

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4091-01
Bill No.: HB 1524
Subject: Socials Services Department; Children and Minors; Family Services Division
Type: Original
Date: January 29, 2008

Bill Summary: This legislation creates a quality rating system for child care facilities.

This legislation will sunset in six years.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--------------------|---|---|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| General Revenue | | | |
| | (\$942,093) | (\$1,520,792 to \$3,770,792) | (Unknown but Greater than \$3,017,806) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (\$942,093) | (\$1,520,792 to \$3,770,792) | (Unknown but Greater than \$3,017,806) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|--------------|--------------|--------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| General Revenue | 2 FTE | 2 FTE | 2 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 2 FTE | 2 FTE | 2 FTE |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Missouri Senate, University of Missouri, Office of the State Treasurer** and the **Office of the Missouri House of Representatives** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal states DESE is to work in collaboration with the Department of Social Services, the Department of Health and Senior Services and the Department of Mental Health to develop a voluntary quality rating system for child care facilities and early childhood programs operated in this state. DESE anticipate cost relating to travel, employee time, and resource materials; however, DESE does not expect these costs to be significant.

Officials from the **Department of Mental Health (DMH)** assume this proposed legislation places no requirements upon the DMH, other than collaborating with the Department of Social Services and the Department of Elementary and Secondary Education. DMH collaborates with other state agencies in many areas; therefore, there should be no significant cost to the DMH associated with this bill.

Officials from the **Department of Health and Senior Services (DHSS)** assume the following:

Proposed Sections 210.205. 1. - 3.

Based on discussion with the Department of Social Services (DSS), all costs related to the development of the rating system will be included in the DSS fiscal notes response. The Division assumes that any collaboration between the DHSS and the DSS required by the proposal would be accomplished with existing staff and resources. DHSS assumes no cost to develop the rating system.

Proposed Section 210.205.4.

The proposal requires DSS to administer the newly created "Early Childhood Program Quality Improvement Grant Fund". The DHSS assumes no cost related to this fund.

ASSUMPTION (continued)

Proposed Section 210.205.5

Based on discussion with DSS, their costs related to developing the rating system will include the costs of collection, development and distribution in Subsection (1) and (2). Subsection (3) requires that the provider ratings be posted on the Internet. Based on information received from the Office of Administration-Information Technology Services Division, \$50,000 is included as an estimate of the cost to post this information on the DHSS Internet site. It is assumed that this cost would be paid from General Revenue during FY 2009.

Proposed Section 210.205.6

The proposal requires DSS to promulgate rules. The DHSS assumes no cost related to rules.

Implementation of this proposal might result in an increase in the number of licensed facilities with a corresponding increased inspection workload for the Section for Child Care Regulation. If such an increase were to occur, the program would ask for additional staff through the budget process at a later date.

The increased demand for required annual training hours for licensed providers has the potential to exceed the current training capacity of the Missouri Child Care Resource and Referral Network (MOCCRRN). If such an increase were to occur, the program would ask for additional funding through the budget process at a later date.

Officials from the **Department of Social Services** (DSS) assume the proposal requires DSS to utilize the model from the existing Missouri Quality Rating System pilots developed by the University of Missouri Center of Family Policy and Research. Therefore, the Children's Division (CD) provided its estimate of costs for this fiscal note based largely on estimates prepared by the University of Missouri. There are four components to the cost:

- (1) The cost of implementing the Quality Rating System, which involves reviewing and monitoring all licensed providers in the state.
- (2) The Quality Rating System Program Improvement Grant Funds, which provides grants directly to licensed providers to help them improve their operations and achieve a higher level on the quality rating scale.
- (3) A tiered system of reimbursement for child care subsidies based on the quality rating system.
- (4) Two FTE within the Children's Division.

ASSUMPTION (continued)

The UMC estimates are based on an ongoing process that increases the number of programs rated each year until FY 13 when 70% of the providers would be rated. FY 14 and FY 15 costs are shown if, hypothetically, all facilities were to be rated. That schedule is shown below:

| <u>Year</u> | <u>Percent Rated</u> | <u>QRS</u> | <u>Improvement Fund (Optional)</u> | <u>Total Cost</u> |
|-------------|----------------------|-------------|------------------------------------|----------------------------|
| FY 09 | 10% | \$780,228 | \$0 | \$780,228 |
| FY 10 | 25% | \$1,397,575 | \$0 to \$2,250,000 | \$1,397,575 to \$3,647,575 |
| FY 11 | 40% | \$1,890,891 | \$0 to \$3,600,000 | \$1,890,891 to \$5,490,891 |
| FY 12 | 55% | \$2,663,048 | \$0 to \$4,950,000 | \$2,663,048 to \$7,613,048 |
| FY 13 | 70% | \$3,454,020 | \$0 to \$6,300,000 | \$3,454,020 to \$9,754,020 |
| FY 14 | 85% | \$4,321,489 | \$0 to \$7,650,000 | \$4,321,489 - \$11,971,489 |
| FY 15 | 100% | \$5,257,261 | \$0 to \$9,000,000 | \$5,257,261 - \$16,650,000 |

While it's reasonable to assume that as long as this is a voluntary system, that the best estimate of the percentage of providers that will choose to be rated will be approximately 70%, the projections for FY 14 and FY 15 are for illustrative purposes only and assume the most extreme scenario that all 100% of providers will choose to be rated.

By July 1, 2011, all licensed facilities receiving quality improvement funds or services shall be rated using the quality rating system. CD assumes that these facilities will be rated in the first three years. The proposal sets the target date for all mandatory providers to be rated by July, 2011. However, the target date for implementation of a tiered subsidy system based on those ratings is July, 2010, a year prior to the date all mandatory providers must be rated. If the subsidy system is changed prior to all mandatory providers being rated allowing some providers to get higher rates before others have even been rated, it could be a point of contention for those providers still awaiting rating.

Because this proposal establishes, but does not fund, the Quality Rating System Program Improvement Grant Fund CD is showing the proposed funding for this part of the program as optional and as a range.

CD expects to implement a tiered subsidy system beginning in FY 11, the cost is unknown at this time, but is anticipated by MU to be several million dollars. Therefore, CD has shown the cost as "unknown greater than \$1,000,000. Factors that may influence cost are adjustments to parental sliding fee/co-payment, actual cost variances between the various QRS levels, income eligibility level increases, etc.

ASSUMPTION (continued)

CD anticipates the need for two Program Development Specialists. One would be responsible for UMC grant oversight and be the liaison with the Coordinating Board for Early Childhood to develop and implement the tiered reimbursement system. The other would be responsible for administering the Quality Rating System Program Improvement Grant Fund.

| <u>FISCAL IMPACT - State Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|---|---------------------------|--|---|
| GENERAL REVENUE FUND | | | |
| <u>Costs - Department of Health and Senior Services</u> | | | |
| Post Information on Internet Site | (\$50,000) | \$0 | \$0 |
| <u>Costs - Department of Social Services</u> | | | |
| Personal Services | (\$63,258) | (\$78,218) | (\$80,565) |
| Fringe Benefits | (\$27,973) | (\$34,588) | (\$35,626) |
| Equipment and Expense | (\$20,634) | (\$10,411) | (\$10,724) |
| Program Costs-QRS | (\$780,228) | (\$1,397,575) | (\$1,890,891) |
| Program Costs-QRS Program Improvement Grant Fund | | (Unknown but Less than \$2,250,000) | (Unknown but Less than \$3,600,000) |
| Program Costs-Tiered System of Reimbursement | | | (Unknown but Greater than \$1,000,000) |
| | <u>\$0</u> | <u>\$0</u> | <u>\$1,000,000</u> |
| Total Costs - DSS | | | (Unknown but Greater than \$3,017,806) |
| | <u>(\$892,093)</u> | <u>(\$1,520,792 to \$3,770,792)</u> | <u>\$3,017,806</u> |
| FTE Change - DSS | 2 FTE | 2 FTE | 2 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | (Unknown but Greater than \$3,017,806) |
| | <u>(\$942,093)</u> | <u>(\$1,520,792 to \$3,770,792)</u> | <u>\$3,017,806</u> |
| Estimated Net FTE Change for General Revenue Fund | 2 FTE | 2 FTE | 2 FTE |

FISCAL IMPACT - Local Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Childcare providers may incur costs for quality improvements in order to achieve their desired level of quality rating.

FISCAL DESCRIPTION

The proposed legislation requires the Department of Social Services in collaboration with the Departments of Health and Senior Services, Elementary and Secondary Education, and Mental Health to develop by September 1, 2008, a quality rating system for early childhood and before- and after-school programs licensed by the Department of Health and Senior Services that operate in this state. The licensing of such facilities shall be the baseline, while the highest rating includes accreditation. The departments shall utilize the model from the existing Missouri quality rating system pilots developed by the University of Missouri Center for Family Policy and Research to establish the system. The system will allow consumers and parents to evaluate and select high quality programs and creates a system of accountability for policymakers and those who fund such programs.

By July 1, 2011, all licensed child care facilities receiving quality improvement funds or services shall be rated using the quality rating system established under this proposal. The Coordinating Board of Early Childhood shall develop a plan for a tiered system of reimbursement for child care subsidies based on the quality rating system established under this proposal. The plan shall be submitted to the General Assembly with recommendations for implementation of the reimbursement system to begin July 1, 2010.

The Quality Rating System Program Improvement Grant Fund is established and shall consist of all gifts, donations, transfers, moneys appropriated by the General Assembly, and bequests to the fund. Money in the fund shall be used to provide grants directly to licensed providers seeking assistance for quality improvements to undergo evaluation under the quality rating system established under this act or to community-based organizations assisting providers with such improvements.

FISCAL DESCRIPTION (continued)

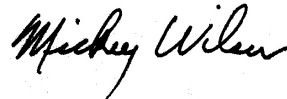
The Department of Social Services in collaboration with the Departments of Health and Senior Services, and Elementary and Secondary Education shall be responsible for promoting and distributing materials to educate the public and providers about the quality rating system established under this proposal. By January 1, 2010, the ratings of the quality rating system shall be posted on the Internet in a format easily understood and accessible by the public.

This proposal shall sunset in six years.

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 Mental Health
Department of Health and Senior Services
Office of the Missouri House of Representatives
Office of the Missouri Senate
University of Missouri
Office of the State Treasurer
Department of Social Services



Mickey Wilson, CPA
Director
January 29, 2008