

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 24, 2015

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1521 by Farrar (Relating to state agency authority to establish child-care subsidy programs.), **As Introduced**

The costs associated with creating child-care subsidy programs for low-income employees are dependent upon the thresholds agencies use to identify low-income employees and the level of subsidy that agencies choose to implement. Program specifications developed by each agency as authorized by the bill would be the primary cost drivers. Due to a lack of information about the thresholds and level of subsidy agencies would adopt, the fiscal implications of the bill cannot be determined at this time, but could be significant.

The bill would give state agencies the authority to establish child-care subsidy programs to assist their low-income employees with child-care costs. Multiple agencies in a multitenant building may establish a joint program and share costs. State employee's who qualify as a low-income employees under a state agency's child-care subsidy program are eligible to receive a child-care subsidy for the care of each child under age 13, or a child with a disability under age 18. The bill would not require a state agency to develop a child-care subsidy program. The bill would allow each state agency to determine qualifications for program participation and level of subsidy.

Due to a lack of information about each state agency's potential program specifications, the fiscal implications of the bill cannot be determined at this time. An estimate of the potential cost to the state under a given set of assumptions can provide an illustration of the potential for costs. According to the Office of the State Demographer, there is approximately one child under age 13 for every three adults between ages 18 and 65 in Texas. According to the State Auditor's Office, there are 30,561 classified and unclassified, regular full-time and part-time state employees with a salary of less than \$30,000, which for the purposes of this fiscal note may be used as a threshold for designation as low-income. Assuming the same proportion of children to adults among this group of employees, there would be 10,187 children of low-income employees whose child-care would be eligible for a subsidy. The Texas Workforce Commission (TWC) estimates that for the implementation of this bill, the reimbursement rate used by the agency would change annually to equal the Average Cost per Unit of At Risk/Transitional Child Care under the federal Child Care and Development Fund program. TWC also assumes the number of days of care would range from 260 to 262, depending on the year. TWC estimates that in FY 2016 the annual reimbursement would be \$4,954.42. Applying these assumptions to the total population identified above would lead to an estimate of total child-care subsidies of \$50.5 million in FY 2016 and \$51.7 million in FY 2017.

Implementing the child-care subsidy program would also result in administrative costs for each state agency that develops a program. Estimates from TWC and the Secretary of State's office

indicate staffing related costs of approximately \$40,000 per year for each agency. If each of the 83 state agencies with employees earning less than \$30,000 per year developed a child-care subsidy program this would result in an additional cost to the state of approximately \$3.3 million for each fiscal year or \$6.6 million for the biennium.

Based on the assumptions above, this would result in a total cost to the state, inclusive of child-care subsidies and administrative costs, of \$108.8 million for the 2016-17 biennium. Actual costs related to this program would depend on whether or not agencies choose to develop programs, income requirements established by each agency, and the level of subsidy determined by each agency. Due to a lack of information about the thresholds and level of subsidy agencies would adopt, the fiscal implications of the bill cannot be determined at this time.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 307 Secretary of State, 320 Texas Workforce Commission, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 458 Alcoholic Beverage Commission, 508 Board of Chiropractic Examiners, 515 Board of Pharmacy, 529 Health and Human Services Commission, 530 Family and Protective Services, Department of, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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