

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2015 – A <REVISED>

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Directs Department of Human Services, in consultation with Early Learning Division and Office of Child Care, to adopt rules for subsidy programs for employment-related child care that, at minimum, provide for one continuous year of eligibility regardless of change in employment, permit students enrolled in coursework and self-employed persons to receive subsidized employment-related child care, and provide for reduced copayments and incentive payments when child care provider meets specified standards

Summary of Fiscal Impact – All Agencies:

	2015-17 Biennium	2017-19 Biennium
General Fund	\$15,033,333	\$18,104,063
Federal Funds	1,916,037	2,937,159
Total Funds	\$16,949,370	\$21,041,222
Positions	20	19
FTE	12.27	19.00

Government Unit(s) Affected:

Department of Human Services (DHS), Oregon Health Authority (OHA), Department of Education, Employment Department

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

<REVISED TO REFLECT UPDATED PRICING FROM THE DEPARTMENT OF HUMAN SERVICES>

House Bill 2015 contains an emergency clause, and is effective on passage.

ALIGNING WITH FEDERAL REQUIREMENTS

The bill aligns state law with new federal regulations by requiring the Department of Human Services (DHS) in consultation with the Early Learning Division and the Office of Child Care in the Oregon Department of Education (ODE) to allow:

1. Eligible low-income families to continue to receive Employment Related Day Care (ERDC) subsidies for up to one continuous year regardless of fluctuations in employment status;
2. Parents who are working and in school to receive the subsidy for class time;
3. Parents who are self-employed parents to receive the subsidy;
4. Parents who send their children to Tiered Quality Rating and Improvement System (TQRIS) providers to qualify for a lower co-payment; and
5. Child care providers to receive a higher rate of reimbursement for services depending on their (TQRIS) level.

The bill also authorizes the ODE to visit and conduct on-site inspections of license-exempt child care providers as newly required by federal law.

ADDITIONAL PROVISIONS OF THE BILL

Additional provisions of the bill requires:

- A. DHS, in consultation ODE, to structure exit eligibility and parent co-pays to minimize the impact of increased income for parents that might occur after the first year on the program;
- B. DHS to work to meet federal recommendations for ERDC income eligibility and market access as related to federal Child Care Development Grant (CCDG) dollars;
- C. ODE, in consultation with DHS, to develop and implement a system of quality supports for license-exempt providers. The system must include professional development opportunities that are accessible in person and online. This system must be implemented by July 1, 2016;
- D. ODE, in consultation with DHS, to conduct a study regarding methods to incentivize parents to select license-exempt providers who have participated in the system of quality supports; and
- E. ODE to report to an interim committee by September 15, 2016 on the development and implementation of the system of quality supports for license-exempt providers.

The bill also deletes language convening a permanent committee for license exempt professional development and quality improvement.

Department of Human Services (DHS):

	2015-17 Biennium	2017-19 Biennium
¹ One Year Protected Eligibility	\$8,033,688	\$9,181,358
² Student Parents	\$1,536,666	\$1,756,190
³ Self-Employed Parents	\$0	\$0
⁴ Co-Pay Reduction	\$1,087,733	\$1,450,310
⁵ Provider Incentive	\$2,713,392	\$3,617,857
⁶ Personal Services	\$454,077	\$518,945
Services & Supplies	\$100,161	\$80,381
⁷ IT (System Modification)	\$49,687	\$0
^A Exit Eligibility at 250%	\$856,372	\$1,326,780
Total General Fund	\$14,831,776	\$17,931,820
⁷ IT (System Modification)	\$45,864	\$0
Total Federal Funds	\$45,864	\$0
Total Funds	\$14,877,640	\$17,931,820
Positions	3	3
FTE	2.64	3.00

ALIGNING WITH FEDERAL REQUIREMENTS (ITEMS 1 THROUGH 7):

- 1. One Year Protected Eligibility: The change protecting program eligibility for 12 months is anticipated to increase the biennial average number of cases by 545, as there would be fewer exits from the program. Based on the October 1, 2015 effective date required by new federal regulations, DHS estimates the cost of allowing eligible low-income families to continue to receive ERDC subsidies for up to one year regardless of employment status to be \$8,033,688 General Fund for the 2015-17 biennium.
- 2. Student Parents: DHS estimates that subsidies for parents who are in school would increase the cost per child by \$135.51 and the department projects the number of eligible children in the 2015-17 biennium to be 540. Based on the October 1, 2015 effective date, DHS estimates the cost to be \$1,536,666 General Fund for the 2015-17 biennium.
- 3. Self-Employed Parents: DHS reports that historically about 1.49% of ERDC cases were self-employed; allowing eligibility is not expected to require an increase in overall funding.

4. Parent Co-Pay Reduction: According to DHS about 30% of ERDC cases (or about 2,310 forecasted cases for 2015-17) involve TQRIS providers. The department estimates the average per case per month cost of reducing parent co-pay is \$26.16. Based on a January 1, 2016 effective date, the projected cost for reducing co-payments for parents who send their children to a TQRIS providers is estimated to be \$1,087,733 General Fund for the 2015-17 biennium.
5. Provider Incentive: According to DHS about 30% of ERDC cases (or about 2,310 forecasted cases for 2015-17) involve TQRIS providers. The department estimates the average per case per month cost of enhanced rates for eligible TQRIS providers is \$65.26. Based on a January 1, 2016 effective date, the projected cost for provider incentives is estimated to be \$2,713,392 General Fund for the 2015-17 biennium.
6. Personal Services and related Services & Supplies: DHS anticipates establishing three positions (2.64 FTE), one Operations & Policy Analyst 2, and two Operations & Policy Analyst 3 to implement program changes, administer training, and provide technical assistance. Training and assistance will be directed at DHS staff, families receiving child care assistance, and child care providers serving subsidy children. Personal Services and related Services and Supplies for these positions are estimated at \$454,077 General Fund and \$100,161 General Fund respectively for the 2015-17 biennium.
7. IT (System Modification): The agency will need to modify the ERDC system to allow for 12 month certification, accommodate the change in exit eligibility limit, create a new provider type and new rate table, and create a table code to capture information regarding provider relationship at child level. System changes would need to be implemented with assistance from the Oregon Health Authority, as that agency provides information technology shared services to DHS. IT costs are estimated at \$95,550 Total Funds.

ADDITIONAL PROVISIONS OF THE BILL (ITEMS A AND B):

- A. Included in the DHS expenditure table above is the pricing for increasing the ERDC exit eligibility limit up from 185% to 250% of the federal poverty limit. The bill directs DHS to structure exit eligibility and parent co-pays to minimize the impact of increased income for parents that might occur after the first year on the program. These changes are estimated to increase the number of average cases by 232 per month and cost \$856,372 General Fund for the 2015-17 biennium.
- B. Increasing provider reimbursement rates to the 75th percentile, up from 69%, is expected to cost \$15,099,085 General Fund.
- C. Bringing the total average caseload up and expanding program access to align with federal guidance would require an investment of about \$15,026,289 General Fund.

Oregon Health Authority (OHA):

ALIGNING WITH FEDERAL REQUIREMENTS (ITEM 7)

	2015-17 Biennium	2017-19 Biennium
⁷ IT (System Modification)	\$95,550	
Total Other Funds	\$95,550	\$0
Positions	1	0
FTE	0.38	0.00

7. IT (System Modification): As noted in the DHS section of the fiscal, the Oregon Health Authority provides information technology shared services to DHS. The \$95,550 (\$49,686 + \$45,864) amount represents the funds that DHS will transfer to OHA for assistance in modifying the ERDC system.

Early Learning Division, Office of Child Care, Oregon Department of Education (ODE):

	2015-17 Biennium	2017-19 Biennium
General Fund	\$155,693	\$172,243
Federal Funds	1,870,173	2,937,159
Total Funds	\$2,025,866	\$3,109,402
Positions	16	16
FTE	9.25	16.00

The Oregon Department of Education estimates the cost of carrying out the federal requirements as well as the additional provisions of this bill to be \$1,745,889 Total Funds [\$115,883 General Fund plus \$1,590,196 Federal Funds], and requires 16 new positions (8.25 FTE) for the 2015-17 biennium. The expenses are broken out as follow:

ALIGNING WITH FEDERAL REQUIREMENTS – FEDERAL FUNDS

Effective November 2016, new federal regulations will require the state to conduct onsite health and safety inspections of all child care facilities receiving federal subsidies. HB 2015 alone does not create the costs and impact associated with these federal requirements, but the bill does authorize or assign the Office of Child Care to perform these inspections. If HB 2013 had not assigned ODE these responsibilities, the state would still have to perform these inspections and would incur the same or similar costs. ODE projects an increase of \$1,290,290 Federal Funds from the Child Care Development Grant (CCDG) in Federal Fiscal Year (FFY) 2016 and \$700,035 in FFY 2017 to carry out these new duties. ODE reports that as of January 2015 the number of licensed exempt providers is 3,021. The ongoing turnover in the population of providers and the number of families on ERDC may also increase the number of new listings depending on the final funding available. Based on these factors, the Early Learning Division anticipates establishing 15 permanent full-time positions:

- One Operations & Policy Analyst 3 (1.00 FTE) to serve as project manager and coordinator (July 1, 2015 start date);
- One Principal Executive Manager D (1.00 FTE) to supervise 14 staff members (July 1, 2015 start date);
- One Administrative Specialist 2 (0.46 FTE) to coordinate with DHS on background checks, and to provide support for the ERDC inspection team (August 1, 2016 start date);
- One Office Specialist 2 (0.46 FTE) to process new provider applications and assign work to field staff (August 1, 2016 start date);
- Eleven Compliance Specialists 2 field staff (5.58 FTE) to inspect facilities, as well as to assess complaints and provide quality improvement technical assistance (one position starting July 1, 2015, and August 1, 2016 start date for the remaining ten positions).

The Department of Education estimates the cost of these positions, including related Services and Supplies, at \$1,870,173 Federal Funds (8.50 FTE) for the 2015-17 biennium; and \$2,937,159 Federal Funds (15.00 FTE) for the 2017-19 biennium.

Note that the federal funds that will finance these costs are from discretionary funding from the Child Care Development Grant (CCDG) which can fund a variety of uses related to child care. This use of CCDG funds will result in fewer resources available for those other purposes. The budgets for these programs will need to be adjusted to match the available CCDG funds.

ADDITIONAL PROVISIONS OF THE BILL (ITEMS C AND D) – GENERAL FUND:

- C. To oversee the development and implementation of a system of quality supports for providers that include professional development opportunities that are accessible in person and online, ODE anticipates establishing one permanent full time Operations and Policy Analyst 2 position. The cost of this position, including related Services and Supplies, is estimated at \$135,693 General Fund (0.75 FTE) for the 2015-17 biennium; and \$172,243 General Fund (1.00 FTE) for the 2017-19 biennium.

- D. ODE estimates the contract cost to conduct a study regarding methods to incentivize parents to select exempt providers who have participated in the system of quality supports to be a one-time cost of approximately \$20,000 General Fund in the 2015-17 biennium.

Employment Department

Passage of this bill is anticipated to have minimal impact on the Employment Department's Office of Administrative Hearings. The Office expects an impact on its hearing requests and referrals that can be absorbed by its administrative law staff.

The necessary funding and position/FTE authority will be included in HB 5016, the budget bill for the Oregon Department of Education.

This bill requires budgetary action in the Joint Committee on Ways and Means for the allocation of General Fund resources and position authorization for the Department of Human Services, Oregon Health Authority, and the Oregon Department of Education.