

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 24, 2009

TO: Honorable Mark Strama, Chair, House Committee on Technology, Economic Development & Workforce

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

IN RE: HB2218 by Flores (Relating to the distribution of federal child care development funds to local workforce development boards.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill amends the Labor Code relating to the distribution of federal child care development funds to Local Workforce Development Boards (LWDB). The bill changes the distribution of child care funds to local workforce development areas by increasing amounts on the basis of local workforce development boards whose average maximum child care reimbursement rates are below the state average.

The bill requires the Texas Workforce Commission (TWC) to determine each workforce board's average maximum reimbursement rate in effect during the previous year before evaluating the formulas used to distribute federal and state child care development funds. In determining the average rate, the TWC must average the workforce board's maximum reimbursement rates in effect for each type of care, but may not weight the average according to the board's child care case mix. The bill also requires that each year after determining the average maximum reimbursement rates, TWC must identify each workforce board that has an average maximum reimbursement rate ranked in the third or fourth quartile of those rates. TWC must adjust the child care distribution formulas to provide sufficient funds estimated to enable the workforce boards in each identified workforce area to increase the average maximum reimbursement rate to equal the overall average maximum reimbursement rate for all workforce boards. The bill requires that funds provided to a workforce area may be used only to increase child care reimbursement rates, and may not be used for administrative expenses or to increase the number of children provided services. The workforce board shall provide a report to the TWC at intervals required by the TWC that describes in detail the purposes for which the funds were used. The bill states that if before implementing any provision of the bill, the TWC determines that a federal waiver or authorization is necessary for implementation of the provisions of this bill, TWC must request the waiver or authorization and may delay implementing that provision until the waiver or authorization is granted.

Based on the analysis provided by TWC, there would be no significant fiscal impact to TWC. However TWC states they would be required to reduce the child care allocation to the workforce areas in the top two quartiles and reduce each workforce area's target for the number of children served in order to allow the workforce boards to maintain the current maximum rates at the reduced levels of funding. TWC estimates this would result in a reduction in the number of children served statewide by 3,677 in FY 2010, 5,705 in FY 2011, 7,488 in FY 2012, 8,691 in FY 2013 and by 10,384 in FY 2014. The agency's analysis states that this will result in an annual reduction of 7,189 children served per day, on average, over the FY 2010-14 five-year period.

Local Government Impact

TWC estimates that a LWDB's adjusted allocation may fluctuate significantly from year-to-year based on the provisions of the bill. The allocation adjustments to workforce areas in the bottom two quartiles will be funded through a reduction in the allocation to workforce areas in the upper two

quartiles. According to TWC, in order to prevent the LWDBs in the upper two quartiles from reducing their maximum rates in order to serve the same number of children, TWC would need to reduce the number of children served relative to the amount of the allocation reduction in those affected local workforce development areas. Therefore, these affected workforce boards will have both a reduction in funding and a reduction in the number of children that can be served. The workforce boards receiving additional funding could use it only to increase payments to providers and not to serve additional children.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, JRO, MW, NV