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Laura Kelly, Governor

February 14, 2025

The Honorable Beverly Gossage, Chairperson
Senate Committee on Public Health and Welfare
300 SW 10th Avenue, Room 142-S
Topeka, Kansas 66612

Dear Senator Gossage:

SUBJECT: Fiscal Note for SB 132 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 132 is respectfully submitted to your committee.

SB 132 would establish the Kansas Office of Early Childhood within the Executive Branch, to be administered under the direction and supervision of the Executive Director of Early Childhood. The Director would be appointed by the Governor, subject to confirmation by the Senate. Existing early childhood programs currently housed within the Kansas Department for Children and Families (DCF), the Kansas Department of Education (KSDE) and Kansas Children's Cabinet and Trust Fund, and the Kansas Department of Health and Environment (KDHE) would be transferred to the agency. The agency would include the Division of Child Care, the Division of Home Visitation, the Division of Head Start Collaboration, and the Kansas Children's Cabinet. The bill would update all relevant statutory references to the office and director. The Office would be required to facilitate and coordinate interagency cooperation towards the goal of serving children and families with a variety of other state agencies. All duties, responsibilities, requirements, and powers of the agency and the Director would be detailed in the bill and new funds would be created for agency operations. An interagency transition team would be appointed by the Governor on or after July 1, 2025, with the full transition to the consolidated agency to be completed by July 1, 2026.

In addition to establishing the Office, SB 132 would include extensive amendments to current child care statutes. The bill would amend requirements for child care homes and centers, including changes to required staff and provider qualifications and training, licensing and data system requirements, and facility requirements. The bill would eliminate annual license fees for conducting a child care facility. The development and operation of pilot programs designed to increase the availability or capacity of child care facilities in the state would be authorized by the Secretary of Health and Environment and after July 1, 2026, by the Director of the Office of Early Childhood. The bill would also update regulations for youth development programs and school-age programs.

According to DCF, enactment of SB 132 would result in a reduction of agency expenditures totaling $151.0 million, including $16.4 million from the State General Fund, beginning in FY 2027. The corresponding revenue sources for these expenditures would also be reduced from the agency budget. A total of 14.00 positions are currently associated with these programs. The bill indicates the Office may enter into agreements with DCF for the administration of child care subsidy payments. DCF notes that any such agreements would require that DCF determine an applicant's eligibility according to KSA 39-709. The agency assumes this function would remain with DCF to allow the continuation of a single worker process for all assistance programs. Similarly, support functions needed to determine, monitor, and maintain eligibility would also continue within DCF. The agency states these support services and functions include the Kansas Eligibility Enforcement System, the electronic benefits transfer system to make assistance funds available on an Electronic Benefit Transfer card for child care and other programs, and other contracts used to verify eligibility information.

The following table details the reduction in expenditures with the transfer of the identified DCF programs and related operations based on FY 2026 Governor's Budget Recommendations:

DCF Program Name	All Funds	SGF
Employment Eligible Child Care	($109,981,630)	($11,275,294)
TANF Child Care	(4,000,000)	(4,000,000)
Child Care Quality	(13,125,504)	--
Workforce Registry	(1,100,000)	(1,100,000)
Healthy Families America	(3,150,000)	--
Kansas Early Head Start Home Visitation	(5,204,002)	--
Kansas Early Head Start Child Care Partnership	(7,536,462)	--
Transfer to KDHE Child Care Licensing	(5,786,449)	--
Transfer KSDE Kansas Coordinating Council	(12,000)	--
Head Start Collaboration	(120,608)	(30,153)
CCDF Administration	(504,300)	--
EES Community Collaboration	(106,408)	--
Operations	(335,892)	--
Total	($150,963,255)	($16,405,447)

DCF has identified the following budgeted programs that would be moved to the Office: Child Care Assistance, Child Care Quality, Workforce Registry, Head Start Collaboration Office, Healthy Families America, Kansas Early Head Start Child Care Partnership, and Kansas Early Head Start Home Visitation. Child Care Assistance would include employment eligible assistance as well as those eligible through Temporary Assistance for Needy Families (TANF). Additionally, the DCF budget includes federal Child Care and Development Fund (CCDF) amounts that are transferred to KDHE for child care licensing and to KSDE for the Kansas Coordinating Council that would be transferred to the agency. The listed programs include salaries and other operating costs for 3.00 positions, including two positions assigned to Child Care Quality and a Head Start Collaboration Coordinator. The estimates include costs for child care subsidy payment expenses. However, the costs related to eligibility staff and supporting resources have not been included as it is assumed DCF would continue to provide the eligibility determination services.

In addition to direct services, the agency would expect certain support services to be transferred to the Office. These services include 11.00 positions. CCDF Administration performs administrative, and policy activities related solely to programs funded with CCDF. There are 7.00 positions associated with this program. Economic and Employment Services (EES) Collaboration includes 1.00 position funded with the CCDF. DCF Operations includes 3.00 positions. These positions perform administrative support functions such as federal reporting; writing, awarding, and monitoring grants and contracts being transferred; budget preparation; and completing payables and purchasing. It is assumed DCF staff would continue to provide services related to child care subsidy such as eligibility determination and ongoing case management as discussed previously. Therefore, no reductions for expenses or positions were calculated for this work. If DCF does not maintain these functions, there would be additional savings related to those staff and support services. Additionally, the agency notes the estimate does not include other indirect costs. These costs are allocated based on the makeup of caseload and work performed by eligibility workers. As their work and caseloads are assumed to continue, there would be no change in the allocation method for indirect costs.

KDHE estimates that enactment of SB 132 would result in a reduction in revenue totaling $9.8 million in FY 2026 and $16.7 million in FY 2027 for the transfer of programs and the related funding streams. Associated expenditures that are based on these revenue sources would also move to the Office.

KDHE states that child care licensing (CCL) is primarily funded by interagency contract funds between KDHE and DCF. These funds originate as federal CCDF program funds and are contracted to KDHE on a three-year cycle to carry out the health and safety portion of the state's early childhood care plan. The current interagency contract runs through FY 2026. CCL also receives a State General Fund appropriation which is used to fund approximately 10.0 percent of total CCL operations. KDHE estimates a State General Fund reduction of $531,212 and a CCDF reduction of $5.8 million would occur in FY 2026 related to the transfer of the CCL program. There are currently 41.00 positions in the CCL program. Because the bill would eliminate application fees beginning in FY 2026, KDHE estimates this would reduce program revenue by at least $329,420 in future years. While these fees have been eliminated the past few years, the lost revenue has been replaced by other funding sources. One-time costs for a new child care licensing system design and implementation required by the bill are estimated to be $289,293 for FY 2025 as the work would need to be completed prior to July 1, 2025. KDHE reports there are other support positions funded by CCL funds outside of the CCL program that would need to be continued to be covered by the agency. This includes portions of salaries for Bureau of Family Health leadership positions, rules and regulations positions, administrative support positions, and some IT positions as necessary and totals approximately $478,757 annually.

Home visiting programs at KDHE include Maternal, Infant and Early Childhood Home Visiting and Universal Home Visiting (UHV) through the Maternal and Child Health block grant. The transfer of these programs would result in a reduction of associated expenditures as well as state and federal funds that support these programs, as these funding streams would be moved to the agency. The estimate for the total reduction in revenues is $3.5 million in FY 2026 and $10.4 million in FY 2027. There are currently 7.65 positions associated with these programs. This estimate is based on historic awards and federal estimates and is for the remaining grant cycle in

FY 2026 and the full year in FY 2027. KDHE states that Part C services would not move to the new agency. The agency also notes that because the UHV program is funded through Title V and those funds would not be moving, they would continue to be distributed to KDHE and KDHE would pass them on to the Office to fulfill UHV needs in the state. KDHE reports there are other support positions funded by program funds outside of the home visiting programs that would need to be continued to be covered by the agency. This includes portions of salaries for Bureau of Family Health leadership positions, rules and regulations positions, administrative support positions, and some IT positions as necessary and totals approximately $110,000 annually.

KSDE states that enactment of SB 132 would not have a fiscal effect on the agency. After July 1, 2026, the agency would no longer be involved in the administration and operation of the Parent Education Program. School districts operating an approved Parent Education Program would be eligible to receive a state funded grant. The Office would provide technical advice and assistance, application for the parent education grant, studies, materials, procedures, and personnel available to school districts.

According to the Department of Corrections, the Kansas Department of Administration, and the Kansas Board of Regents, enactment of SB 132 would not result in a fiscal effect for the agencies. The Division of the Budget assumes the reported agency specific savings related to the enactment of SB 132 would not result in statewide savings as most program duties and responsibilities would be transferred to the newly established Office of Early Childhood. In addition to program expenditures, the salary and benefits for the Executive Director is likely to be in the range of $100,000 to $125,000 based on similar positions in other state agencies. The estimates reported in this fiscal note do not include expenditures related to any new duties or new administrative costs that may occur with enactment of the bill, as those costs cannot be estimated at this time. Any fiscal effect associated with SB 132 is not reflected in *The FY 2026 Governor's Budget Report*, although expenditures for existing programs are included as discussed above.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Amy Penrod, Department of Health & Environment
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Jennifer King, Department of Corrections
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