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January 22, 2025

Senator Brian Hardin, Chairman
Members of the Health and Human Services Committee
Nebraska Legislature

RE: LB13

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

My name is Jen Goettemoeller Wendl and I am a contract lobbyist for First Five Nebraska, a statewide public policy organization focused on supporting policies that promote quality early care and learning opportunities for our state's youngest children. Thank you for the opportunity to support LB13.

Of Nebraska's 93 counties, 84 currently have licensed child care facilities.[1] 1,588 are family child care homes and 859 are child care centers and preschools. These providers go to great length to support the quality of life we enjoy in Nebraska. They open up their own homes to care for children in their neighborhood. They choose to operate in locations convenient for families and businesses (near local employers). They offer experiences requested by parents (such as trips to the library or walks to the park). They often reflect and share the same cultural and faith backgrounds of the families they serve. They allow parents to pursue careers. They generate business revenue. They help meet the current workforce needs of local businesses. They help grow the next generation of talented Nebraskans to keep our state competitive. Simply put, child care providers of every type are critical infrastructure in our communities all over the state. And they are often faced with impossible budget scenarios.

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.

The switch from attendance- to enrollment-based subsidy reimbursements creates predictable and stable funding streams, which can directly influence the following:

- Reduces attrition and attracts new providers to the field
- Strengthens a provider's application for loans or grants

[1] Five counties (Boyd, Dundy, Grant, Harlan, and Loup) have only one licensed child care provider. Nine counties (Arthur, Banner, Blaine, Hayes, Hitchcock, Keya Paha, Logan, McPherson, Sioux) are considered early child care deserts as they do not have even a single licensed child care provider.

- Allows providers to increase compensation for staff and improve employee retention
- Provides better trained and consistent caregivers for families

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 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, then-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.

2024 Child Care and Development Fund Final Rule

Recognizing, among other things, the instability caused by attendance-based revenue, the Administration for Children and Families published the 2024 Child Care and Development Fund (CCDF) Final Rule on February 28, 2024. It became effective on April 30, 2024, and updates regulations (45 CFR Part 98) to "help working families afford child care and broadly support child care quality and accessibility in communities. New policies included in this rule are designed to:

- Lower child care costs for families
- Increase child care options for families
- Make enrollment easier and faster for families
- Improve payments to child care providers"[2]

One example of new policies in the new CCDF Final Rule is the requirement to cap co-payments at 7% of family income. Nebraska is one of 29 states already in compliance.[3]

A second requirement is to implement enrollment-based payments to providers, the subject matter of LB13. According to ACF, as of November 2024, there are currently 23 states in compliance with this policy and Nebraska is NOT one of them. Nebraska has a temporary waiver to provide additional time to come into compliance with this requirement. The Nebraska Department of Health and Human Services (NDHHS) is currently working on a rule for enrollment-based policies. All information suggests Nebraska will be positioned for full compliance with enrollment-based payments later this year and ahead of the two-year extension provided by the waiver. Given that, some may suggest this bill isn't needed or helpful, but LB13 does indeed update Nebraska statute for compliance on enrollment-based billing and, importantly, implements the funding vehicle to prevent a budget request from NDHHS. In these very tight economic times, it is prudent to anticipate what our fiscal obligations will be and act accordingly. None of us want to see budget requests in the next year or two that we could have addressed but chose to ignore.

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[2] Administration for Children & Families, Final 2024 Rule Implementation. https://www.acf.hhs.gov/sites/default/files/documents/occ/2024-CCDF-Final-Rule-Implementation-Fact-Sheet.pdf
[3] Ibid.

As you are well aware, access to quality child care in the early years has long-lasting positive effects, especially for low-income children. LB13 brings us into federal compliance with a new CCDF requirement, removing a barrier that can discourage providers from accepting the subsidy and supporting those who already do. Please advance LB13 to General File.

Thank you,

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