

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**February 20, 2007**

**TO:** Honorable Patrick M. Rose, Chair, House Committee on Human Services

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

**IN RE: HB406** by Hartnett (Relating to license requirements for preschool and after-school programs operated by public or private schools.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB406, As Introduced: a negative impact of (\$5,883,299) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$2,350,534)
2009	(\$3,532,765)
2010	(\$3,532,765)
2011	(\$3,532,765)
2012	(\$3,532,765)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>FEDERAL FUNDS 555</i>	Probable Savings/ (Cost) from <i>GR MATCH FOR MEDICAID 758</i>	Change in Number of State Employees from FY 2007
2008	(\$2,335,994)	(\$53,189)	(\$14,540)	34.0
2009	(\$3,524,984)	(\$28,041)	(\$7,781)	64.0
2010	(\$3,524,984)	(\$28,041)	(\$7,781)	64.0
2011	(\$3,524,984)	(\$28,041)	(\$7,781)	64.0
2012	(\$3,524,984)	(\$28,041)	(\$7,781)	64.0

**Fiscal Analysis**

Effective September 1, 2007, the bill would eliminate the current exemption from child care licensing requirements provided for accredited public and private school prekindergarten programs and after-school child care programs that are operated by or under certain types of contracts with an accredited public or private school.

The Department of Family and Protective Services would experience significant fiscal impact associated with the expansion of regulatory activities to the affected programs and entities. Licensing would be required for approximately 3,552 schools, representing a combined total of 4,584 prekindergarten and after school programs. The total number of schools to be licensed

would be the equivalent of 16% of the 22,078 licensed, registered, and listed day care operations regulated by the Department in FY06. The Department anticipates further fiscal implications with regard to a shift in responsibility for the investigation of abuse and neglect allegations in the school programs to be regulated under the bill. Currently allegations concerning schools are investigated by Child Protective Services (CPS) staff. However, once the facilities become regulated under child care licensing provisions, the investigations would be conducted by child care licensing staff. The Department estimates that a total of 64 additional FTEs would be required to fully implement the provisions with a total cost of approximately \$3.6 million annually. There will be an offsetting reduction in caseloads for existing DFPS staff. The Department of Family and Protective Services reports that there will be \$1,406,592 in offsetting revenue from child-care licensing fees for the first biennium, including \$852,480 in fiscal year 2008 and \$554,112 each following year. This revenue will be deposited into the General Revenue Fund.

## **Methodology**

Based on data obtained from the Texas Education Agency and Texas Private School Accreditation Commission, the Department determined that 2,736 public schools and 816 private schools would require licenses to operate existing prekindergarten and after school programs. For schools operating both a prekindergarten and an after school program, it was assumed that only one license would be required to operate both programs.

Using FY06 caseload data for child care licensing specialists, it was assumed that the additional demand would require a total of 50 additional licensing FTEs. Because of the nature of CPS caseloads, it was further assumed that investigative FTEs would not be transferred to conduct abuse and neglect investigations for regulated school operations. On the basis of a time-measurement study conducted in FY 2006 and the number of abuse/neglect investigations per licensed child-care center in FY06, the projected incidence of investigations for the newly regulated entities would require a total of 14 additional FTEs.

For the purpose of this estimate it was assumed that a phase-in of the total increase in staff (34 FTEs) would occur in FY2008, with full staffing beginning in FY 2009. The estimate does not include an assumption concerning growth in the number of schools requiring licensing over the five-year period.

## **Technology**

The Department does not anticipate significant costs associated with removing affected exemption closure codes in automated systems.

## **Local Government Impact**

School districts would be required to take measures necessary to comply with child-care licensing standards. Actions required would depend on characteristics specific to individual schools and would be expected to vary widely from district to district. Likewise, fiscal impact associated with compliance could be minimal in some schools and potentially costly in others with significant variance anticipated among districts in the level of both one-time and ongoing costs. There will be a local government cost of \$1,083,456 for the first biennium, including \$656,640 in fiscal year 2008 and \$426,816 each following year. This is due to payment of child-care licensing fees by approximately 2,700 public school prekindergarten and after school programs that will be covered by the legislation.

**Source Agencies:** 405 Department of Public Safety, 530 Family and Protective Services, Department of, 701 Central Education Agency

**LBB Staff:** JOB, CL, UP, JSp, NM, VJC