



February 6, 2025

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

RE: LB339

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

Thank you for allowing me to testify today. My name is Dr. Katie Bass, spelled K-A-T-I-E-B-A-S-S and I am the Policy Research Manager at First Five Nebraska. First Five Nebraska is a statewide public policy organization focused on promoting quality early care and learning opportunities for Nebraska's youngest children. I am here to testify in support for LB339 and want to thank Senator Hallstrom for introducing this legislation.

LB339 would require the Nebraska Department of Health and Human Services (NDHHS) to provide an end-of-year report for all licensed child care providers who billed the child care subsidy program during the previous calendar year. The report elements described in LB339—a monthly listing of day and partial day units disaggregated by age group, and the annual aggregate reimbursements by age group—align with current NDHHS billing practices. These data elements are already collected by NDHHS in the NFOCUS system and this report would offer significantly increased accountability for the child care subsidy program.

Importantly, NDHHS already has a system by which they send regular reports of child care subsidy billings to licensed child care providers. These Explanation of Payment (EOP) reports contain a line of data per child per type of billing. Yet, these reports may conflict with one another—a provider may receive a reimbursement one month, then receive an update the next month that rescinds a previously authorized payment. For providers serving multiple children on the subsidy, a report covering a single billing period could be several pages long.

Child care providers have expressed frustration for years about the administrative burdens of participating in the child care subsidy program. These frustrations have peaked this year as providers fill out the necessary paperwork to complete their Nonrefundable School Readiness Tax Credit forms. This tax credit, passed in 2023 and available for the 2024 tax year, reduces the tax liability for child care providers who serve low-income children enrolled in the child care subsidy. To apply for the credit requires child care providers to comb through their EOPs searching for specific types of billing by child age. In addition to manually counting the lines of the EOP that are applicable to the tax credit, all EOPs must be submitted to the Nebraska Department of Revenue (NDOR), which has to repeat this manual count to verify the calculations. What should be an easy process has revealed just how complicated the billing paperwork for the child care subsidy is.

But it is not just an issue related to the tax credits. Last summer an auditors' report highlighted a lack of adequate controls within NDHHS to prevent billing errors. Providing a monthly accounting of days and partial days billed and the number of children served would allow both NDHHS and child care providers to recognize and rectify outliers that can occur from data entry errors when information is all entered manually, which is the current process for the child care subsidy program.

We believe a report of data already collected by NDHHS that summarizes providers' annual billing will provide accountability and an opportunity for checks and balances. Providers can utilize this end-of-year report to square their subsidy billing records at the end of the year, for their School Readiness Tax Credit applications, and for end of year tax purposes more generally, also increasing accountability measures for NDOR.

Thank you for your time and consideration on LB339 and I am happy 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 large initial "K" and "B".

Katie Bass, Ph.D.
Policy Research Manager
First Five Nebraska