

SF695 - 1A - "Child Care Assistance"

Chief Author: **Sandra Pappas**
 Committee: **Health And Human Services Division**
 Date Completed: **04/10/2015**
 Lead Agency: **Human Services Dept**
 Other Agencies:
 Minn Management and Budget

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	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept						
General Fund	-	39,881	257,383	335,646	347,335	
State Total						
General Fund	-	39,881	257,383	335,646	347,335	
	Total	-	39,881	257,383	335,646	347,335
			Biennial Total	297,264	682,981	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	1	1	1	1
	Total	-	1	1	1

Lead 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: Brian McLafferty Date: 04/10/2015
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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		FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept						
General Fund	-	39,881	257,383	335,646	347,335	
Total	-	39,881	257,383	335,646	347,335	
	Biennial Total		297,264		682,981	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Human Services Dept						
General Fund	-	39,986	259,188	338,173	349,906	
Total	-	39,986	259,188	338,173	349,906	
	Biennial Total		299,174		688,079	
2 - Revenues, Transfers In*						
Human Services Dept						
General Fund	-	105	1,805	2,527	2,571	
Total	-	105	1,805	2,527	2,571	
	Biennial Total		1,910		5,098	

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Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-

Executive Budget Officer's Comment

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

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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill relates to human services; forecasting the basic sliding fee child care assistance program; modifying child care assistance provider reimbursements rates.

Assumptions

Section 13 relates to MMB to include the state obligation for the basic sliding fee child care assistance program in the February and November forecasts of state revenues and expenditures.

This work would be part of the normal course of business and Human Services would provide the necessary data required to MMB for the forecast.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

None

References/Sources

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Expenditures	X	
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Local Fiscal Impact		
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	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	1	1	1	1
Total	-	1	1	1	1

Executive Budget Officer's Comment

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

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

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State Cost (Savings) = 1-2		Biennium			Biennium	
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Bill Description

This bill requires that the Basic Sliding Fee Child Care Assistance Program be added to forecast programs, with state obligations for the program included in the February and November forecasts, beginning in November 2015.

The bill would also change eligibility requirements for certain student parents under age 21, provide child care assistance for at home infant care and increase maximum rates paid under the Child Care Assistance Programs.

Assumptions

This bill fully funds Basic Sliding Fee (BSF) Child Care and At-Home Infant Care (AHIC) for all eligible applicants. Currently BSF is a capped allocation to counties; when counties do not have funds to serve all eligible applicants, applicants are placed on a wait list. AHIC has not been funded in recent years. Section 11 of this bill also increases reimbursement rates to the 75th percentile of the most recent biennial child care provider survey (2014), or the maximum rate effective November 28, 2011, whichever is greater. Currently rates are at the 25th percentile of the 2011 rates survey or the rates effective November 28, 2011, whichever is greater.

Student Parents

Section 1 of this bill allows student parents who are not MFIP participants to receive MFIP child care even if there is no waiting list in their county. Under current law these teen caregivers would be served under BSF. When there is no waiting list, there will always be available slots on BSF, therefore it is assumed that these teen caregivers could be assigned to either MFIP or BSF child care. This fiscal analysis recognizes no fiscal impact on MFIP/TY or BSF expenditures. This section will be implemented November 7, 2015.

Increased Maximum Reimbursement Rates

Section 11 sets maximum reimbursement rates at the 75th percentile of the most recent provider rate survey within a geographic cluster of counties or the county-based rates in effect November 28, 2011, whichever is greater.

The fiscal impact of this policy results mainly from increased payments to child care providers. Using a weighted average by usage across the state by county, provider type, and child age, it is estimated that the proposed policy would increase maximum reimbursement rates by 30.1% for MFIP/TY families, and 25.8% for BSF families. It is assumed that this will

result in increases to CCAP payments to providers by those same percentages. 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 (under current law) 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 2015 forecast.

Fully Fund Basic Sliding Fee and At Home Infant Care (AHIC)

The primary fiscal impact of this policy change results from increased BSF program use as the state will serve all eligible applicant families. There will also be some savings in MFIP/TY from families currently served in Transition Year Extension (TYE) who would now be served under BSF.

The costs of this proposal are primarily due to the take-up rate of child care subsidies in a program where the subsidy is guaranteed if eligibility conditions are met. Under current law, a family who meets the CCAP eligibility conditions is not guaranteed a subsidy unless they apply while on MFIP. This fiscal analysis implicitly assumes that a family will apply for CCAP if the expected benefit exceeds the expected cost of the subsidy. Expected benefits include the subsidy amount and any non-monetary benefits like perceived improvement in child well-being. Expected costs are also monetary and non-monetary and can include copayments, time spent filing an application or waiting for a decision, stigma attached to subsidy receipt, or, for some, a requirement to comply with child support enforcement. A shift to guaranteed subsidies increases the expected benefits for all potentially eligible families by increasing the probability of receipt upon application, while simultaneously decreasing the transaction costs by, for example, eliminating expected time on a waiting list. Thus, we project higher enrollment under a program with guaranteed subsidies relative to the current law child care program.

Child care eligibility rules vary greatly across states in terms of income eligibility limits, copay requirements, rates paid, authorized activities and provider-type restrictions. In addition, some states have capped allocations and waiting lists, like Minnesota, while others serve all who are eligible. Analysis from the National Bureau of Economic Research estimates that take-up rates for states which have guaranteed child care subsidies for eligible children average about 40%. This fiscal note assumes that for a guaranteed child care subsidy program in Minnesota, the take-up rate for families with income under 47% SMI (the income limit for initial eligibility for BSF child care) will be 40%.

Once a family receives CCAP, it may remain eligible up to an income level of 67% SMI. MEC2 data shows that families with income in the 47%-67% SMI range make up about 16% of the BSF caseload. It is assumed that under the guaranteed subsidy program this group will remain about 16% of the BSF caseload.

Based on 2007-2011 American Community Survey data, it is estimated that approximately 104,000 families in Minnesota would be potentially eligible for CCAP assistance (i.e. they have income under 67% SMI, have at least one child under 13 years old, and all adults in the family are working at least 20 hours per week). Using the assumptions above of a 40% take-up rate for families under 47% SMI and a proportional take-up rate based on current usage patterns for families in the 47%-67% SMI range, the resulting take-up rate for potentially eligible CCAP families with employment is 28%.

The pool of potentially eligible families described above does not include students. Currently 5% of BSF families are students without any employment hours authorized for child care. Under the fully-funded program, it is assumed that the number of families with education would increase so that 5% of the new BSF caseload will be students without employment.

The resulting CCAP caseload would be about 29,000 average monthly families, as compared to about 16,000 under current law. Assuming the current forecast for MFIP/TY, about 21,000 families would be served through BSF. The forecasted BSF program is expected to grow at the same rate as the current MFIP/TY forecasted program. New cases would phase-in to full implementation by FY2018. New cases are expected to be served at the same average payment as the existing BSF population, taking into account the maximum reimbursement rate change in this bill.

CCAP families must cooperate with child support, with child care child support collections assigned to the general fund. About \$2.8 million in child care child support is collected annually, or about \$177 per CCAP family. It is assumed that the increased caseload will result in increased child care child support collections at the same rate per family.

Under a fully-funded BSF program, cases currently funded through Transition Year Extension (TYE) would now be funded through BSF. These TYE cases were not included in the additional BSF cases calculated above. Under current law the TYE caseload is expected to grow from about 300 average monthly cases in FY14 to 800 cases in FY17. They are assumed to receive the average TY/TYE monthly payment, including the increased maximum reimbursement rates impact.

AHIC

This fiscal analysis does not include costs or savings due to AHIC funding, which would be available as of September 25, 2016. Families using AHIC must meet BSF eligibility standards. To the extent AHIC is used rather than regular BSF it would tend to result in lower CCAP payments, as reimbursement is based on 68% of licensed family rates for infants and there would be no payment for other children in the household. However, there may be increased take-up of CCAP by families due to the AHIC option. It should also be noted that federal Child Care and Development Fund dollars may not be used for AHIC subsidies or for state administration of the program.

It is estimated that one full-time staff position would be required to implement the changes in this bill, including providing training and technical assistance to counties related to the changes in eligibility, in forecasting the program and in implementing and monitoring AHIC. Costs are estimated at \$100,000 in SFY 2016 and \$85,000 in 2017 and ongoing. Costs are offset by 35 percent FFP rate.

Systems changes would be required to implement the provisions in this bill. These estimates were provided by MN.IT@DHS staff.

Section 1 Student Parent Eligibility

It is estimated that this change would be effective November 7, 2015. The cost is estimated at \$28,011 in FY 2016, of which the state share is \$13,445. Ongoing maintenance costs are estimated at \$5,025, of which the state share is \$2,412.

Section 4 Portability Pool

It is estimated that this change would be effective April 25, 2016. The cost is estimated at \$36,411 in FY 2016, of which the state share is \$17,477.

Section 5 At Home Infant Care

It is estimated that this change would be effective September 26, 2016. The cost is estimated at \$74,286 in FY 2016, of which the state share is \$35,657. Ongoing maintenance costs are estimated at \$14,280, of which the state share is \$6,854.

Section 7 Remove Transition Year Extension Provisions

It is estimated that this change would be effective April 25, 2016. The cost is estimated at \$40,011 in FY 2016, of which the state share is \$19,205.

Section 11 Increase Maximum Rates

It is estimated that this change would be effective January 4, 2016. The cost is estimated at \$19,050 in FY 2016, of which the state share is \$9,144.

Note that the cumulative effect of all changes resulting from the legislative session will affect when this change can actually be completed. The Department will evaluate system changes and implementation dates for the omnibus package and will provide revised implementation dates based on the complete package.

Expenditure and/or Revenue Formula

Increase Maximum Rates				
MFIP/TY Average Payment Effect	FY2016	FY2017	FY2018	FY2019
Avg monthly payment per family	\$1,594	\$1,632	\$1,669	\$1,704
Percent increase	30.1%	30.1%	30.1%	30.1%
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Increase Maximum Rates				
Avg monthly payment increase	\$479	\$491	\$502	\$513
Avg monthly caseload	8,308	8,488	8,496	8,535
Number of months	6	12	12	12
Billing lag	83%	100%	100%	100%
	-----	-----	-----	-----
Direct service cost	\$19,907,706	\$49,988,355	\$51,175,285	\$52,495,315
Administrative allowance	\$995,385	\$2,499,418	\$2,558,764	\$2,624,766
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MFIP cost due to avg payment	\$20,903,091	\$52,487,773	\$53,734,050	\$55,120,081

BSF Average Payment Effect	FY2016	FY2017	FY2018	FY2019
Avg monthly payment per family	\$1,074	\$1,103	\$1,127	\$1,152
Percent increase	25.8%	25.8%	25.8%	25.8%
	-----	-----	-----	-----
Avg monthly payment increase	\$277	\$284	\$291	\$297
Avg monthly caseload	7,543	7,157	7,000	6,848
Number of months	6	12	12	12
Billing lag	83%	100%	100%	100%
	-----	-----	-----	-----
Direct service cost	\$10,446,624	\$24,420,598	\$24,420,598	\$24,420,598
Administrative allowance	\$522,331	\$1,221,030	\$1,221,030	\$1,221,030
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BSF cost due to avg payment	\$10,968,955	\$25,641,628	\$25,641,628	\$25,641,628

MFIP Caseload Effect	FY2016	FY2017	FY2018	FY2019
Average monthly MFIP child care caseload change	216	219	221	221
Average monthly MFIP payment	\$2,250	\$2,306	\$2,356	\$2,407
Months	6	12	12	12
Phase-in	25%	88%	100%	100%
	-----	-----	-----	-----
Direct service cost	\$729,165	\$5,325,913	\$6,251,245	\$6,389,627

MFIP Caseload Effect	FY2016	FY2017	FY2018	FY2019
Administrative allowance	\$36,458	\$266,296	\$312,562	\$319,481
	-----	-----	-----	-----
MFIP cost due to caseload impact	\$765,623	\$5,592,209	\$6,563,807	\$6,709,109

Forecast BSF				
BSF	FY2016	FY2017	FY2018	FY2019
Projected BSF average monthly caseload if fully funded (without TYE cases)	20,646	21,093	21,112	21,210
Average monthly direct service payment with maximum reimbursement rate increase x 12 months	\$1,351	\$1,387	\$1,418	\$1,450
	-----	-----	-----	-----
Annual direct service cost of fully-funded BSF program	\$334,743,144	\$351,096,390	\$359,254,859	\$368,971,269
Administrative allowance	\$16,737,157	\$17,554,819	\$17,962,743	\$18,448,563
	-----	-----	-----	-----
Annual total cost of fully-funded program	\$351,480,301	\$368,651,209	\$377,217,602	\$387,419,832
Current law annual BSF allocation with maximum reimbursement rate increase	\$113,057,791	\$125,078,475	\$125,078,475	\$125,078,475
	-----	-----	-----	-----
Additional cost of fully-funded program	\$238,422,510	\$243,572,734	\$252,139,127	\$262,341,357
Phase-in/effective date	3%	72%	100%	100%
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BSF cost	\$7,152,675	\$175,372,369	\$252,139,127	\$262,341,357

General Fund				
Projected BSF average monthly caseload	20,646	21,093	21,112	21,210
Current law BSF caseload	7,543	7,157	7,000	6,848
	-----	-----	-----	-----
Additional BSF cases	13,103	13,936	14,112	14,362
Child care child support collected per year	\$177	\$177	\$177	\$177
Phase-in/effective date	3%	72%	100%	100%
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Child care child support revenues	\$69,548	\$1,775,324	\$2,496,734	\$2,541,068

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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