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Fiscal Note

2017-2018 Legislative Session

HF139 - 0 - "Child Care Assist Subsidy Restrict Modify"

Chief Author: **Jim Knoblach**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/10/2017**
 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	
	FY2017	FY2018	FY2019	FY2020	FY2021
Dollars in Thousands					
General Fund	-	81	437	529	539
Total	-	81	437	529	539
Biennial Total			518		1,068

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Travis Bunch Date: 3/10/2017 11:50:25 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		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	81	437	529	539	
Total		-	81	437	529	539
Biennial Total				518		1,068
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	81	437	529	539	
Total		-	81	437	529	539
Biennial Total				518		1,068
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill amends Minnesota Statutes 2016, section 119B.13, subdivision 1, to require that under the Child Care Assistance Programs (CCAP), for child care providers who are located in a city with boundaries that are located in two or more counties, the maximum rates paid would be based on the county with the highest maximum rate or the providers charge, whichever is less.

Assumptions

The bill as drafted does not specify an effective date, so if passed would go into effect on 7/1/2017. However, the department estimates that the policy change in this bill could not be implemented until 7/1/2018. See below for further discussion of implementation requirements.

Under current law, the maximum reimbursement rate paid under the CCAP program is based on the county where the provider is located.

The fiscal impact of this policy results mainly from increased payments to child care providers. There are currently 43 cities whose boundaries extend into two counties and three cities whose boundaries extend into three counties. To estimate the impact of this bill, it is assumed that the maximum rate paid for child care assistance in these cities would be the rate paid in the county within the city boundary that has the highest maximum reimbursement rate. Using a weighted average by usage across the state by county, provider type, and child age, it is estimated that the maximum reimbursement rates would increase by 0.16% for MFIP/TY families, and 0.22% for BSF families.

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 February 2017 forecast.

A one-month billing lag is assumed and the new rates would be implemented July 1, 2018 due to systems timelines needed to program changes required to implement the new policy.

To ensure that all child care providers receive the appropriate level of payment as outlined in this bill requires significant and complex changes to the existing child care payment system, MEC². Necessary systems work includes time for gathering and documenting business requirements, analysis and design, development time, and testing. The system would need to be able to track the cities that overlap counties and use that data to determine the maximum rate to pay providers. In addition, the system would need to determine the maximum rate to pay for each of those cities, and for each rate payable (weekly rate, daily rate, or hourly rate). This change would require adding tables to the child care system to include the city data in addition to the current county tables. Formulas would need to be created to determine the

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maximum rate (county rate or city rate). Once the tables and formulas are created, the system would need to convert all the providers in the specified cities to the new maximum rate allowable. Providers and families impacted by these changes would need to be notified of the change, including which rate would be paid and why. In total, systems work is estimated to take 1,980 total hours at a total cost of \$148,000. The estimated state share of the system development cost is estimated as \$81,000.

Based on the estimated time to complete the systems work necessary to implement this legislation, we assume an implementation date of July 1, 2018. The bill's author has been informed of the estimated implementation timeline and resulting assumptions. The accuracy of the estimates in this fiscal note are dependent upon the bill's effective date being amended to match the assumed implementation date in the fiscal note.

Expenditure and/or Revenue Formula

MFIP/TY Average Payment Effect	FY2018	FY2019	FY2020	FY2021
Avg monthly payment	\$1,754	\$1,783	\$1,812	\$1,843
Percent increase	0.16%	0.16%	0.16%	0.16%
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Avg monthly payment increase	\$2.81	\$2.85	\$2.90	\$2.95
Avg monthly caseload	7,875	7,960	8,140	8,254
Number of months		11	12	12
Billing lag		92%	100%	100%
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Direct service cost	\$0	\$229,811	\$283,133	\$292,028
Administrative allowance	\$0	\$11,491	\$14,157	\$14,601
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MFIP cost due to avg payment	\$0	\$241,302	\$297,289	\$306,630
BSF Average Payment Effect	FY2018	FY2019	FY2020	FY2021
Avg monthly payment	1,125.71	1,148.22	1,171.17	1,194.59
Percent increase	0.22%	0.22%	0.22%	0.22%
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Avg monthly payment increase	\$2.48	\$2.53	\$2.58	\$2.63
Avg monthly caseload	7,448	7,303	7,159	7,019
Number of months	-	11	12	12
Billing lag		92%	100%	100%
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Direct service cost	\$0	\$186,682	\$221,362	\$221,362
Administrative allowance	\$0	\$9,334	\$11,068	\$11,068
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BSF cost due to avg payment	\$0	\$196,016	\$232,430	\$232,430
Summary	FY2018	FY2019	FY2020	FY2021
	(in Thousands)			
Total MFIP/TY Cost	\$0	\$241	\$297	\$307
Total BSF Cost	\$0	\$196	\$232	\$232
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Total Cost	\$0	\$437	\$529	\$539
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Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	11	Operations (MEC2) state share @ 55% of total costs	81	0	0	0
GF	22	MFIP Child Care Assistance	0	241	297	307
GF	42	BSF Child Care Assistance Grants	0	196	232	232
		Total Net Fiscal Impact	81	437	529	539
		Full Time Equivalents				

Long-Term Fiscal Considerations

This would be an ongoing change to the program.

Local Fiscal Impact

While this change would be automated in the computer system, the policy is complex and may be difficult for county staff to explain to families and providers.

References/Sources

DHS, 2017 February Forecast
 Olivia Ke, Reports & Forecasts Division
 Minnesota Department of Human Services

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