

February 23, 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 2569 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2569 is respectfully submitted to your committee.

HB 2569 would prohibit the Secretary of Health and Environment from renewing any contracts related to childcare licensing with cities, counties, or any other entity on and after July 1, 2025. The services would be required to be replaced and provided by full-time equivalent state employees in the unclassified service. The Secretary would be required to utilize the funds previously allocated to the contracted entities and would seek reimbursement for excess costs from the Department for Children and Families as allowed pursuant to the agreement for reimbursement of costs between the agencies or any other available funds. The Secretary would be required to conduct an annual survey of all licensed child care providers and report a summary of the survey to Legislature beginning in 2026.

According to the Kansas Department of Health and Environment (KDHE), enactment of HB 2569 would require additional expenditures of at least \$1.6 million, including \$289,280 from the State General Fund, in FY 2026 and \$636,241, including \$289,280 from the State General Fund, in FY 2027 and beyond. The agency states they currently implement a hybrid model for facility inspections and services. Some of the local licensing specialists are KDHE employees and others are contracted through local agencies, depending on what is determined to be best for the community. As of September 30, 2023, 45 of 105 Kansas counties were being serviced by a KDHE specialist and 60 counties being serviced by a contracted local agency inspector. There are currently 46 contracted licensing specialists working through local health departments. The agency indicates they would need 46.00 FTE Licensing Specialist positions to comply with the

requirements of HB 2569. KDHE states the average salary of current KDHE Licensing Specialists (including fringe benefits) is \$62,284 and the total cost for 46.00 Licensing Specialists would be \$2,865,057. The agency would also need fleet vehicles for each position beginning in FY 2026. An average cost of \$20,000 was used for a total cost of \$920,000. The total for salaries and the vehicles would be \$3,785,057.

Currently, KDHE distributes \$2,518,096 to local health departments for licensing services. These funds are provided to KDHE from the Department for Children and Families (DCF) via federal Child Care Development Fund (CCDF) as part of Aid to Local (ATL) funding. This includes funding for salaries, equipment, gas, mileage, and other supplies to operate licensing programs. If KDHE were to eliminate the ATL funding that is dispersed to the local counties with a contracted licensing specialist and retain those funds, the need to convert all contracted staff would be reduced to approximately \$1,266,961 for FY 2026. For FY 2027 and beyond, the additional funding would be \$346,961 as the initial expense of vehicles would not be needed.

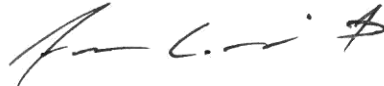
KDHE reports that eliminating contracted local health departments would affect the amount of match funds the program is required to have each year through the CCDF. KDHE is currently under contract with DCF which obligates the program to match approximately \$1.0 million in funds. Currently, the program can meet this obligation by receiving State General Fund in an amount of \$290,720, funds collected from program fees (average of \$420,000 per year since 2021), and the match funds local health departments provide to the Child Care Licensing program. Currently, local health departments provide a funding match totaling \$1,323,943. With the elimination of contracted health departments, this would leave the program with approximately \$710,720 from the current State General Fund and fee fund amounts. The program would need an additional \$289,280 outside of CCDF funding to meet the contract obligation of \$1.0 million each year.

The reported estimates assume the conversion of 46.00 contracted inspectors to state employees and do not reflect the actual costs that will be incurred. The agency is unable to estimate an exact fiscal effect. KDHE notes the estimate provided does not account for the issuance of supplies, gas mileage, phones, and other equipment needed to function as a KDHE licensing specialist, which would cause an increase in the fiscal effect. It also does not account for streams of revenue that would be lost for communities where contracted licensing specialists are based. Many local health departments collect local fees to support their program and department as KDHE does not typically fully fund child care licensing contracts. In addition, there is also the potential for local health departments to cancel their contractual obligations prior to the effect of this bill. KDHE states that additional CCDF funding requests made by KDHE to DCF are not guaranteed.

DCF states that depending on the calculated impact by KDHE, DCF may be obligated to provide additional CCDF funding if available. Additional CCDF funds would be subject to required earmarks and spending limits. DCF reports that enactment of HB 2569 would not have a fiscal effect on agency revenues. Any fiscal effect associated with HB 2569 is not reflected in *The FY 2025 Governor's Budget Report*.

According to the Kansas Association of Counties, enactment of the bill would have a fiscal effect on counties. While there is some potential for savings, the total could not be estimated. Loss of funding to local health departments could result in less services locally. The League of Kansas Municipalities notes that the bill could impact cities with contracts for the services, but a total fiscal effect could not be estimated.

Sincerely,

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

Adam C. Proffitt
Director of the Budget

cc: Amy Penrod, Department of Health & Environment
Kim Holter, Department for Children & Families
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities