

March 10, 2023

REVISED

The Honorable Renee Erickson, Chairperson
Senate Committee on Commerce
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Senator Erickson:

SUBJECT: Revised Fiscal Note for SB 282 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 282 is respectfully submitted to your committee.

SB 282 would establish new training and education requirements for child care center staff of licensed child care facilities, as well as general facility requirements, including requirements for inspections. The bill would also set capacity limits for day care homes and facilities based on ages of children and type of facility. The bill would allow for a waiver from the requirements as approved by the Secretary of Health and Environment. The Secretary would also be authorized to develop and operate pilot programs as outlined in the bill, designed to increase the availability or capacity of day care facilities in the state. The bill would update definitions in KSA 65-503 to provide for consistency and provide new definitions related to the new requirements within the bill. SB 282 would also amend the current fee schedule for licensure for child care facilities to include only maternity centers, child placement agencies, and child care resource and referral agencies. In addition, beginning July 1, 2026, the bill would require all inspections of facilities licensed under provisions of the bill to be conducted by employees of the Kansas Department of Health and Environment. The Secretary would be able to hire, replace, or transition all surveyors or similar employees working for a municipality who conduct inspections of the facilities into the unclassified service.

Since the original fiscal effect statement was issued, the Kansas Department for Children and Families (DCF) has provided information on the fiscal effect of this bill. DCF indicates passage of the bill would require additional federal funds totaling \$9.8 million beginning in FY 2024 due to the increase of capacity of facilities providing child care services. DCF assumes that all current child care providers would increase their capacity to the maximum allowed by the bill.

Using a comparison with the current limits to the new limits, the estimated increase of capacity is 14.4 percent. When applied to the FY 2024 budgeted caseload this increases the number of families served monthly by 955 and the number of children by 1,646. An average projected monthly benefit per child of \$494.00 results in a total increase of approximately \$9.8 million. The agency notes this would be the maximum potential effect and the actual effect is likely to be lower. DCF states that with current federal Child Care and Development Fund (CCDF) grant allocations, there are sufficient funds available to cover the estimated increase in subsidy payments. However, it is unknown how increasing the classroom ratios and group sizes will impact the utilization of federal CCDF funding. If the federal government determines the proposed ratios and group sizes do not create environments in which child care providers can meet the safety and development needs of the children served, there could be a penalty assessed at 4.0 percent of DCF's annual CCDF discretionary fund allocation. The annual CCDF discretionary allocation to Kansas for federal fiscal year 2023 is \$67.2 million.

According to the Kansas Department of Health and Environment (KDHE), enactment of SB 282 is estimated to require additional expenditures of \$1.1 million, all from the State General Fund, in FY 2024 and up to \$9.2 million, all from the State General Fund, and up to an additional 93.00 FTE positions beginning in FY 2027 and ongoing each year after that. KDHE notes that funding would need to come from State General Fund or federal funds but did not note an available federal funding stream. The agency states that the fees currently collected from annual renewals serve as aid to local health departments, which are contracted to assist the Child Care Licensing Program with surveyors. Elimination of annual fees would require the program to find a way to replace this funding stream. KDHE reports between 2017 and 2020 the program paid out an average of \$424,000 in funds to local health departments. The fees also provide some funding for salaries and wages and assist with the purchase of fleet vehicles as needed and fleet vehicle repairs throughout the year. KDHE estimates the replacement of \$424,000 would be necessary beginning in FY 2024.

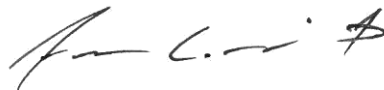
KDHE also notes that removing contracted health departments would affect the amount of matching funds the program is required to have each year through the CCDF grant. The program contract with the Department for Children and Families obligates the program to match approximately \$1.0 million. Currently, the program is able to meet this obligation with a recurring State General Fund appropriation of \$290,720, funds collected from fees, and the match funds health departments put toward the program. With the elimination of fees and contracted health departments, this would leave the program with only the \$290,720 in State General Fund, which is not enough to meet the obligation. The program would need an additional \$709,280 to meet the obligation beginning in FY 2024.

In addition, the requirement for all surveyors to be employed by KDHE would also require an increase in funding beginning in FY 2027. KDHE currently implements a hybrid model for facility inspections where some of the surveyors are KDHE employees and others are contracted through local agencies, depending on what best serves the community. As of March 2023, 43 of 105 Kansas counties are already covered by a KDHE surveyor compared to 62 covered by a contracted local agency inspector. The increase in KDHE employed surveyors would also require additional staff to supervise these surveyors. KDHE states the recommended ratio for surveyors to facilities ranges from 1:50 to 1:60. A ratio of 1:50 would require 93.00 additional FTE positions

at an estimated cost of \$6.2 million. A 1:60 ratio would require 78.00 additional FTE positions at an estimated cost of \$5.2 million. This is based on 4,632 total facilities, an average salary of \$50,171 for surveyors, and fringe benefits at \$16,055. The total estimated cost per FTE position is \$66,226. There would also be an increase in needed funding for the purchase of fleet vehicles for each surveyor. For basic vehicles estimated at \$20,000, the cost would be \$1.9 million for 93 surveyors and \$1.6 million for 78 surveyors. The estimates provided do not account for the issuance of supplies, phones, and other equipment needed to function as a KDHE surveyor, which would cause an increase to the fiscal note as well. Any fiscal effect associated with SB 282 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties states the bill could have a fiscal effect for counties, but notes that counties are restricted in their ability to regulate child care centers. The League of Kansas Municipalities reports that enactment of the bill would result in increased costs to local governments as they would be required to develop and implement new procedures regarding child care facilities and licensure. The added duties would also require additional time and training for city appointed officials. A total fiscal effect could not be estimated.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Amy Penrod, KDHE
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties