

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 132 – SB 89**

February 20, 2019

**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:**

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

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 1,224 child care agencies with a three-star quality rating that received subsidy payments from DHS in FY17-18.
- Based on information provided by the DHS, the total amount of subsidy payments paid to three-star agencies in FY17-18 was \$4,922,289.
- The 12-month average of the total reimbursement in subsidy payments in FY17-18 is \$410,191 ( $\$4,922,289 / 12$  months).
- The average bonus subsidy payment to each participating agency is estimated to be \$335 ( $\$410,191 / 1,224$  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 \$410,191 ( $\$4,922,289 / 12$  months).
- Based on information provided by the DHS, the recurring increase in state expenditures will impact the Child Care Development Fund (CCDF) grant. 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.

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

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