

SF14 - 1A - Child Care Assistance Modified

Chief Author: **Melissa Wiklund**
 Committee: **Health And Human Services**
 Date Completed: **1/23/2023 10:19:07 AM**
 Agency: **Human Services Dept**

| State Fiscal Impact | Yes | No |
|---------------------------|-----|----|
| Expenditures | X | |
| Fee/Departmental Earnings | | X |
| Tax Revenue | | X |
| Information Technology | X | |
| Local Fiscal Impact | | |
| | | X |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings) | Biennium | | | Biennium | | |
|-----------------------|----------------------|---------------|----------------|----------------|----------------|--------|
| | Dollars in Thousands | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | 62,310 | 98,017 | 120,259 | 125,407 | |
| Total | - | 62,310 | 98,017 | 120,259 | 125,407 | |
| Biennial Total | | | 160,327 | | 245,666 | |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|----------|----------|----------|----------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | 1 | 1 | 1 | 1 |
| Total | - | 1 | 1 | 1 | 1 |

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 1/23/2023 10:19:07 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|--|----------|-----------------|----------------|----------------|-----------------|---------------|
| Dollars in Thousands | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | 62,310 | 98,017 | 120,259 | 125,407 | |
| Total | - | 62,310 | 98,017 | 120,259 | 125,407 | |
| Biennial Total | | | 160,327 | | 245,666 | |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | 62,310 | 98,017 | 120,259 | 125,407 | |
| Total | - | 62,310 | 98,017 | 120,259 | 125,407 | |
| Biennial Total | | | 160,327 | | 245,666 | |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Biennial Total | | | - | | - | - |

Bill Description

This bill would increase the child care assistance program maximum rates to the 75th percentile of the most recent market rate survey and would update rates after each survey. This bill contains hold harmless language that prevents maximum rates from decreasing. The language is effective August 7, 2023.

Assumptions

The fiscal impact of this policy results mainly from increased payments to child care providers. A set of weights based on usage across state by county, provider type and child age if applicable is used to calculate weighted average of current vs proposed maximum reimbursement rate and registration fee. The resulting effect is a 30% increase for MFIP/TY and 30.5% for BSF. In addition, the 2018 to 2021 market rate survey growth of 2.6% per year is used to estimate future market rate survey growth; 3 years of growth for the 2021 to the 2024 market rate survey and 6 years growth from 2021 to 2027 market survey. It is assumed that CCAP payments to providers would increase by those same percentages adjusted by 75% provider's take up rate. The November 2021 rate increase did not raise total payments as much as predicted. Upon examination of providers charging weekly rates, more providers charged less than the maximum rate while fewer providers charged exactly the same or more than the maximum rate suggesting not all providers raised their prices possibly due to concerns of impacts to private pay families and receipt of stabilization funds not typically received prior to COVID. In addition there is a small caseload impact as it is expected that more families will choose to use MFIP childcare due to the lower cost to the family which results from higher reimbursement rates. This caseload impact phases in over 12 months.

Basic Sliding Fee is a capped appropriation that is allocated to counties. This fiscal analysis uses a base forecast which assumes a caseload in the BSF program based on the number of cases that can be served given the average payments projected in the November 2022 forecast.

One month billing lag is assumed.

The increase in maximum rates will require one more licensing staff to support this work classified as a 14L. FTEs are assumed to begin during the first quarter of 2023, and require an up-front administrative cost of \$17,744, and ongoing monthly administrative costs of \$2,228. Fringe benefits are estimated using the most recent union contracts.

IT systems changes would be required to implement this change in MEC2, the computer system used by state and county workers to determine eligibility for CCAP. These systems changes are estimated to require 374 hours of work, take approximately 4 months to complete, and cost a total of \$33,000 for initial development. State share is assumed at 55%. This estimate includes the following assumptions:

- The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work.

- The total hours assumed in this fiscal note include the projected time required to complete systems work and a 20% contingency assumption to account for unforeseen business requirements in the development and implementation process.
- In addition to the initial development costs cited above, the systems changes required in this bill will result in increased ongoing maintenance and operations costs, estimated annually at 20% of the total initial development cost.

Expenditure and/or Revenue Formula

| MFIP/TY Average Payment Effect | FY2024 | FY2025 | FY2026 | FY2027 |
|--|--------------------|--------------------|--------------------|--------------------|
| Direct service cost | \$28,116,961 | \$49,026,292 | \$63,198,165 | \$70,392,674 |
| Administrative allowance | <u>\$1,405,848</u> | <u>\$2,451,315</u> | <u>\$3,159,908</u> | <u>\$3,519,634</u> |
| MFIP cost due to avg payment | \$29,522,809 | \$51,477,607 | \$66,358,074 | \$73,912,307 |
| | | | | |
| BSF Average Payment Effect | FY2024 | FY2025 | FY2026 | FY2027 |
| Direct service cost | \$29,673,434 | \$39,080,580 | \$43,577,353 | \$40,511,582 |
| Administrative allowance | <u>\$1,483,672</u> | <u>\$1,954,029</u> | <u>\$2,178,868</u> | <u>\$2,025,579</u> |
| BSF cost due to avg payment | \$31,157,105 | \$41,034,609 | \$45,756,221 | \$42,537,161 |
| | | | | |
| MFIP Caseload Effect | FY2024 | FY2025 | FY2026 | FY2027 |
| Direct service cost | \$798,867 | \$4,351,193 | \$6,785,710 | \$7,559,501 |
| Administrative allowance | <u>\$39,943</u> | <u>\$217,560</u> | <u>\$339,286</u> | <u>\$377,975</u> |
| MFIP cost due to caseload impact | \$838,810 | \$4,568,752 | \$7,124,996 | \$7,937,476 |
| | | | | |
| Maximum Rates ('000) | FY2024 | FY2025 | FY2026 | FY2027 |
| MFIP/TY Cost | \$30,362 | \$56,046 | \$73,483 | \$81,850 |
| BSF Cost | <u>\$31,157</u> | <u>\$41,035</u> | <u>\$45,756</u> | <u>\$42,537</u> |
| Cost of Maximum Rates Increase | \$61,519 | \$97,081 | \$119,239 | \$124,387 |
| | | | | |
| Registration Fee ('000) | FY2024 | FY2025 | FY2026 | FY2027 |
| MFIP/TY Cost | \$354 | \$430 | \$473 | \$473 |
| Administrative allowance | <u>\$18</u> | <u>\$21</u> | <u>\$24</u> | <u>\$24</u> |
| MFIP cost due to Reg fee increase | \$372 | \$451 | \$497 | \$497 |
| | | | | |
| BSF Cost | \$296 | \$359 | \$395 | \$395 |
| Administrative allowance | <u>\$15</u> | <u>\$18</u> | <u>\$20</u> | <u>\$20</u> |
| BSF cost due to Reg fee increase | \$311 | \$377 | \$415 | \$415 |
| | | | | |
| Cost of Registration Fee Increase | \$683 | \$828 | \$912 | \$912 |
| | | | | |
| Maximum Rates & Registration Fee ('000) | FY2024 | FY2025 | FY2026 | FY2027 |
| MFIP/TY Cost | \$30,734 | \$56,498 | \$73,980 | \$82,347 |
| BSF Cost | <u>\$31,468</u> | <u>\$41,412</u> | <u>\$46,171</u> | <u>\$42,952</u> |
| Total Cost | \$62,202 | \$97,909 | \$120,151 | \$125,299 |

| Fiscal Tracking Summary (\$000's) | | | | | | |
|-----------------------------------|------|--------------------------------|----------|----------|----------|----------|
| Fund | BACT | Description | FY2024 | FY2025 | FY2026 | FY2027 |
| | 22 | MFIP/TY Child Care | \$30,734 | \$56,498 | \$73,980 | \$82,347 |
| | 42 | Basic Sliding Fee | \$31,468 | \$41,412 | \$46,171 | \$42,952 |
| | 11 | MEC2 @ 55% state share | 18 | 4 | 4 | 4 |
| | 11 | OIG Admin | 133 | 153 | 153 | 153 |
| | REV | FFP @ 32% | -43 | -49 | -4 | -4 |
| | | Total Net Fiscal Impact | 62,310 | 98,017 | 120,259 | 125,407 |
| | | Full Time Equivalent | 1 | 1 | 1 | 1 |

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

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