

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**April 20, 2021**

**TO:** Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB225** by Paxton (Relating to the regulation of child-care facilities and family homes.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB225, As Introduced : a negative impact of (\$16,015,170) through the biennium ending August 31, 2023.

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:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	(\$8,214,595)
2023	(\$7,800,575)
2024	(\$6,656,982)
2025	(\$6,665,670)
2026	(\$6,674,646)

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

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Probable Revenue Gain/(Loss) from Federal Funds 555</b>	<b>Change in Number of State Employees from FY 2021</b>
2022	(\$8,214,595)	(\$22,158,804)	52.2
2023	(\$7,800,575)	(\$22,158,804)	52.1
2024	(\$6,656,982)	(\$22,158,804)	48.0
2025	(\$6,665,670)	(\$22,158,804)	48.0
2026	(\$6,674,646)	(\$22,158,804)	48.0

**Fiscal Analysis**

The bill would amend Chapter 42 of the Human Resources Code regarding regulation of certain facilities, homes, and agencies that provide child-care services.

The Health and Human Services Commission's (HSSC) Child Care Regulation (CCR) division would be required to include additional information in the searchable child care database maintained by the division.

The bill would amend requirements regarding the content of applications for a listing, registration or license and obtaining and maintaining liability insurance. Additionally, a child care facility or family home would be required to inform the parent or guardian of a child in care if an employee had been convicted of a felony.

## **Methodology**

CCR does not currently determine responsibility for minimum standards violations. In order to include information regarding the party responsible for a minimum standards violation in the child care database, inspectors would require additional time to conduct inspections and complete deficiency letters. The increase in time per inspection would require additional full-time equivalents (FTEs) to conduct the same number of inspections. According to HHSC, an additional 18.0 Inspector V, 3.0 Family and Protective Services Supervisor II, and 1.0 Administrative Assistant I for this purpose. The estimated cost of the additional FTEs is \$2.0 million in fiscal year 2022 and \$1.8 million in each subsequent year.

This analysis assumes that annually, 3,632 individuals determined responsible for a minimum standards violation will request an administrative review. According to HHSC, an additional 9.0 Family and Protective Services Supervisor II and 1.0 Manager III would be required to conduct the administrative reviews. The estimated cost of the additional FTEs is \$1.1 million in fiscal year 2022 and \$1.0 million in fiscal year 2023.

This analysis assumes that annually, 666 individuals determined responsible for a minimum standards violation will request a due process hearing. According to HHSC, an additional 9.0 Attorney III, 1.0 Attorney IV, 3.0 Legal Assistant II, and 2.0 Administrative Assistant II would be required to address the due process hearings, including representing HHSC before the State Office of Administrative Hearings (SOAH). The estimated cost of the additional FTEs is \$1.6 million in fiscal year 2022 and \$1.5 million in fiscal year 2023. Additionally, it is assumed HHSC will be required to reimburse SOAH an average of \$3,333 per due process hearing, an estimated annual cost of \$2.2 million.

This analysis assumed HHSC would require an additional 1.0 Program Specialist V to provide administrative support services to all new FTEs, the estimated cost of which is \$0.1 each fiscal year.

According to HHSC, updates to the Childcare Licensing Automated Support System (CLASS), Public Provider Portal, and CLASSMate systems would be required to implement the provisions of the bill. It is assumed HHSC would require a total of 4.2 FTEs in fiscal year 2022 and 4.1 FTEs in fiscal year 2023 to make necessary technology changes.

Discretionary Child Care Development Funds (CCDF) are appropriated by the Texas Legislature to support childcare quality improvement activities, including the licensing, monitoring, and regulation of child care operations; agency administration; and any other funds allocated under statutory budget transfer authority during the biennium for quality improvement activities. The Texas Workforce Commission (TWC) is designated as the Lead Agency accountable for the use of CCDF funds from the U.S. Department of Health and Human Services. Currently, TWC transfers CCDF funds to the Health and Human Services Commission (HHSC) in accordance with a passthrough Agreement.

For Texas to obtain CCDF funds, the state must comply with certain federal requirements. Federal rules prohibit Child Care Regulation (CCR) from providing detailed criminal history results even to a childcare operation that requests a background check on an individual. If CCR includes criminal history information in the child care database and requires providers to disclose this information, as required by the bill, Texas would not comply with the CCDF federal requirements and not be entitled to CCDF funds. This would result in an estimated loss of \$22,158,804 in Federal Funds each fiscal year. The state could use General Revenue Funds to fill in for the lost Federal Funds which would result in a total cost of \$110.8 million for the period from fiscal year 2022 to fiscal year 2026.

## **Technology**

Upgrades to CLASS, the Public Provider Portal, and CLASSMate are assumed to require a total of 4.2 FTEs in fiscal year 2022 and 4.1 FTEs in fiscal year 2023 at an estimated cost of \$1.1 million in fiscal year 2022 and \$1.1 million in fiscal year 2023. FTE-related technology costs are estimated to be \$0.4 million in fiscal year 2022 and less than \$0.1 million in each subsequent year.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 529 Hlth & Human Svcs Comm

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