

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3663S.01I
 Bill No.: SB 881
 Subject: Children and Minors; Department of Elementary and Secondary Education;
 Employees - Employers
 Type: Original
 Date: January 17, 2024

Bill Summary: This proposal creates a child care cost-sharing pilot program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 to (Unknown, Could exceed \$3,042,606)	\$0 to (Unknown, Could exceed \$1,349,141)	\$0 to (Unknown, Could exceed \$1,351,230)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown, Could exceed \$3,042,606)	\$0 to (Unknown, Could exceed \$1,349,141)	\$0 to (Unknown, Could exceed \$1,351,230)

*Subject to appropriation and shall include a cost-sharing arrangement between participating employers, employees, and the state to equally share the cost of child care services provided by a child care provider. Oversight notes the state's portion of the child care cost could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

*Subject to appropriation.

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

§210.054.1

The Child Care and Development Fund (CCDF) requires that families meet the traditional child care subsidy eligibility requirements as stated in 45 CFR 98.21 in order to qualify to receive child care assistance from the state. Implementation of this bill would conflict with these regulations and would therefore require the department to use other funds (e.g., general revenue) to pay for this child care pilot.

DESE does not collect the true cost of care from child care programs; however, DESE collects the market rate for child care and DESE assumes the cost is at or above this, as follows:

- Urban area - \$80.00/day
- Rural area - \$40.00/day

DESE assumes the following capacity in child care programs that meet the requirements of 210.1080 RSMo. (i.e., licensed, regulated, or registered with the state):

- Urban area – 60 slots
- Rural area – 20 slots

*Assumption is that most of these slots will be filled with children birth to age 2 years old as these are the most difficult daycare slots to find. The ratio of staff to slots for 0-2 is 1 staff person for every 4 children.

Methodology:

#of slots (daily rate x 260 days/year) /3 = the state's portion to pay

Assuming that all 60 slots in the urban area and 20 slots in the rural area would be filled with children from families who fall in the range of 200 – 325 percent FPL and with 260 days of care per year:

- 60 (\$80.00 x 260)/3 = \$416,000.00
 - 20 (\$40.00 x 260)/3 = \$69,333.00
- \$485,333.00 State's portion of the child care cost

In addition to the above costs, DESE Office of Childhood (OOC) would need to enhance its current Child Care Data System (CCDS) to include a new child care program component and payment type. The approximate cost for this enhancement is \$1,700,000, based on contractor estimate and previous costs to add a new module/program to the system.

§210.054.2. and §210.054.6

The current Community Leaders contract does not include these activities in their contractual scope of work; therefore, DESE OOC would need to either amend the current contract to add a provision for these services and complete reports to the Governor and general assembly described in these sections; and an amendment is allowed by Office of Administration Procurement; or DESE OOC would need to put a bid out for a new contractor to provide the services and complete reports to the Governor and general assembly described in these sections.

The assumed cost for the scope of work (including one OOC FTE to manage this contract/program) would be:

- \$64,704 – One FTE (Program Specialist) + related E&E
- \$220,000 - \$660,000 (\$55,000/month) – Contract for call center staff (one - three staff) for child care placement for employees of partnering employers. DESE assumes phone calls would be fielded from parents/guardians, community partners, and providers.
- \$76,000 – Phone line set up for call center.
- \$17,364 - Meeting costs for two meetings/month with contractor (community partners)
- \$8,682 – Meeting costs for one OOC staff to meet with contractor
- \$312,300 – Community partner contract for collection and reporting.
- \$110,000 – Regional staff needed to coordinate placements (two regions for pilot project).

Oversight notes that Section 210.054.4 states in order to qualify for the program, employees shall work in Missouri for a participating employer and shall have an income between greater than two hundred percent but less than or equal to three hundred twenty-five percent of the federal poverty level for the applicable family size. According to data from the U.S. Department of Health and Human Services ([2023 Poverty Guidelines](#)) the following range of incomes are those households that would be eligible to participate in the pilot program:

Household/Family Size	200%	325%
1	\$29,160	\$47,385
2	\$39,440	\$64,090
3	\$49,720	\$80,795
4	\$60,000	\$97,500
5	\$70,280	\$114,205
6	\$80,560	\$130,910
7	\$90,840	\$147,615
8	\$101,120	\$164,320
9	\$111,400	\$181,025
10	\$121,680	\$197,730
11	\$131,960	\$214,435
12	\$142,240	\$231,140
13	\$152,520	\$247,845
14	\$162,800	\$264,550

Oversight is unable to determine how many child care providers or employers will participate in this program. It is also uncertain how many locations will be established or in which regions of the state the pilot program will be set up.

This proposal is subject to appropriation and shall include a cost-sharing arrangement between participating employers, employees, and the state to equally share the cost of child care services provided by a child care provider. In addition to appropriations from the general assembly, the Office of Childhood shall apply for available grants and shall be able to accept other gifts, grants, bequests, and donations to develop and implement the program. Therefore, Oversight will show a \$0 (no appropriation) to unknown cost that could exceed the low range impact estimated by DESE on the fiscal note (\$485,333.00 State's portion of the child care cost – page 3).

Oversight is uncertain if DESE will need to contract for a call center, community partner for data collection and reporting, or region staff to implement this pilot program. For purposes of this fiscal note, Oversight will adopt DESE's low end assumption that these activities will be needed and reflect this in the fiscal note. However, should this assumption be incorrect, this would change the impact presented in this fiscal note.

Officials from the **Department of Economic Development (DED)** assume the proposal will have no 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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 the 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, the 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 the office can sustain with its core budget. Therefore, the 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Costs</u> – DESE - Child Care Pilot Program - §210.054.1 p. 3	\$0 to (Unknown, Could exceed \$485,333)	\$0 to (Unknown, Could exceed \$485,333)	\$0 to (Unknown, Could exceed \$485,333)
<u>Costs</u> – enhancement of the CCDS	\$0 to (\$1,700,000)	(\$0)	(\$0)
<u>Costs</u> – Contract Call Center	\$0 to (\$220,000 to \$660,000)	\$0 to (\$220,000 to \$660,000)	\$0 to (\$220,000 to \$660,000)
<u>Costs</u> – Other Pilot Program administrative needs (regional staff, phone line, meetings, data collection)	\$0 to (\$524,346)	\$0 to (\$524,346)	\$0 to (\$524,346)
<u>Costs</u> – DESE -			
Personal service	\$0 to (\$53,920)	\$0 to (\$65,998)	\$0 to (\$67,318)
Fringe benefits	\$0 to (\$33,415)	\$0 to (\$40,600)	\$0 to (\$41,111)
Equipment and expense	\$0 to (\$25,592)	\$0 to (\$12,864)	\$0 to (\$13,122)
<u>Total Costs</u>	\$0 to (\$112,927)	\$0 to (\$119,462)	\$0 to (\$121,551)
FTE Change – DESE	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 to (Unknown, Could exceed <u>\$3,042,606</u>)	\$0 to (Unknown, Could exceed <u>\$1,349,141</u>)	\$0 to (Unknown, Could exceed <u>\$1,351,230</u>)
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

This act establishes, subject to appropriation, a pilot program to be administered by the Office of Childhood, in collaboration with the Department of Economic Development. The pilot program shall be designed to facilitate access to child care for Missouri employees and shall include a cost-sharing arrangement between participating employers, employees, and the state to equally share the cost of child care services provided by a child care provider. The pilot project shall use early child care community leaders, as designated by the Office, to coordinate between providers and participating employers and shall be established in at least one predominately rural region and one predominately urban region.

Participating child care providers shall meet certain statutory requirements relating to background checks and shall enter into agreements with the Office specifying the cost of child care services for an employee for the duration of the contract and the employer, employee, and state shares of the costs.

In order to qualify for the program, employees shall work in Missouri for a participating employer and shall have an income between 201% to 325% of the federal poverty level.

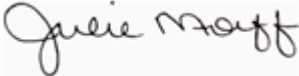
The Office shall provide a report to the Governor and General Assembly by December 31 each year on the effectiveness of the program in increasing access to child care for Missouri employees and encouraging employee recruitment and retention.

This act shall terminate on August 28, 2030, unless reauthorized.

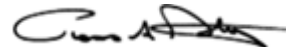
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Economic Development
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
January 17, 2024



Ross Strope
Assistant Director
January 17, 2024