,662)
Equipment and expense p.3	(\$2,135)	(\$893)	(\$915)
Increases in "Hand-up" childcare expenditures	\$0	(\$1,109,844)	(\$1,109,844)
Potential cost without a waiver p.5		\$0 or	\$0 or
	<u>\$0</u>	<u>(\$5,055,957)</u>	<u>(\$5,055,957)</u>
Total <u>Costs</u> - DSS		<u>(\$1,123,090 or</u>	<u>(\$1,123,215 or</u>
	<u>(\$12,344)</u>	<u>\$6,179,047)</u>	<u>\$6,179,172)</u>
FTE Change - DSS	0.18 FTE	0.18 FTE	0.18 FTE
<u>Costs - OA-ITSD/DSS (§208.053)</u>			
FAMIS programming/IT costs p. 7	(\$33,932)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND*	<u>(\$46,276)</u>	<u>(\$1,123,090 or</u>	<u>(\$1,123,215 or</u>
		<u>\$6,179,047)</u>	<u>\$6,179,172)</u>
Estimated Net FTE Change on the General Revenue Fund	0.18 FTE	0.18 FTE	0.18 FTE

* High end of range represents no waiver and all program disbursements paid from General Revenue.

<u>FISCAL IMPACT - State Government -</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023
FEDERAL FUNDS			
<u>Income - DSS (§208.053)</u>			
Increase in program reimbursements p. 3	\$56,237	\$0 or \$5,116,300	\$0 or \$5,116,871
<u>Income - OA-ITSD/DSS (§208.053) p. 7</u>			
Increase in program reimbursements	\$30,090	\$0	\$0
<u>Costs - DSS (§208.053)</u>			
Personal service	(\$29,006)	(\$35,156)	(\$35,507)
Fringe benefits	(\$17,505)	(\$21,122)	(\$21,240)
Equipment and expense	(\$9,726)	(\$4,065)	(\$4,167)
Increase in "Hand-up" child care expenditures	\$0	\$0 or (\$5,055,957)	\$0 or (\$5,055,957)
Total <u>Costs</u> - DSS	(\$56,237)	\$0 or (\$5,116,300)	\$0 or (\$5,116,871)
FTE Change - DSS	0.82 FTE	0.82 FTE	0.82 FTE
<u>Costs - OA-ITSD/DSS (§208.053)</u>			
FAMIS programming/IT costs	(\$30,090)	\$0	\$0
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated net FTE Change on the General Revenue Fund	0.82 FTE	0.82 FTE	0.82 FTE
<u>FISCAL IMPACT - Local Government</u>			
	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact small business child care centers (§208.053).

FISCAL DESCRIPTION

This act requires the Children's Division, subject to appropriations and by July 1, 2021, to implement a new pilot program in Jackson County, Clay County, and Greene County. The program shall be designed so that applicants may receive transitional child care benefits without first being eligible for full child care benefits, as long as the applicant's income falls within the income limits established through annual appropriations. The Division shall track the number of recipients in the program and the effectiveness of the program in encouraging recipients to secure employment with incomes greater than the maximum for full child care benefits. The report shall be issued to the General Assembly by September 1, 2022, and each September thereafter (§208.053).

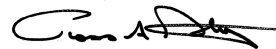
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Office of Secretary of State



Julie Morff
Director
January 21, 2020



Ross Strope
Assistant Director
January 21, 2020