

LB68 Child Care Subsidy Reimbursement Adjustment

What LB68 does

LB68 directs the Department of Health and Human Services to amend Nebraska's State Plan for Services and adjust 392 NAC 3-004.01(A) to pay child care providers based on the child's enrollment, as opposed to attendance.

This change establishes Governor Ricketts' Executive Order No. 20-18 into state law. Governor Ricketts originally signed the Executive Order on April 15, 2020 to sustain licensed child care subsidy providers, while ensuring that families have access to high-quality care during the COVID-19 emergency declaration. In August, the majority of Nebraska's child care providers (59%) reported using the temporary child care subsidy rule allowing providers to bill when enrolled children are absent¹.

Nebraska's child care providers are reaching a financial breaking point

Statewide, Nebraska child care providers are struggling. An industry already known for small operating margins and high expenses has been severely harmed by the economic effects of COVID-19. The majority of providers (51%) reported that without financial assistance they will likely close if the pandemic continues or worsens². Almost two thirds of child care providers are small businesses serving less than 75 total children.

Enrollment based reimbursement mirrors non-subsidized billing practices

Like any business, childcare providers need stability in staffing and expenses to be sustainable. With many providers having limited capacity, most private child care providers bill based on child care enrollment. In most cases, providers' fixed costs, such as staffing and facility expenses, remain the same whether the child is in attendance that day or not. Additionally, most providers cannot accommodate sudden changes in day to day capacity due to state regulations about staff-to-child ratios³.

Stability for Nebraska's child care providers is critical to the state's economic recovery

As Nebraska returns to full unemployment following the COVID-19 emergency, preserving the enrollment-based reimbursement makes sense. Only 38% of parents feel that their employer provides any type of assistance, benefits or accommodations for childcare⁴. With providers often not willing to accept children on attendance based reimbursement, those trying to return to work following the pandemic will be faced with childcare challenges upon the expiration of the executive order if Nebraska returns to a model of reimbursement that many providers are hesitant to take. Furthermore, increasing numbers of working parents have reported changing their child care arrangements as the nature of their work changes, presenting further challenges to providers⁵.

In 2020, child care challenges for employees directly contributed to the loss of \$639,799,791 in business income, and \$21,100,805 in lost state tax revenue⁶.

LB69 strengthens the Nebraska child care subsidy program by readjusting the reimbursement to better meet the structural costs and actual circumstance of providers

¹<https://buffettinstitute.nebraska.edu/news-and-events/news/nebraska-survey-finds-child-care-providers-need-help-during-pandemic>

²<https://buffettinstitute.nebraska.edu/news-and-events/news/nebraska-survey-finds-child-care-providers-need-help-during-pandemic>

³ https://www.uschamberfoundation.org/sites/default/files/EarlyEd_Minis_Report6_121420_Final.pdf

⁴ https://www.uschamberfoundation.org/sites/default/files/EarlyEd_Minis_Report6_121420_Final.pdf

⁵ <https://www.uschamberfoundation.org/article/working-parents-childcare-dilemma>

⁶ http://www.firstfive-nebraska.org/uploads/Bottom_Line_Report-FINAL.pdf