TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2232 - SB 2063

February 19, 2024

SUMMARY OF BILL: Creates a two-year pilot project to invest in the self-sufficiency of employees of child care agencies. Mandates that the child of an employee of a child care agency will not lose eligibility to receive free or reduced-price meals and the employee will not lose eligibility for a public benefit program that is administered by the Department of Human Services (DHS) until January 1, 2027, so long as they are eligible on or after January 1, 2025, regardless of the employee's income increase that is attributable solely to the child care agency. Authorizes the Department of Education (DOE) and DHS to apply for the appropriate federal waivers to implements the pilot project.

Requires the Commissioner of DOE to submit a report to the Governor, the Chair of the Education Committee of the Senate, the Chair of the Education Committee of the House of Representatives, and the Legislative Librarian regarding pilot project findings and recommendations by January 15, 2027.

Requires the Commissioner of DHS to submit a report to the Governor, the Chair of the Health and Welfare Committee of the Senate, the Chair of the Health Committee of the House of Representatives, and the Legislative Librarian regarding pilot project findings and recommendations by January 15, 2027.

Requires the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to conduct a study on the establishment and feasibility of a target compensation scale for child care agency employees, and to submit a report of the findings to the Speaker of the Senate, the Speak of the House of Representatives, and to the Legislative Librarian by January 1, 2025.

FISCAL IMPACT:

Increase State Revenue – $3,400/FY24-25/Strategic Technology Systems

Increase State Expenditures – $103,700/FY24-25/General Fund

Increase Federal Expenditures – $137,800/FY24-25

Other Fiscal Impact – The proposed legislation may put the Department of Human Services out of compliance with requirements for federal funding for the Child Care and Development Fund and the Supplemental Nutrition Assistance Program, and may put the Department of Education out of

compliance requirements for federal funding for the National Nutrition Program. The precise amount of federal funding that may be jeopardized and any corresponding increase in state expenditures to cover lost federal funding is dependent on future actions of the federal government and cannot be reasonably estimated.

The continued TANF payments to child care employees will result in an increase in federal expenditures; however, due to multiple unknown variables related to these employees, the precise increase cannot be reasonably determined.

Assumptions:

- Pursuant to Tenn. Code Ann. § 71-3-501(4), a child care agency is a place or facility, regardless of whether it is currently licensed, that is operated as a family child care home, a group child care home, a child care center, or a drop-in center, or that provides child care for five or more children who are not related to the primary caregiver for three or more hours per day.
- Under federal regulations, the Child Care and Development Fund (CCDF), which funds DHS's Smart Steps child care assistance program, requires individuals to make below 85 percent state median income to qualify for benefits.
- The Supplemental Nutrition Assistance Program (SNAP), which funds free and reduced priced meals, requires individuals' net monthly income to be below 100 percent of the federal poverty level to qualify for benefits.
- The United State Department of Agriculture's (USDA) currently reimburses local education agencies for the cost of free or reduced-riced meals for students who participate in the National Nutrition Program, which is administered by DOE.
- Under federal regulations, the USDA requires individuals to make below 185 percent of the federal poverty level.
- Therefore, the proposed legislation would put the state out of compliance with federal eligibility guidelines for CCDF, SNAP, and the School Nutrition Program, and therefore risk federal funding that is given to provide families with child care assistance and free and reduced-price meals.
- DHS received $269,489,700 in federal funding for CCDF that was used for child care assistance in FY22-23, and $2,160,617,800 in federal funding for SNAP that was used for free and reduced-price meals in FY22-23.
- DOE received $488,239,216 in federal funding for the School Nutrition Program that was used for free and reduced-price meals in schools in FY22-23.
- In the event the state will be required to continue benefit payments, there will be an increase in state expenditures; however, the precise amount of federal funding that may be jeopardized and required increase in state expenditures cannot be reasonably estimated due to the unknown actions of the federal government.
- Temporary Assistance for Needy Families (TANF), which provides funds for DHS's Families First program, allows for state discretion in terms of income eligibility requirements. As such, DHS will be able to continue providing TANF funds pursuant to the proposed legislation.

- Families First benefits are limited to 60 months over a recipient's lifetime.
- The number of child care agency employees that are currently receiving Families First benefits who would otherwise lose benefit eligibility due to an increase in income is unknown.
- It is estimated that the continued TANF payments will result in an increase in federal expenditures as a result of the proposed legislation; however, due to the unknown number of child care agency employees currently receiving benefits, their current and future incomes, household sizes, other qualifying factors, and the current number of months of eligibility remaining for such recipients, the precise increase in federal expenditures cannot be reasonably determined.
- DHS would be required to contract with a third-party entity to make modifications to its benefits management system, which would result in a one-time increase in state expenditures of $100,344 in FY24-25, and a one-time increase in federal expenditures of $137,751 in FY24-25.
- The benefits management system would also require further business analysis and user acceptance testing, which would be performed by Strategic Technology Systems (STS) for a one-time cost of $3,363 in FY24-25.
- The total increase in state expenditures as a result of the proposed legislation will be $103,707 ($100,344 + $3,363) in FY24-25.
- The total increase in state revenue to the STS as a result of the proposed legislation will be $3,363 in FY24-25.
- The total increase in federal expenditures as a result of the proposed legislation will be $137,751 in FY24-25.
- TACIR will be able to conduct and report on its study by utilizing existing resources and personnel without any increase in expenditures.

CERTIFICATION:

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

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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