



February 21, 2024

Senator Ben Hansen, Chairman
Members of the Health and Human Services Committee
Nebraska Legislature

RE: LB946

Chairman Hansen and Members of the Health and Human Services Committee,

My name is Dr. Katie Bass and I am the Data and Policy Research Advisor representing First Five Nebraska, a statewide public policy organization focused on supporting policies that promote the early care, education and healthy development of our state's youngest children. I want to thank Senator Day for introducing LB946, requiring subsidy reimbursements based on a child's enrollment.

Child care businesses typically operate with very thin profit margins, and ensuring reliable revenue streams is essential to maintaining business operations. To do this, many providers count on revenue from families who can afford to purchase child care services privately, since these payments are based on children's enrollment in the program. This means, parents pay for their child's slot in the program, regardless of whether that child actually attends. Enrollment-based billing allows for a more consistent revenue stream that enables child care owners to pay for staff, rent or mortgage, utilities, supplies and other essential business expenses. This contrasts with attendance-based systems, in which providers bill for the hours or days children attend their program.

Nebraska's subsidy billing practices

Prior to 2020, Nebraska was one of 44 states that used an attendance-based system to reimburse providers who delivered child care services to families through the child care subsidy. However, during the pandemic, children were in and out of child care due to illness, exposure to COVID-19 or related factors. This created significant disruptions in the revenue streams of providers offering subsidized child care, destabilizing the industry and leading to program closures. As a result, every state that did not already allow providers to bill for subsidy based on enrollment adopted this system or similar billing practices during the public health emergency.

To offset the economic impact of COVID-19 on Nebraska's child care industry, Governor Ricketts signed Executive Order 20-18, which temporarily enabled providers serving subsidy-eligible children to bill for enrollment rather than attendance. When Executive Order 20-18 expired on July 31, 2021, new regulations went into effect allowing providers to bill for up to five absent days per subsidy-eligible child per month. This was an important first step in de-linking provider rates from attendance. However, as the child care providers who testified here today have shown, it is important to move the industry fully toward enrollment-based billing.

Should Nebraska take this step, we would join the 22 other states that chose to permanently adopt enrollment-based reimbursement policies after the pandemic because of their importance to the sustainability of the child care industry. Those states include Mississippi, Louisiana, Kansas, Tennessee, Texas and Wyoming, to name a few. An additional 12 states, including Alabama, Iowa and Oklahoma enacted absence

policies beyond the five days allowed in Nebraska. These states recognize that de-linking provider reimbursements from attendance improves access to child care for subsidy-eligible children and enhances the early childhood infrastructure for all children of working parents.

Access to quality child care in the early years has long-lasting positive effects, especially for low-income children. LB946 removes a barrier that can discourage providers from accepting the subsidy and supports those who already do. We hope you will advance LB946 to General File and I'm happy to try to answer any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Katie Bass". The signature is fluid and cursive, with a prominent initial "K" and "B".

Katie Bass, Ph.D.
Data and Policy Research Advisor
First Five Nebraska