



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0457.01: Revise best beginnings eligibility**

Primary Sponsor: **Jonathan Karlen**

Status: **As Introduced**

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$31,176,376 | \$31,176,376 | \$31,176,376 | \$31,176,376 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>(\$31,176,376)</u> | <u>(\$31,176,376)</u> | <u>(\$31,176,376)</u> | <u>(\$31,176,376)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 457 proposes to change the methodology for eligibility of Best Beginnings subsidy (BBS) by raising the eligibility from 185% Federal Poverty Level (FPL) to 85% of the State Median Income (SMI), and provides a \$17 million general fund appropriation annually. The fiscal impact is based on an increase in the number of families that will be eligible for Best Beginnings subsidy and additional contracting costs for the Department of Public Health and Human Services.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (DPHHS/department)

1. SFY 2024 Managerial report indicates 4,590 children received Child Care and Development Funding (CCDF) known as Best Beginnings subsidy for all ages at the current 185% Federal Poverty Level (FPL) eligibility threshold. This number is a total of all non TANF subsidy payments from CCDF funds.
2. Department of Revenue data indicates 83,744 dependents in Montana are in households at or below 185% FPL. The department calculated that 5.48% of all dependents below the income threshold participate in BBS ($4,590 / 83,744 = 5.48\%$).
3. The department assumes the percent of children participating will remain the same (5.48%) at the new income threshold. The Department of Revenue data shows that 125,802 dependents in Montana are under 85% of the State Median Income (SMI). The department assumes approximately 6,893 total children will participate in BBS ($5.48\% * 125,802$).
4. The difference in children served between 185% FPL and 85% SMI is estimated to be 2,303 ($6,893 - 4,590$).
5. To estimate the cost for the additional 2,303 children, rates were calculated for full time care. The department assumes an average of 22 days or care per month based on full time care.

6. Currently, the largest portion of children in care are in the preschool age group (3-6). This group was used to estimate the cost of serving the additional children.
7. Child care rates per day vary by facility type. The table below estimates number of children by facility type based on the current BBS distribution of children.

| Facility type | % of Children | # Children Estimated | Rate per day | Annual Cost |
|--------------------------|---------------|----------------------|--------------|---|
| | | | | Rate x 22 days per month x 12 months x # Children |
| Relative Care | 2.5% | 58 | \$ 30.00 | \$ 459,360.00 |
| Family, Friend, Neighbor | 2.2% | 51 | \$ 34.00 | \$ 457,776.00 |
| Family Home | 7.6% | 175 | \$ 40.00 | \$ 1,848,000.00 |
| Group Child Care Home | 22.4% | 516 | \$ 45.00 | \$ 6,130,080.00 |
| Child Care Center | 65.3% | 1503 | \$ 55.00 | \$ 21,823,560.00 |
| | | | | |
| TOTAL | 100% | 2303 | | \$ 30,718,776.00 |

8. The department assumes additional costs will be incurred by the BBS eligibility contractors due to increased applications and caseload.
9. BBS contracts include contracted caseworkers to complete eligibility determinations with a caseload of approximately 140 families each. Contracted caseworkers are paid at an average of \$22/hour and 25% fringe benefits. Estimated costs are \$57,200 per worker per year ($\$22/\text{hour} \times 40 \text{ hours} \times 52 \text{ weeks} = \$45,760$ (wages) $\times 25\%$ (Fringe benefits) = \$57,200).
10. BBS applications are by family. The department assumes an average of 2 children per family.
11. The department assumes approximately an additional 1,150 applications based on the increase in family applications ($2,303 \text{ children} / 2 \text{ children per family} = \text{about } 1,150 \text{ families}$).
12. The department estimates approximately 8 additional contracted caseworkers will be needed. ($1,150 \text{ families} / 140 \text{ caseload} = 8$).
13. Based on assumption 9 cost per worker, the department estimates an increased contract cost of \$457,600 ($8 \text{ workers} \times \$57,200 = \$457,600$).
14. Total cost for HB 457 is \$31,176,376 annually.
15. The department assumes the bill instructs the department to serve all eligible children. Section 2 of HB 457 includes an annual general fund appropriation of \$17,000,000, resulting in an annual shortfall of \$14.176 million. The fiscal impact of this analysis includes expenditures and funding at a level to fully fund the costs of serving all eligible children. If the intention is to not exceed the appropriation set forth in the bill, the department could implement a wait list to keep costs in line with appropriations.

Fiscal Analysis Table

| | <u>FY 2026</u> | <u>FY 2027</u> | <u>FY 2028</u> | <u>FY 2029</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Difference</u> | <u>Difference</u> | <u>Difference</u> | <u>Difference</u> |
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Operating Expenses | \$457,600 | \$457,600 | \$457,600 | \$457,600 |
| Benefits | \$30,718,776 | \$30,718,776 | \$30,718,776 | \$30,718,776 |
| TOTAL Expenditures | <u>\$31,176,376</u> | <u>\$31,176,376</u> | <u>\$31,176,376</u> | <u>\$31,176,376</u> |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$31,176,376 | \$31,176,376 | \$31,176,376 | \$31,176,376 |
| TOTAL Funding of Expenditures | <u>\$31,176,376</u> | <u>\$31,176,376</u> | <u>\$31,176,376</u> | <u>\$31,176,376</u> |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | <u>(\$31,176,376)</u> | <u>(\$31,176,376)</u> | <u>(\$31,176,376)</u> | <u>(\$31,176,376)</u> |

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date



Budget Director's Initials

3/23/2025

Date