

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 19, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2959 by Paxton (Relating to the use of federal child care and development block grant funds by local workforce development boards.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The provisions of the bill amend the Texas Government Code and remove the requirement that each local workforce development board establish a graduated reimbursement rate for child care facilities that meet the Texas Rising Star (TRS) criteria and make it permissive. If a workforce board chooses to have a graduated reimbursement rate for TRS facilities, it is required to reimburse TRS facilities at least a 5 percent higher rate than a non-TRS facility for the same category of care. The higher reimbursement rates shall be funded with federal child care development funds (CCDF) dedicated to quality improvement activities.

The bill also removes the requirement that each workforce board allocate a portion of its CCDF funding dedicated to quality improvement activities to a competitive procurement process for a system for quality child care that encourages child care providers to voluntarily meet the TRS criteria or national accreditation and makes it permissive.

The provisions also amend Chapter 42 of the Human Resources Code regarding the use of dedicated child care funds for quality improvement activities such as, if the state, by federal law, is required to dedicate more than 4 percent of its total child care and development funds for quality improvement activities, then TWC will enter into a memorandum with the Department of Protective and Regulatory Services (DPRS) under which TWC shall transfer the dedicated funds that are in excess of the 4 percent to DPRS to use the funds to implement a grant program for quality improvement activities.

The provisions establish the quality activities eligible for the grants. Subject to the availability of funds (or from another source), DPRS shall establish rules to implement a program that awards grants to child care providers and community-based organizations for activities that improve the quality and availability of child care services established under the provisions of the bill. Child care providers and organizations applying for grants must be allowed to choose any of the quality improvement activities established and DPRS must give priority in awarding grants to programs that serve infants and toddlers under 3 years of age.

DPRS must submit to the legislature an annual report regarding the grant program that includes the total number of grants awarded.

According to TWC, even with the increased reimbursement rates, additional costs to become a TRS facility appear to be a deterrent. In fiscal year 2004, only 1,789 (9 percent) of the total 19,043 regulated child care facilities in the state were TRS-certified facilities.

According to TWC, by removing the requirement to pay higher reimbursement rates to TRS providers and by removing the requirement for workforce boards to dedicate child care funds to maintain TRS providers, workforce boards would be able to serve more low-income, working families (At-Risk Child Care). According to TWC, it doesn't anticipate additional costs resulting from the passage of the bill and anticipates workforce boards would be able to provide child care to more children from qualified working poor families.

According to TWC, the following are costs associated with TRS reimbursement rates relative to TRS Providers and Non-TRS Providers of Child Care Services that could be saved by the boards and be used for direct child care.

Total additional cost for TRS children per day equal \$45,845 at the higher reimbursement rate of \$16.32 instead of \$14.67 for approximately 27,785 children served per day
Average cost per TRS facility to Boards to certify TRS facilities per year equal \$5,000
Average annual number of TRS facilities Boards certify equals 1,789 facilities
Annual cost to Boards to certify TRS facilities equals \$8,945,000

The bill would take effect September 1, 2005

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, JRO, DE