

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3073 - A4

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office*Only Impacts on Original or Engrossed
Versions are Considered Official*Prepared by: Tim Walker
Reviewed by: Gregory Jolivet, Doug Wilson
Date: 04/27/2021**Measure Description:**

Changes name of Early Learning Division to Department of Early Learning and Care.

Government Unit(s) Affected:

Department of Education (ODE), Department of Human Services (DHS)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

The fiscal information below is preliminary based on information recently sent to the Legislative Fiscal Office (LFO). This merits significant review by LFO and the Joint Committee on Ways and Means as agency budgets are finalized. In addition, significant information must be reviewed including: (1) the impact on the Oregon Department of Education (ODE) from the loss of indirect revenue used for core staff and administrative infrastructure for ongoing agency operations, (2) the administrative and support needs of standing up a new agency as well as its ongoing staffing needs, (3) the impact of any federally approved indirect rate for the fund mix of the new state agency, (4) the impact of State Government Service charges and other state government internal charges on all three agencies, and (5) numerous other items including information system/payment system needs of the new agency and the costs and staffing impact of transferring the Employment Related Day Care program (ERDC). It is anticipated that if this bill passes that further adjustments will be required during the February 2022 legislative session.

Summary of Expenditure Impact:

Oregon Department of Education

General Fund	-\$137,834,247	-\$273,051,227
Other Funds	-150,735,208	-301,470,416
Federal Funds	-106,883,350	-213,766,700
Total Funds	-\$395,452,805	-\$788,288,343
Positions	-187	-187
FTE	-92.00	-184.00

Department of Human Services

	2021-23 Biennium	2023-25 Biennium
General Fund	\$41,328,000	\$88,497,840
Total Funds	\$41,328,000	\$88,497,840
Positions		
FTE		

Department of Early Learning and Care (New Agency)

General Fund	\$154,714,000	\$306,008,527
Other Funds	147,876,168	295,752,336
Federal Funds	123,008,853	213,766,700
Total Funds	\$425,599,021	\$815,527,563
Positions	243	258
FTE	141.08	255.00

Analysis: The bill creates a new state agency, the Department of Early Learning and Care (DELIC), and moves the Early Learning Division (ELD) from the Department of Education (ODE) to DELIC effective July 1, 2022. The Early Learning Systems Director in ELD will act as the new agency’s Director, and all staff primarily engaged in ELD business are moved into the new agency as of the operative date. All records, contracts, legal agreements in place with the ELD at the time of move become the responsibility of the DELIC.

In addition, the Employment Related Day Care (ERDC) program is moved from the Department of Human Services, including all records, contracts, and outstanding legal agreements, into the new agency effective on the operational date of 6/30/2023.

Department of Early Learning and Care and Oregon Department of Education

DELIC will require 243 positions to administer its duties and responsibilities as outlined in the bill for second half of 2021-23. This includes 187 positions transferred from ODE effective 7/1/2022. All of the current staff in ELD will be transferred to DELIC, including the Office of Child Care, program and grant management, executive leadership and administration, and all programs under ELD’s current control. Administrative and support functions including accounting, budget, procurement, IT, and human resource functions will be transferred or newly established within the new agency. The programs transferred to DELIC include; Oregon Prekindergarten, Preschool Promise, Relief Nurseries, Healthy Families, Early Learning Hubs, Childcare Equity Fund, Early Head Start, and other state and federal early learning and childcare programs. The fiscal impact does not include State Government Service Charges for DELIC and these charges will not be known until the Department of Administrative Services (DAS) recalculates these estimates. It should also be noted that certain functions for administration and support for ELD are currently shared with other programs in ODE. To continue the support necessary for K-12 programs, some of these support functions will need to be newly established in the new agency. Current indirect revenue from the Child Care Development Block Grant fund some of these shared functions or General Fund backfill may be required to replace these lost indirect revenues.

Department of Human Services

The bill changes copay rates paid by the Employment-Related Day Care program (ERDC) to a sliding scale copay not to exceed 7% of household income. Children are eligible regardless of their caretakers legal or citizenship status. This cannot be covered by federal funds, as such General Fund would need to be used to cover this cost. The bill also provides for an enhanced 12-month eligibility. The revised copay structure, effective 10/1/2021, is estimated to result in 8,000 cases at \$246/month for a total of \$41.4 million General Fund in 2021-23 biennium and \$47.2 million General Fund in 2023-25 biennium. Coverage of non-citizen children and the enhanced 12-month eligibility become effective 6/30/2023, so there is no fiscal impact in the 2021-23 biennium. The cost for covering non-citizen children is expected to be \$10.9 million General Fund in the 2023-25 biennium and the cost for enhanced 12-month eligibility is estimated to be \$30.3 million General Fund in the 2023-25 biennium.