Multiple Agency Fiscal Note Summary

Bill Number: 1364 HB	**Title:** Child care center subsidies

Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2011-13			2013-15			2015-17		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.8	156,000	156,000	.8	156,000	156,000
Department of Early Learning	.0	60,000	60,000	.0	8,413,246	8,413,246	.0	3,538,843	3,538,843
Total	**0.0**	**$60,000**	**$60,000**	**0.8**	**$8,569,246**	**$8,569,246**	**0.8**	**$3,694,843**	**$3,694,843**

Estimated Capital Budget Impact

NONE

Prepared by: Sandi Triggs, OFM	**Phone:** (360) 902-0553	**Date Published:** Final

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 27827

Individual State Agency Fiscal Note

Bill Number: 1364 HB	Title: Child care center subsidies	Agency: 105-Office of Financial Management

Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Megan Palchak	Phone: 360-786-7120	Date: 01/19/2011
Agency Preparation:	Stephanie Lidren	Phone: 360-902-3056	Date: 01/19/2011
Agency Approval:	Aaron Butcher	Phone: 360-902-0406	Date: 01/19/2011
OFM Review:	Mike Steenhout	Phone: 360-902-0554	Date: 01/19/2011

Request # 023-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 3 (1) directs the Office of Financial Management (OFM) to certify that 5% increase to child care center subsidies is economically feasible for the state; (2) directs OFM to certify that child care center subsidies be adjusted for inflation beginning with the 2015-2017 is economically feasible for the state. The new responsibilities described will be absorbed as part of the regular workload.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1364 HB	Title: Child care center subsidies	Agency: 300-Dept of Social and Health Services

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	0.0	0.0	0.0	0.8	0.8
Account					
General Fund-State 001-1	0	0	0	156,000	156,000
Total $	0	0	0	156,000	156,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Megan Palchak	Phone: 360-786-7120	Date: 01/19/2011
Agency Preparation:	Mickie Coates	Phone: 360-902-8077	Date: 02/02/2011
Agency Approval:	Dan Winkley	Phone: 360-902-8179	Date: 02/02/2011
OFM Review:	Sandi Triggs	Phone: (360) 902-0553	Date: 02/02/2011

Request # 11HB1364.1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sections 2 and 4 - Child care subsidy means a payment through a program established pursuant to RCW 74.12.340, 74.08A.340, 45 C.F.R Sections 98.1 through 98.17, and any successor program.

Sections 3 and 5 – On July 1, 2014, the child care subsidy rates paid to all child care centers shall be increased by five percent if the Director of the Office of Financial Management has certified that this increase is economically feasible for the state.

Beginning in the 2015-2017 Biennium and every two years thereafter, the rates for child care subsidies paid to the all child care centers shall be adjusted for inflation if the Director of the Office of Financial Management has certified that the increase is economically feasible for the state.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

For purposes of this fiscal note, it is assumed that the increased subsidy cost from the rate increases required in this bill for the child care subsidy programs under RCW 74.12.340, 74.08A.340, 45 C.F.R. Sections 98.1 through 98.17, and any successor programs are included in the fiscal note for the Department of Early Learning.

The rates paid to providers under the Department of Social and Health Services (DSHS), Children's Administration (CA) child care subsidy programs have historically been the same rate as those paid in the programs identified in this legislation. This legislation does not include child care subsidy programs administered by CA. As such, passage of this bill would result in different rates for child care subsidy programs within DSHS. No costs related to a rate in increase for CA child care subsidy programs are included in this fiscal note.

It is assumed that provider rates will be increased at the time each authorization for child care subsidies is reviewed and reauthorized. As such, each rate increase will be implemented over a period of 12 months. It is estimated that it will take approximately six minutes per child care authorization to process each rate change. This time is needed to review the rate, make the change in the Working Connections Automated Program (WCAP), and resolve issues and questions from providers. It is further assumed that there will be one rate change in State Fiscal Year 2015 and one rate change every two years thereafter. It is estimated that 1.6 FTEs (Financial Services Specialist) will be needed for each rate change for a total estimated cost of $133,000.

(6 minutes * 25,800 authorizations) = 2,580 hours / 1,656 = 1.60 FTE's

It is also estimated that each rate change will result in $23,000 in mailing and supplies costs to send written notification to each provider of the rate change.

Total cost per rate change implemented is estimated at $156,000 and 1.6 FTE's.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years				0.8	0.8
A-Salaries and Wages				82,000	82,000
B-Employee Benefits				28,000	28,000
C-Personal Service Contracts					
E-Goods and Services				44,000	44,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements				2,000	2,000
9-					
Total:	$0	$0	$0	$156,000	$156,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2012	FY 2013	2011-13	2013-15	2015-17
Financial Services Specialist 3	51,000				0.8	0.8
Total FTE's	51,000				0.8	0.8

III. C - Expenditures By Program (optional)

Program	FY 2012	FY 2013	2011-13	2013-15	2015-17
Economic Services Administration (060)				133,000	133,000
Information Systems Services Division (150)				23,000	23,000
Total $				156,000	156,000

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.

Individual State Agency Fiscal Note

Revised

Bill Number: 1364 HB	Title: Child care center subsidies	Agency: 357-Department of Early Learning

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Account		FY 2012	FY 2013	2011-13	2013-15	2015-17
General Fund-State	001-1	60,000	0	60,000	8,413,246	3,538,843
	Total $	60,000	0	60,000	8,413,246	3,538,843

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Megan Palchak	Phone: 360-786-7120	Date: 01/19/2011
Agency Preparation:	John Rich	Phone: 360 725-4513	Date: 01/27/2011
Agency Approval:	John Rich	Phone: 360 725-4513	Date: 01/27/2011
OFM Review:	Cherie Berthon	Phone: 360-902-0659	Date: 01/27/2011

Request # 11-002-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

SECTION 1 (New Section)
Explains the legislature's findings and purpose of the bill: The legislature finds that low subsidy rates are related to the low availability of quality child care. The legislature also finds that the cost of child care is not covered by the subsidy. Therefore, a structure to provide for regular subsidy increases should be put in place. This section has no fiscal impact.

SECTION 2 (New Section to RCW 74.08A)
Defines "child care subsidy" as a payment from the state through a child care subsidy program established as part of Temporary Assistance for Needy Families (TANF), WorkFirst, or the Child Care and Development Fund. This section has no fiscal impact.

SECTION 3 (New Section to RCW 74.08) and SECTION 5 (New Section to RCW 74.12)
Explains the rate increase structure for child care centers receiving payment from child care subsidies.

Subsection (1) Child care subsidy rates paid to all centers shall be increased by five percent on July 1, 2014 if the director of OFM certifies that it is economically feasible for the state. This subsection will have a fiscal impact.

Assumptions:
1) Using SFY 2010 expenditures to child care centers for child care subsidy programs, the Department of Early Learning (DEL) can estimate the expenditures to child care centers starting in SFY 2015 that include the 5 percent increase. It is important to note that the expenditures in SFY 2010 do not include recent policy changes that affect eligibility rules or the caseload forecast that estimates growth in Working Connections Child Care.

2) DEL assumes that in order to increase the subsidy rates an additional appropriation will be necessary from the state general fund specifically to the child care subsidy programs. Alternatives to this assumption include decreasing family eligibility requirements (lowering FPL), creating a waiting list, or a combination of these options. Note: creating and maintaining a waiting list could create an additional fiscal burden.

3) In this fiscal note, child care centers include centers that receive a subsidy payment from Working Connections Child Care (WCCC) and Seasonal Child Care (SCC). While Children's Administration (CA) is not included in the definition provided above in Section 2 of the bill, CA rates have historically been tied to rates that are paid by WCCC and SCC programs and follow the same billing practices and rule. It is important to note that a center may provide care to children in a variety of child care subsidy programs and therefore uniformity of the programs is a policy decision that has been established in the past. DEL and the Department of Social and Health Services (DSHS) have agreed that DSHS will provide fiscal data on the CA aspect of the bill.

4) Workload Impact: Subsidy rates are written in Washington Administrative Code (WAC). Before the changes may occur, we must undergo the rule making process, which will create a workload impact for DEL in SFY 2014 and in any subsequent year prior to an anticipated rate change. In the past, when child care subsidy programs have provided a rate increase to providers, DEL mailed information to providers informing them of the new rates and instructing them to

contact the Department of Social and Health Services (DSHS) Community Service Office WCCC Provider Line to confirm their rates. DSHS will include the SFY 2014 workload impact associated with changing the provider rates in its fiscal note. This process takes a few months and should begin before July 1, 2015. In addition, the DSHS fiscal note addresses workload and cost impacts associated with system changes to Working Connections Auditing Program (WCAP) and the Social Services Payment System (SSPS). DEL will be responsible for providing updated service code sheets for SSPS. OFM will have the responsibility of determining whether the 5 percent increase is economically feasible.

Subsection (2) Beginning with the 2015-17 biennium and every two years thereafter, the child care subsidy rates paid to centers shall be adjusted for inflation if the director of OFM certifies that it is economically feasible for the state. This is achieved by selecting the following index that creates the greatest rate increase:
a. Consumer Price Index (CPI) for Seattle as compiled by the US Department of Labor's Bureau of Labor Statistics, or;
b. Implicit Price Deflator (IPD) for personal consumption expenditures for the US as published for the most recent 12-month period by the US Department of Commerce's Bureau of Economic Analysis.
This subsection will have a fiscal impact.
Assumptions: (see outlined above under subsection 1)

SECTION 4 (Amends RCW 74.12.010)
Defines "child care subsidy" as defined above in Sec. 2. This section has no fiscal impact.

SECTION 6 (New Section to RCW 43.215)
Requires DEL to review subsidy rates currently paid to child care centers whose average daily population includes more than 50 percent of children receiving a subsidy. By December 31, 2011, DEL is required to make a recommendation as to whether the subsidy rates to child care centers should be increased, and if so, by how much and for what reasons. In developing the recommendations, DEL must consider the results of the state's voluntary Quality Rating Improvement System (QRIS) pilot communities and the potential impacts a variable subsidy rate structure would have on the quality of child care in the state.

Assumptions:
Workload and Cost Impact – To produce the report, DEL will contract out for the data analysis that is required to make the recommendation. The data analysis will include a comparison of the subsidy rate and private pay rates, a detailed analysis of various rate models that tie quality to payment, and projections of how incremental changes in subsidy rates will impact the accessibility and availability of quality child care. DEL subsidy staff and the QRIS program manager will review the data analysis and provide recommendations in the final report.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

SECTION 3 and SECTION 5
The following are ongoing expenditure increases. (See assumptions outlined above under Brief Description)

Goods and Services: $12,000 each year in FY15 and FY16 to mail notifications to all child care centers each time there is a rate change. This figure includes costs of printing, mailing, and translations, and assumes 1,735 centers each year – the number of centers as of January 2011).

Travel: $2,000 each year in FY 14 and FY15 for mileage and per diem for two staff to attend four public hearings (two in Western and two in Eastern Washington).

Client Services: $8,397,246 in FY15 and $3,526,843 in FY16 for the 5 percent base increase in FY15, plus an assumed 2 percent inflation increase in FY16. The 2 percent figure is based on information from the Office of Financial Management forecast division, which is in turn based on the most recent Global Insight forecast. This forecast office prediction is a Consumer Price Index (CPI) inflation increase of 2.01 percent in FY16, and an Implicit Price Deflator (IPD) increase of 1.95 in FY16. The 2 percent figure used in this fiscal note represents the average of the CPI and IPD each year, rounded to the nearest tenth.

The following shows the breakdown for the client services cost increase calculations:
FY15: $167,944,928 for WCCC and Seasonal Child Care, to which the 5 percent increase would be applied. $167,944,928 X 5 percent = $8,397,246 base increase. FY16: $176,342,174 new base ($167,944,928 + $8,397,246 FY15 increase) x .02 = $3,526,843 for inflation increase.

The FY15 figures for WCCC and Seasonal are based on FY10 expenditures.

SECTION 6

Personal Service Contracts: $60,000 in FY12 to contract for the subsidy rate data analysis. This estimate represents one-half the amount expended by DEL on the FY10 child care market rate survey.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts	60,000		60,000		
E-Goods and Services				12,000	12,000
G-Travel				4,000	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services				8,397,246	3,526,843
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$60,000	$0	$60,000	$8,413,246	$3,538,843

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sections 3 and 5 require WAC revisions to 170-290-0180 and 0200. Travel expenditures for the public hearings associated with these revisions are included in the part IIC narrative above.