

February 28, 2024

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2785 by House Committee on Child Welfare and Foster Care

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2785 is respectfully submitted to your committee.

HB 2785 would establish the Kansas Office of Early Childhood within the Executive Branch, to be administered under the direction and supervision of the Executive Director of Early Childhood. The Director would be appointed by the Governor, subject to confirmation by the Senate. Existing early childhood programs currently housed within the Kansas Department for Children and Families (DCF), the Kansas Department of Education (KSDE) and Kansas Children's Cabinet and Trust Fund, and the Kansas Department of Health and Environment (KDHE) would be transferred to the agency. The agency would include the Division of Child Care, the Division of Home Visitation, the Division of Head Start Collaboration, and the Kansas Children's Cabinet and Trust Fund. The Office would facilitate and coordinate interagency cooperation towards the goal of serving children and families. All duties, responsibilities, requirements, and powers of the new agency and the Director would be detailed in the bill. An interagency transition team would be appointed by the Governor on or after July 1, 2024, with the full transition to the new agency to be completed by July 1, 2026.

According to DCF, enactment of HB 2785 would result in a reduction of agency expenditures totaling \$127.6 million, including \$14.6 million from the State General Fund, beginning in FY 2026. The corresponding revenue sources for these expenditures would also be reduced from the agency budget. A total of 15.00 FTE positions are currently associated with these programs. The bill indicates the Office may enter into agreements with DCF for the administration of child care subsidy payments. DCF notes that any such agreements would require that DCF determine an applicant's eligibility according to KSA 39-709. The agency assumes this function would remain with DCF to allow the continuation of a single worker process for all

assistance programs. Similarly, support functions needed to determine, monitor, and maintain eligibility would also continue within DCF. The agency states these support services and functions include the Kansas Eligibility Enforcement System, the electronic benefits transfer system to make assistance funds available on an Electronic Benefit Transfer card for child care and other programs, and other contracts used to verify eligibility information.

The following table details the reduction in expenditures with the transfer of the identified DCF programs and related operations based on FY 2025 Governor’s Budget Recommendations:

DCF Program Name	All Funds	SGF
Employment Eligible Child Care	(94,681,457)	(10,520,294)
TANF Child Care	(4,000,000)	(4,000,000)
Child Care Quality	(5,964,391)	-
Healthy Families America	(3,150,000)	-
Kansas Early Head Start Home Vistitation	(5,192,848)	-
Kansas Early Head Start Child Care Partnership	(7,536,462)	-
Transfer to KDHE Child Care Licensing	(5,936,449)	-
Transfer KSDE Kansas Coordinating Council	(12,000)	-
Head Start Collaboration	(120,910)	(30,226)
CCDF Administration	(567,640)	-
EES Community Collaboration	(100,929)	-
Operations	(300,441)	-
Total	(127,563,527)	(14,550,520)

DCF has identified the following budgeted programs that would be moved to the new Office: Child Care Assistance, Child Care Quality, Head Start Collaboration Office, Healthy Families America, Kansas Early Head Start Child Care Partnership, and Kansas Early Head Start Home Visitation. Child Care Assistance would include employment eligible assistance as well as those eligible through Temporary Assistance for Needy Families (TANF). Additionally, the DCF budget includes federal Child Care and Development Fund (CCDF) amounts that are transferred to KDHE for child care licensing and to KSDE for the Kansas Coordinating Council. The agency notes that the Governor’s recommendation included one-time funding totaling \$15.0 million from the State General Fund for sustainability grants that has not been included in the estimates for the transfer of existing programs. The listed programs include salaries and other operating costs for 3.00 FTE positions, including two positions assigned to Child Care Quality and a Head Start Collaboration Coordinator. The estimates include costs for child care subsidy payment expenses. However, the costs related to eligibility staff and supporting resources have not been included as it is assumed DCF would continue to provide the eligibility determination services.

In addition to direct services, the agency would expect certain support services to be transferred to the new agency. These services include 12.00 FTE positions. CCDF Administration performs administrative and policy activities related solely to programs funded with CCDF. There

are 8.00 FTE positions associated with this program. Economic and Employment Services (EES) Collaboration includes 1.00 FTE position funded with the CCDF. DCF Operations includes 3.00 FTE positions. These positions perform administrative support functions such as federal reporting; writing, awarding, and monitoring grants and contracts being transferred; budget preparation; and completing payables and purchasing. It is assumed DCF staff would continue to provide services related to child care subsidy such as eligibility determination and ongoing case management as discussed previously. Therefore, no reductions for expenses or positions were calculated for this work. If DCF does not maintain these functions, there would be additional savings related to those staff and support services. Additionally, the agency notes the estimate does not include other indirect costs. These costs are allocated based on the makeup of caseload and work performed by eligibility workers. As their work and caseloads are assumed to continue, there would be no change in the allocation method for indirect costs.

KDHE estimates that enactment of HB 2785 would reduce total expenditures by \$16.2 million in FY 2026. The agency estimates a reduction of revenue totaling \$16.7 million in FY 2026 associated with the transfer of programs pursuant to HB 2785 and the related funding streams.

KDHE states that child care licensing (CCL) is primarily funded by interagency contract funds between KDHE and DCF. These funds originate as federal CCDF program funds and are contracted to KDHE on a three-year cycle to carry out the health and safety portion of the state's early childhood care plan. The current interagency contract runs through FY 2026. CCL also receives a variable State General Fund appropriation which is used to fund approximately 10.0 percent of total CCL operations. KDHE estimates a State General Fund reduction of \$531,212 and a CCDF reduction of \$5.8 million in FY 2026 related to the transfer of the CCL program, based on the amounts obligated for the program in FY 2025. There would be no fiscal effect for this program in FY 2025. The agency also estimates a total reduction of \$1.1 million in fee fund revenue for background check and licensing application fees in FY 2026. This total also includes the transfer of remaining balances in funds related to the CCL program. There are other positions at KDHE that exist outside of the CCL program but are funded by CCL funds as they support the program. This includes portions of salaries for Bureau of Family Health leadership positions, rules and regulations positions, administrative support positions, and some IT positions as necessary.

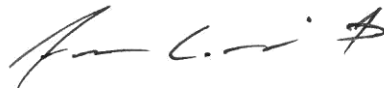
Home visiting programs at KDHE include Maternal, Infant and Early Childhood Home Visiting and Universal Home Visiting (UHV) through the Maternal and Child Health block grant. The transfer of these programs would result in a reduction of associated state and federal funds that support these programs, as these funding streams would be moved to the new agency. The estimated total reduction in revenues is \$9.4 million in FY 2026. This estimate is based on historic awards and federal estimates. The agency notes that because the UHV program is funded through Title V and those funds would not be moving, they would continue to be distributed to KDHE and KDHE would pass them on to the new agency to fulfill UHV needs in the state. There is the potential for a fiscal effect in FY 2025 for these programs that would depend on the timing of the transfer and receipt of federal awards, but a total effect could not be estimated due to unknown factors.

KSDE states that enactment of HB 2785 would not have a fiscal effect on the agency. After July 1, 2026, the agency would no longer be involved in the administration and operation of the

Parent Education Program. School districts operating an approved Parent Education Program would be eligible to receive a state funded grant. The new Office would provide technical advice and assistance, application for the parent education grant, studies, materials, procedures, and personnel available to school districts.

The Division of the Budget assumes the reported agency specific savings related to the enactment of HB 2785 would not result in statewide savings as most program duties and responsibilities would be transferred to the Office of Early Childhood. In addition to program expenditures, the salary and benefits for the new Executive Director is likely to be in the range of \$100,000 to \$125,000 based on similar positions in other state agencies. In addition, the estimates reported in this fiscal note do not include expenditures related to any new duties or new administrative costs that may result with enactment of the bill, as those costs cannot be estimated at this time. Any fiscal effect associated with HB 2785 is not reflected in *The FY 2025 Governor's Budget Report*, although expenditures for existing programs are included as discussed above.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Gabrielle Hull, Department of Education
Amy Penrod, Department of Health & Environment
Kim Holter, Department for Children & Families