

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1193-02  
Bill No.: HCS for HB 387  
Subject: Children and Minors; Department of Health and Senior Services; Department of Social Services  
Type: Original  
Date: March 27, 2009

Bill Summary: This legislation establishes a quality rating system for child care facilities.  
This legislation will sunset in six years.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown but Greater than \$759,911)	(Unknown but Greater than \$3,432,115)	(Unknown but Greater than \$5,149,796)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown but Great than \$759,911)</b>	<b>(Unknown but Greater than \$3,432,115)</b>	<b>(Unknown but Greater than \$5,149,796)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Quality Rating System Program Improvement Grant Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Assume potential transfers in-appropriations, gifts, donations or bequests.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and costs of approximately \$17,213 in FY10, \$18,113 in FY11 and \$18,656 in FY12 would net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Quality Rating System Program Improvement Grant	.73 FTE	.73 FTE	.73 FTE
Federal	.27 FTE	.27 FTE	.27 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

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### ASSUMPTION

#### ***Section 210.205:***

Officials from the **University of Missouri, Missouri House of Representatives** and the **Missouri Senate** each assume the proposal would have no fiscal impact on their respective agencies.

In response to a similar proposal from 2008 (SB726), officials from the **Missouri State Treasurer** assume the proposal would have no fiscal impact on their agency.

Officials from the **Department of Mental Health (DMH)** states other than collaborating with the Department of Social Services, Department of Health and Senior Services and the Department of Elementary and Secondary Education, this proposed legislation places no requirements upon the DMH. DMH collaborates with other state agencies in many areas and expects no significant cost to the Department associated with this bill.

Officials from the **Department of Elementary and Secondary Education (DESE)** states Section 210.205 requires the use of a specific rating system which the Department is not currently using. All of our Missouri Preschool Project's would need to be changed over to that rating scale. Subsidies would be affected by how well the programs rate on the rating scale, thus impacting the program's finances and ability to serve children.

The fiscal impact is unknown as the Department cannot know how the grantees will perform on the specified rating system.

Officials from the **Department of Health and Senior Services** state the following:

Sections 210.205. 1. - 3. - Based on discussion with Department of Social Services (DSS), all costs related to the development of the rating system will be included in the DSS fiscal notes response. The Department assumes that any collaboration between the DHSS and the DSS required by the legislation would be accomplished with existing staff and resources. DHSS assumes no cost to develop the rating system.

Section 210.205.4. - The legislation requires DSS to administer the newly created "Early Childhood Program Quality Improvement Grant Fund". The DHSS assumes no cost related to this fund.

ASSUMPTION (continued)

Section 210.205.5 - Based on discussion with DSS, their costs related to developing the rating system will include the costs of collection, development and distribution in (1) and (2). Subsection (3) requires that the provider ratings be posted on the Internet. Based on information received from OA ITSD, \$50,000 is included as an estimate of the cost to post this information on the DHSS Internet site. Since ITSD work until rules are promulgated by DSS, it is assumed that ITSD work will not begin until FY 2011. Therefore, it is assumed that this cost would be paid from General Revenue during FY 2011.

Section 210.205.6 - The legislation requires DSS to promulgate rules. The DHSS assumes no cost related to rules.

Potential Future Costs - Implementation of this legislation might result in an increase in the number of licensed facilities with a corresponding increased inspection workload for the Section for Child Care Regulation. If such an increase were to occur, the program would ask for additional staff through the budget process at a later date.

The increased demand for required annual training hours for licensed providers has the potential to exceed the current training capacity of the Missouri Child Care Resource and Referral Network (MOCCRRN). If such an increase were to occur, the program would ask for additional funding through the budget process at a later date.

Officials from the **Department of Social Services** state the following:

Cost for rating system based on University of Missouri (UM) estimates. The proposed process increases the number of programs rated each year until FY 14 when 70% of the programs will be rated. No state with a voluntary Quality Rating System (QRS) has seen participation exceed 70%. The improvement fund calculation has been broken out as it is subject to appropriation. The Children's Division assumes that the licensed child care programs receiving quality improvement funds or services that are mandated to be rated by July 1, 2012, will be included in the first 3 years of implementation. The projected cost per year is:

<u>Year</u>	<u>Percentage</u> <u>Rated</u>	<u>QRS Cost</u>	<u>Improvement</u> <u>Fund</u>	<u>Total</u>
FY10	10%	\$0 to \$714,301	\$0	\$714,301
FY11	27%	\$0 to \$1,196,124	\$0 to \$2,038,000	\$1,196,124 to \$3,234,124
FY12	43%	\$0 to \$1,690,366	\$0 to \$3,310,000	\$1,690,366 to \$5,000,366
FY13	57%	\$0 to \$2,181,936	\$0 to \$4,330,000	\$2,181,936 to \$6,511,936
FY14	70%	\$0 to \$2,684,507	\$0 to \$5,348,000	\$2,684,507 to \$8,032,507

ASSUMPTION (continued)

This methodology changed from the previous year fiscal note. It has been determined that the child care providers will be reviewed every 18 months instead of 12 months. This resulted in a significant reduction in the cost to implement the QRS.

Cost for tiered subsidy system is unknown at this time, but is anticipated to be several million dollars. Current subsidy system will need to be revamped. Factors that may influence cost are adjustments to parental sliding fee/co-payment, actual cost variances between the various QRS levels, income eligibility level increases, etc. Since the subsidy will only be implemented after passage of a resolution by the General Assembly, no cost is shown in the fiscal note.

One FTE for QRS UMC grant oversight, i.e. contract development, monitoring, reviewing reporting and outcome requirements and statistical data, liaison between DSS and grantee including coordination with other DSS programs, providing technical assistance to grantee, and payment of invoices. This FTE will also be the liaison with the Coordinating Board for Early Childhood in developing and implementing a tiered reimbursement system.

This version of the legislation establishes DSS to enter into a contract with a non-government organization/s for the purpose of the Quality Improvement Grant disbursement. While it is unknown the amount needed to contract this process, the Division is anticipating a fiscal impact of unknown but greater than \$100,000.

**Oversight** notes that this proposal would create a fund which shall consist of gifts, donations, bequests, transfers, and moneys appropriated by the General Assembly. Oversight assumes the fund would receive some gifts, etc, but Oversight assumes that all or virtually all of this funding would be transferred or appropriated from the General Revenue Fund.

**Oversight** has, for fiscal note purposes only, assumed this proposal will be appropriated and reflexed the cost without a "\$0 to" range.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
 <b>GENERAL REVENUE FUND</b>			
<u>Transfer Out</u> - Transfer to the Quality Rating System Program Improvement Grant Fund	(\$759,911)	(Unknown but Greater than \$3,382,115)	(Unknown but Greater than \$5,149,796)
<u>Costs</u> - Department of Elementary and Secondary Education	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - Department of Health and Senior Services			
Post Information on Internet Site	\$0	(\$50,000)	\$0
 <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	 <b><u>(Unknown but Greater than \$759,911)</u></b>	 <b><u>(Unknown but Greater than \$3,432,115)</u></b>	 <b><u>(Unknown but Greater than \$5,149,796)</u></b>

**QUALITY RATING SYSTEM  
 PROGRAM IMPROVEMENT  
 GRANT FUND**

<u>Transfer In</u> - Appropriation, gifts, donations or bequests*	\$759,911	Unknown but Greater than \$3,382,115	Unknown but Greater than \$5,149,796
<u>Costs</u> - Department of Social Services			
Personal Services	(\$24,106)	(\$29,807)	(\$30,701)
Fringe Benefits	(\$11,723)	(\$14,495)	(\$14,930)
Equipment and Expense	(\$9,781)	(\$3,689)	(\$3,799)
Program Costs-Grant Disbursement		(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)
Program Costs-QRS	(\$714,301)	(\$1,196,124)	(\$1,690,366)
Program Costs	\$0	(Unknown but Greater than \$2,038,000)	(Unknown but Greater than \$3,310,000)
<u>Total Costs</u> - DSS		(Unknown but Greater than \$3,382,115)	(Unknown but Greater than \$5,149,796)
FTE Change - DSS	.73 FTE	.73 FTE	.73 FTE

**ESTIMATED NET EFFECT ON  
 QUALITY RATING SYSTEM  
 PROGRAM IMPROVEMENT  
 GRANT FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change for General Revenue Fund	.73 FTE	.73 FTE	.73 FTE

\*Assume potential transfers in-appropriations, gifts, or donations.

**FEDERAL FUNDS**

Income - Department of Social Services

Federal Assistance	\$17,213	\$18,113	\$18,656
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Costs - Department of Social Services

Personal Services	(\$9,098)	(\$11,250)	(\$11,587)
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Fringe Benefits	(\$4,424)	(\$5,471)	(\$5,635)
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Equipment and Expense	(\$3,691)	(\$1,392)	(\$1,434)
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<u>Total Costs - DSS</u>	<u>(\$17,213)</u>	<u>(\$18,113)</u>	<u>(\$18,656)</u>
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FTE Change - DSS	.27 FTE	.27 FTE	.27 FTE
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**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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Estimated Net FTE Change for General  
 Revenue Fund

.27 FTE	.27 FTE	.27 FTE
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FISCAL IMPACT - Local Government

FY 2010 (10 Mo.)	FY 2011	FY 2012
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<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Small Business

Child care providers may incur costs for quality improvements in order to achieve their desired level of quality rating.

FISCAL DESCRIPTION

**Section 210.205:**

The proposed legislation requires the Department of Social Services, in collaboration with the Departments of Health and Senior Services, Elementary and Secondary Education, and Mental Health, to develop by September 1, 2009, a quality rating system for early childhood and before- and after-school programs that are licensed by the Department of Social Services. Licensing will be the baseline rating, with the highest rating being accreditation. The Department of Social Services must use the model developed by the University of Missouri Center for Family Policy

FISCAL DESCRIPTION (continued)

and Research to establish the rating system. The rating system will allow an individual to evaluate and select high-quality programs, create an accountability system for policymakers and funders, and guide providers through a system of ever increasing levels of quality with specific outcomes for child care.

By July 1, 2012, the Coordinating Board for Early Childhood within the Children's Services Commission must develop a plan for a tiered rating system of reimbursement for child care subsidies based on the rating system for licensed facilities that receive funding or services to improve the quality of their program. By December 31, 2010, a proposed plan with recommendations for implementation of the reimbursement system must be submitted to the General Assembly. The plan will only become effective after authorization by the General Assembly.

The legislation creates the Quality Rating System Program Improvement Fund to be administered by the Department of Social Services to provide grants directly to licensed providers to make quality improvements to comply with the rating system or to community based organizations assisting providers with the improvements. Grants must be awarded in a geographically diverse manner. Moneys in the fund will consist of donations, gifts, transfers, bequests, and appropriations from the General Assembly. The Department of Social Services, in collaboration with the Departments of Health and Senior Services, Mental Health, and Elementary and Secondary Education, will be responsible for collecting, developing, and distributing resource materials to educate the public and early childhood and before- and after-school programs in Missouri about the quality rating system and posting the ratings on the Missouri Child Care Resource and Referral Network web site by December 31, 2012.

The provisions regarding the child care quality rating system will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services  
Missouri House of Representatives  
Missouri Senate  
Missouri State Treasurer  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent "M" and "W".

Mickey Wilson, CPA  
Director  
March 27, 2009