

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4741-02  
Bill No.: HB 2264  
Subject: Children and Minors; Domestic Relations  
Type: Original  
Date: May 6, 2008

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Bill Summary: This legislation modifies the requirement for payment of child care subsidy benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Up to \$124,275,639)	(Up to \$126,419,641)	(Up to \$128,576,491)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Up to \$124,275,639)</b>	<b>(Up to \$126,419,641)</b>	<b>(Up to \$128,576,491)</b>

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

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
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services - Children's Division and Family Services Division (DSS-CD & FSD)** state the following:

#### Increased Income Guidelines:

For the projection of fiscal impact, the Division is breaking the additional eligibles into the following groups:

- a) Recipients up to 185%. These individuals would receive full benefits.
- b) Transitional group- individuals currently receiving child care whose income increases and puts them in excess of 185% of the FPL. These individuals would receive benefits at a proportionately reduced rate.

ASSUMPTION (continued)

Assumptions used to calculate/estimate the fiscal impact for the groups.

- This estimate/methodology is based on the eligibility limit of a family of four whose yearly household income can not exceed 127% of the FPL.
  - Every year, in the early part of the Calendar Year (CY) the Federal Poverty Limit is adjusted upwards.
  - The cost to increase eligibility per percentage points is based on eligibility increases the past few years. The average cost per percentage point incurred by these increases was \$580,000. However, at some point there will be a substantial increase in the cost per percentage point. The exact level at which the cost will increase is unknown. For this fiscal note, the Children's Division is using \$580,000 per percentage point increase.
- a). Additional recipients due to increasing the eligibility level to 185% with full benefits
- Recipients up to 185%
  - Based on previous increases, the cost to maintain income guidelines at 127% (for a family of four) is \$2,134,639. We are projecting that to increase from 127% to 185% of the FPL, the cost to increase per percentage point will be approximately \$33,640,000 (\$580,000 times 58 percentage points = \$33,640,000).
  - Projected fiscal impact for this group is \$35,774,639.
- b). Transitional group- individuals currently receiving child care whose income increases and puts them in excess of 185% of the FPL. The legislation does not indicate a ceiling for which eligibility will be ended. Therefore, this projection is simply an example of the potential cost as the actual cost would be unknown and dependent upon appropriation. Based on the following assumptions:
- 75% of benefit for households between 185% and 200% of FPL
  - 50% of benefit for households between 200% and 225% of FPL
  - 25% of benefit for households between 225% and 250% of FPL.
  - CD projects a cost of \$4,893,750 for the group from 185% to 200%. This is based on the \$580,000 reduced by 25% to \$435,000 (based on the fact that only individuals who were receiving benefits can maintain a benefit at above 185%) times a benefit rate of 75%
  - CD projects a cost of \$5,437,500 for the group from 200% to 225%. This is based on the \$580,000 reduced by 25% to \$435,000 (based on the fact that only individuals who were receiving benefits can maintain a benefit at above 185%) times a benefit rate of 50%
  - CD projects a cost of \$2,718,750 for the group from 225% to 250%. This is based on the \$580,000 reduced by 25% to \$435,000 (based on the fact that only individuals who were receiving benefits can maintain a benefit at above 185%) times a benefit rate of 25%
  - Projected fiscal impact for this group is \$13,050,000.

ASSUMPTION (continued)

Additionally, every year the federal poverty guidelines are increased. Based on previous years, it will cost approximately \$2,100,000 million to maintain the guidelines at these levels.

Based on the above the total subsidy cost for FY 2009 will be \$48,824,639.

- \$35,774,639 for up to 185%
- \$13,050,000 for a transitional group up to 250%

Additional staffing/contract needs:

The proposal would increase the level of eligibility up to 185% for full benefits, which is 35% over the current plan being submitted in the budget. It would also increase the level of eligibility up to 250% for transitional benefits, which is 100% over the current plan being submitted in the budget. This eligibility change will impact an additional 12,400 children. DSS will use a variety of methods to manage the new caseload, such as contracted services and technological improvements. To project a cost to implement these methods FSD is using the cost of staff to manage the caseload. However, the funding will be used to implement new methods to manage the increase in caseload.

Funding Requirements based on Staffing Needs - FY 09 - \$1,851,000, FY 10 - \$1,895,002 and FY 11 - \$1,951,852. This funding will be utilized as E&E to fund automated methods of handling the new caseload.

Increased Reimbursement Rates:

Recommendations at the federal level state that child care rates should be established to reflect "equal access to all categories of care". The cost projection for this piece of the legislation is based on the following assumption:

- The increased reimbursement rates affect only licensed child care programs.
- The market rate for child care is the rate as established by the Department of Social Services most recent child care market rate survey conducted in 2006 and adjusted for the cost of living.
- Rates are based on the revised Metropolitan Statistical Area geographic structure developed by the Department of Social Services. This structure defines areas in Core Counties, Non-Core Counties, Micropolitan Counties and Rest of State Counties.
- Rates reflect the current structure based on the time children are in care i.e., Full Time, Half Time and Part Time; the child care setting i.e., center, group, or family home; and the age of the child i.e., infant/toddler, pre-school and school age.

ASSUMPTION (continued)

Based on the above assumptions the total projection to increase child care rates to the market as established by DSS is broken down as follows:

INFANTS - LICENSED	\$17,500,000
PRESCHOOL - LICENSED	\$38,100,000
SCHOOLAGE - LICENSED	<u>\$18,000,000</u>
ESTIMATED LICENSED COST	<u>\$73,600,000</u>

This legislation states that "It is the intent and goal of the General Assembly" that these provisions be implemented by July 1, 2012 (FY 2013). However, it does specify whether this should be done in stages or all at once at the beginning of FY 2013. Therefore, for the fiscal impact of implementing all provisions (increased income guidelines, the additional staffing/contracting needs due to increased caseloads and the increased reimbursement rates) in FY09 - FY11, the Division is providing a range of \$0 up to the full cost of implementation.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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**GENERAL REVENUE FUND**

Costs - Department of Social Services

FSD Manage Caseload Increase Costs	(Up to \$1,851,000)	(Up to \$1,895,002)	(Up to \$1,951,852)
CD Child Care Subsidy Costs	(Up to \$48,824,639)	(Up to \$50,924,639)	(Up to \$53,024,639)
CD Increase Reimb. Rates Costs	(Up to <u>\$73,600,000</u> )	(Up to <u>\$73,600,000</u> )	(Up to <u>\$73,600,000</u> )
<u>Total Costs - DSS</u>	(Up to <u>\$124,275,639</u> )	(Up to <u>\$126,419,641</u> )	(Up to <u>\$128,576,491</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Up to <u>\$124,275,639</u>)</b>	<b>(Up to <u>\$126,419,641</u>)</b>	<b>(Up to <u>\$128,576,491</u>)</b>

FISCAL IMPACT - Local Government

FY 2009  
(10 Mo.)

FY 2010

FY 2011

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Additional children will qualify for child care allowing providers to see an increase in state subsidized children. With the higher income levels and increase to child care reimbursement rates more providers may be willing to accept DSS subsidy.

FISCAL DESCRIPTION

By July 1, 2012 the proposed legislation requires the Children's Division within the Department of Social Services to modify the income eligibility criteria for receiving financial assistance for child care by allowing families with an income below 185% of the federal poverty level to receive subsidy benefits, subject to appropriations. The benefits will be distributed on a sliding scale based on family size and income. The Division may waive the sliding scale fee for children with special needs and may establish procedures to assist families with incomes more than 185% of the federal poverty level in transitioning off of state assistance. If annual appropriations are not sufficient to cover all eligible families, the Division may establish a waiting list and rules for the prioritizing of eligible recipients on the waiting list.

By July 1, 2012, all licensed child care providers must be reimbursed at the current market rate as established by the biannual state market rate survey conducted by the Department.

The Child Care and Development Fund is created which will consist of moneys received from the federal Child Care and Development Block Grant Program. Upon appropriation, moneys in the fund will be used by the Department only within the guidelines of the federal program. Any moneys remaining in the fund at the end of the biennium will not revert to the General Revenue Fund.

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 Social Services  
Missouri House of Representatives  
Missouri Senate  
Office of the Secretary of State  
Missouri State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
May 6, 2008