

Multiple Agency Fiscal Note Summary

Bill Number: 5527 SB	Title: Subsidized child care
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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
Department of Social and Health Services	Fiscal note not available								
Department of Early Learning	5.0	7,010,610	6,650,610	5.0	4,131,610	3,411,610	5.0	4,131,610	3,411,610
Total	5.0	\$7,010,610	\$6,650,610	5.0	\$4,131,610	\$3,411,610	5.0	\$4,131,610	\$3,411,610

Estimated Capital Budget Impact

NONE

This note assumes an initial purchase of EBT equipment by the state, but as noted in the narrative other options are available. If more reliable data is obtained to verify recovery savings those figures may be added to the note in future versions.

Prepared by: Cherie Berthon, OFM	Phone: 360-902-0659	Date Published: Preliminary
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 28282

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Revised

Bill Number: 5527 SB	Title: Subsidized child care	Agency: 357-Department of Early Learning
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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	5.0	5.0	5.0	5.0	5.0
Account					
General Fund-State 001-1	4,944,805	2,065,805	7,010,610	4,131,610	4,131,610
General Fund-Federal 001-2	0	(360,000)	(360,000)	(720,000)	(720,000)
Total S	4,944,805	1,705,805	6,650,610	3,411,610	3,411,610

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.

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Agency Approval: John Rich	Phone: 360 725-4513	Date: 02/10/2011
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/10/2011

Request # 11-016-4

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 2 - Requires the department, with the assistance of the Department of Social and Health Services (DSHS), to develop and implement an electronic benefit transfer system to be used for the delivery of subsidized child care (to track a child's attendance and pay the subsidy to the provider).

Funds would be required to pay for new staff and technology. Based upon experience of other states that have implemented the technology (including Texas, Oklahoma and New Jersey), it is expected that the new system could help the state achieve a 3 to 7 percent subsidy payment recovery rate per year. Additionally, DSHS records show that \$9 million in overpayments were made in fiscal years 2007 to 2010.

If the state achieved a recovery rate of 5 percent of total subsidy payments (approximately \$15 million), that would pay for implementation and maintenance of the system within the fiscal year. It is assumed that up to 7,458 licensed providers who receive subsidy payments would use an electronic benefit transfer machine to report their attendance data, and that the 6,000 exempt in-home providers would use a web-based or telephone system to report their attendance data. It is also assumed that the Department of Social and Health Services (DSHS) would continue to use their current system to process payments; if not, additional funding would be required to develop a child care subsidy payment system.

Currently, DEL contracts with DSHS Quality Assurance to perform a triennial federal audit required under the Child Care and Development Fund rules, and a monthly reconciliation audit of a small sample of attendance records (1 percent of annual attendance records are reconciled).

DSHS currently provides between 2 and 5 FTEs for this work, depending upon the audit cycle and need for expanded audit. However, DEL is the lead agency for this process and is viewed by the federal agency overseeing CCDF as ultimately responsible for ensuring accountability and proper subsidy payments. The 5 FTEs in this fiscal note would take on the work currently contracted to DSHS, which would include: analyzing EBT system data in order to determine general patterns, possible fraud or abuse; compiling reports and forwarding that information to other staff as required; and investigating potential underpayments and overpayments.

The FTEs in this fiscal note are based upon information from DSHS on time required for auditing, and take into account the estimated savings from the use of an electronic system.

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 2

FTE, Salary and Benefits: 5.0 FTE costing \$325,005 in salaries and benefits in each of fiscal years 12-17, comprised of:

--1.0 FTE Research Analyst 5 to analyze electronic benefit transfer (EBT) system data in order to determine general patterns, possible fraud or abuse, compile reports and forward that information to other staff as required.

--3.0 FTE Program Specialist 2 (PS2) to investigate potential underpayments and overpayments.

--1.0 FTE Program Specialist 3 to lead the work of the PS2s by provide training and assigning them cases to investigate,

Goods and Services: \$1,740,800 in each of fiscal years 12-17 comprised of:

--\$65,000 for standard goods and services (5.0 FTE X \$13,000 per FTE = \$65,000).

--\$1,675,800 for EBT usage fees. These fees are calculated as follows: \$3 per month per child receiving a subsidy x 46,550 children = \$139,650 per month x 12 months = \$1,675,800.

Standard goods and services include necessary supplies and materials, space and utilities, information technology fees and equipment leases, communications, routine printing and reproduction, routine attorney general services, employee development and training, and mandatory state charges for Department of Personnel and Department of General Administration services.

Capital Outlay: A one-time expenditure of \$2,879,000 FY12 for the following:

-- \$2,043,000 for EBT machines, calculated as follows: \$375 per machine x 5,448 machines = \$2,043,000. The 5,448 figure is based upon the number of all licensed child care facilities in Washington that accepted subsidy payments, in October 2010.

The current total of licensed child care facilities in Washington State is 7,454. This would be the maximum number of EBT machines that would be purchased, however, at the current time not every site accepts subsidies and therefore would not require a machine. Maximum for EBT machines if all licensed facilities required one would be 2,795,250, calculated as follows: \$375 per machine x 7,454 machines = 2,795,250.

The EBT machines could also be leased instead of purchased. The lease cost is approximately \$15 per machine per month.

-- \$800,000 for EBT software. Based upon other states experience for programming costs necessary to interface payments with the electronic attendance data file.

-- \$36,000 for office furniture and equipment for the 5.0 FTE (5 persons X \$7,200 per person = \$36,000).

Client services contracts: -\$360,000 in each fiscal year from 2013 to 2017 that is currently expended for Improper Payments Act and attendance reconciliations (federal).

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	5.0	5.0	5.0	5.0	5.0
A-Salaries and Wages	242,256	242,256	484,512	484,512	484,512
B-Employee Benefits	82,749	82,749	165,498	165,498	165,498
C-Personal Service Contracts					
E-Goods and Services	1,740,800	1,740,800	3,481,600	3,481,600	3,481,600
G-Travel					
J-Capital Outlays	2,879,000		2,879,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		(360,000)	(360,000)	(720,000)	(720,000)
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$4,944,805	\$1,705,805	\$6,650,610	\$3,411,610	\$3,411,610

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
Program Specialist 2	42,588	3.0	3.0	3.0	3.0	3.0
Program Specialist 3	55,836	1.0	1.0	1.0	1.0	1.0
Research Analyst 5	58,656	1.0	1.0	1.0	1.0	1.0
Total FTE's	157,080	5.0	5.0	5.0	5.0	5.0

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.

Using an EBT system for electronic attendance would result in the need to amend the department's Washington Administrative Code (WAC's) based on current requirements for full signatures. The department anticipates the need to develop rules regarding requirements that providers must follow in using the EBT system, to include rules regarding sanctions for failure to use the system accordingly. These activities are part of current DEL lead child care agency policy responsibilities and would not require additional resources.