

## **BILL ANALYSIS**

H.B. 2959  
By: Paxton  
Economic Development  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

In the early 1990's, the idea of a tiered rating system for those child care facilities participating in the state's subsidy program was conceived. The Texas Legislature enacted a designated vendor program for these child care facilities that chose to voluntarily exceed the State's licensing requirements. In an effort to reward child care facilities that exceeded the minimum standards, the Texas Legislature, in 1999, passed legislation requiring the Local Workforce Boards to make increased payments of at least five percent to those facilities achieving the designated vendor certification known as the Texas Rising Star Certification. These higher rates reduce the funding available to provide child care to children in low-income, working families.

In 2001, specific money for quality activities such as the designated vendor program was diverted away from the Texas Workforce Commission to the Texas Department of Protective and Regulatory Services to pay for child care licensing and monitoring activities of all child care facilities.

Currently, 12% of children in regulated child care in Texas are funded through the Texas Workforce Commission. In FY 2004, the Local Boards purchased child care for an average of 111,600 children per day and maintained a waiting list for about 31,000 children. Child care purchased by the Commission is a valuable economic development tool for families on cash welfare assistance and for the working poor.

With the tight budget situation facing the Legislature in recent years, the Commission froze payment rates to all child care facilities serving subsidized children in January of 2003. Yet statute still mandates that the reimbursement rate to Texas Rising Star facilities remain 5% above the rate for other licensed facilities. This designated vendor program has become an unfunded mandate which lowers the number of low-income working families who can receive child care, and can prevent families on the waiting list from being served.

The purpose of this legislation is to repeal the current tiered reimbursement rate for child care facilities achieving the Texas Rising Star/designated vendor certification. The repeal of the designated vendor certification still allows Local Boards to continue paying graduated reimbursement rates if they so choose. Because the Legislature no longer appropriates funds to TWC for quality activities, this bill also repeals the unfunded requirement that Local Boards spend dedicated quality funds to assist child care facilities in achieving the designated vendor certification.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1. Repeals Sections 2308.315 and 2308.316, Government Code, to eliminate the mandate on the Local Workforce Boards to pay higher reimbursement rates to child care facilities that participate in the designated vendor program. This section also removes the requirement that Local Boards' funds be dedicated to competitively procure facilities who serve children under age four that participate in the designated vendor program.

SECTION 2. Provides the effective date of this Act.

H.B. 2959 79(R)

**EFFECTIVE DATE**

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.