

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 132 – SB 89

February 24, 2020

SUMMARY OF BILL: Requires, beginning August 1, 2019, the Department of Human Services (DHS) to provide a once-yearly bonus subsidy payment equal to the 12-month average of the total reimbursement from the previous year, to participating child care agencies with a three-star quality rating that accept the DHS' child care assistance subsidy payment. Bonus subsidy payments are subject to the available funding in the DHS budget.

ESTIMATED FISCAL IMPACT:

On February 20, 2019, a fiscal note was issued estimating a fiscal impact as follows:

Increase State Expenditures – \$410,200/Child Care Development Fund

Due to incorrect information provided by the Department of Human Services, the original estimate was determined to be in error. Based on new information received from the Department, the fiscal impact has been corrected as follows:

(CORRECTED)

**Increase State Expenditures – \$5,716,400/FY19-20 and Subsequent Years
/Child Care Development Fund**

Other Fiscal Impact – Based on information provided by DHS, there is adequate funding within the grant fund to absorb the additional expenditures.

Corrected Assumptions:

- Pursuant to Tenn. Code Ann. § 71-3-502(j)(3)(D), a child care agency that agrees to voluntarily participate in the rated licensing system and accepts the DHS child care assistance subsidy payments is authorized to receive higher subsidy payments, as determined by DHS, based upon the child care quality rating and subject to available funding in the DHS budget.
- The voluntary star quality rating system recognizes child care agencies that exceed minimum licensing standards. Agencies may receive a rating of one, two or three stars.
- There were 814 child care agencies with a three-star quality rating that received subsidy payments from DHS in FY18-19.

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- Based on information provided by the DHS, the total amount of subsidy payments paid to three-star agencies in FY18-19 was \$68,597,344.
- The 12-month average of the total reimbursement in subsidy payments in FY18-19 is \$5,716,445 (\$68,597,344 / 12 months).
- The average bonus subsidy payment to each participating agency is estimated to be \$7,023 (\$5,716,445 / 814 agencies).
- To the extent funding is available in the DHS budget, the recurring increase in state expenditures associated with providing bonus subsidy payments is estimated to be \$5,716,445 in FY19-20 and subsequent years.
- Based on information provided by the DHS, the recurring increase in state expenditures will impact the Child Care Development Fund (CCDF) grant. It is estimated that the DHS is able to absorb this cost within the CCDF grant and without a budgetary increase.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/vlh