

SENATE AMENDMENTS

2nd Printing

By: Talarico, Button, Minjarez

H.B. No. 2607

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the powers and duties of the Texas Workforce Commission
3 and local workforce development boards regarding the provision of
4 child care and the subsidized child care program.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 2308.3155, Government Code, is amended
7 by amending Subsection (a) and adding Subsection (b-1) to read as
8 follows:

9 (a) The Texas Rising Star Program is a [~~voluntary,~~]
10 quality-based child care rating system of child care providers
11 participating in the commission's subsidized child care program.

12 (b-1) The rating system adopted under Subsection (b) must
13 include an entry level rating for child care providers and a maximum
14 length of time a provider may participate at the entry level rating.
15 To qualify for the entry level rating a child care provider must
16 meet the minimum quality standards that qualify the provider to
17 receive technical assistance and support under the Texas Rising
18 Star Program. A provider participating at the entry level rating is
19 not eligible for increased reimbursement rates.

20 SECTION 2. Sections 302.0042(b) and (c), Labor Code, are
21 amended to read as follows:

22 (b) The commission's evaluation must assess:

23 (1) the use of current federal child care funds by each
24 local workforce development board;

1 (2) the ability of each local workforce development
2 board to meet child care performance measures;

3 (3) the average cost of child care in each local
4 workforce development area;

5 (4) the average monthly price charged by child care
6 providers for full-day child care in each local workforce
7 development area as stated in the market rate survey conducted
8 under 45 C.F.R. Section 98.45(c);

9 (5) the average monthly price charged by quality child
10 care providers for full-day child care in each local workforce
11 development area;

12 (6) the poverty rate of each local workforce
13 development area compared to the state's poverty rate;

14 (7) the number of children on waiting lists for child
15 care in each local workforce development area;

16 (8) the number of places that are reserved by each
17 local workforce development board in contracts authorized under
18 Section 302.0461 for participants in the child-care subsidy program
19 out of the total number of children enrolled with a provider on a
20 full-time basis categorized by age of the child for each provider in
21 each local workforce development area that is certified as a
22 2-star, 3-star, or 4-star provider in the Texas Rising Star Program
23 or that does not participate in the Texas Rising Star Program;

24 (9) the total number of child care providers
25 participating in the Texas Rising Star Program in each local
26 workforce development area and the number of 2-star, 3-star, and
27 4-star rated child care providers in the local workforce

1 development area;

2 (10) the number of child care providers participating
3 in the Texas Rising Star Program in each local workforce
4 development area as a percentage of the total number of both
5 subsidized child care providers and all child care providers in the
6 local workforce development area;

7 (11) the number of 2-star, 3-star, and 4-star rated
8 child care providers in the local workforce development area as a
9 percentage of the total number of both subsidized child care
10 providers and all child care providers in the local workforce
11 development area;

12 (12) the total number of children enrolled in
13 subsidized child care providers participating in the Texas Rising
14 Star Program in each local workforce development area and the
15 number of subsidized children enrolled in 2-star, 3-star, and
16 4-star rated child care providers in the local workforce
17 development area; ~~and~~

18 (13) the number of subsidized children enrolled in
19 child care providers participating in the Texas Rising Star Program
20 in each local workforce development area as a percentage of the
21 total number of subsidized children enrolled in child care
22 providers in the local workforce development area and the number of
23 subsidized children enrolled in 2-star, 3-star, and 4-star rated
24 child care providers in the local workforce development area as a
25 percentage of the total number of subsidized children enrolled in
26 child care providers in the local workforce development area; and

27 (14) the number of 3-star and 4-star rated child care

1 providers participating in partnerships with public school
2 districts and public charter schools based on data provided by the
3 Texas Education Agency, as necessary.

4 (c) For the purposes of evaluation under this section, the
5 commission shall annually update the information described by
6 Subsections (b)(7)-(14) [~~(b)(7)-(13)~~].

7 SECTION 3. Subchapter A, Chapter 302, Labor Code, is
8 amended by adding Section 302.00436 to read as follows:

9 Sec. 302.00436. SUBSIDIZED CHILD CARE PROGRAM: INFORMATION
10 FOR PUBLIC SCHOOLS. Each local workforce development board shall
11 inform the local school districts and open-enrollment charter
12 schools in the workforce development area regarding opportunities
13 to partner with child-care providers in the board's area to expand
14 access to and provide facilities for prekindergarten programs.

15 SECTION 4. Section 302.0461, Labor Code, is amended by
16 amending Subsection (d) and adding Subsection (e) to read as
17 follows:

18 (d) The commission shall determine the information that
19 must be included in the report required by Subsection (c). A local
20 workforce development board shall update the report required by
21 Subsection (c) every 12 [~~six~~] months from the date the board submits
22 its initial report to the commission.

23 (e) A local workforce development board may allow a child
24 care provider with whom the board contracts under Subsection (a) to
25 identify and refer to the board children who could be eligible for
26 subsidized child care services. In making a referral under this
27 subsection, the child care provider shall consider whether the

1 child or the child's parent is a member of a group entitled to a
2 priority in the provision of services provided by or in cooperation
3 with the commission, including a priority described by Section
4 302.152 of this code or Section 264.121(a)(3), Family Code.

5 SECTION 5. The Texas Workforce Commission and local
6 workforce development boards are required to implement a provision
7 of this Act only if the state receives federal money for that
8 purpose. If the state does not receive federal money for that
9 purpose, the commission and the boards may, but are not required to,
10 implement a provision of this Act using other appropriations
11 available for that purpose.

12 SECTION 6. This Act takes effect September 1, 2021.

ADOPTED

MAY 25 2021

H. B. No. 2607
Secretary of the Senate

By: Ladie Lewis, Jr.

Substitute the following for H.B. No. 2607:

By: Ladie Lewis, Jr.

C.S. H.B. No. 2607

A BILL TO BE ENTITLED

1

AN ACT

2 relating to the powers and duties of the Texas Workforce Commission
3 and local workforce development boards regarding the provision of
4 child care and the subsidized child care program.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 2308.3155, Government Code, is amended by
7 amending Subsection (a) and adding Subsections (b-1) and (b-2) to
8 read as follows:

9 (a) The Texas Rising Star Program is a [~~voluntary~~] quality-
10 based child care rating system of child care providers
11 participating in the commission's subsidized child care program.

12 (b-1) The rating system adopted under Subsection (b) must
13 include an entry level rating for child care providers and a
14 maximum length of time a provider may participate at the entry
15 level rating. To qualify for the entry level rating a child care
16 provider must meet the minimum quality standards that qualify the
17 provider to receive technical assistance and support under the
18 Texas Rising Star Program. A provider participating at the entry
19 level rating is not eligible for increased reimbursement rates.

20 (b-2) The commission shall develop a process to allow a child
21 care provider to request a waiver to extend the length of time the
22 provider may participate at the entry level rating described by
23 Subsection (b-1). The waiver authorized by this subsection may
24 not exceed 36 months.

1 SECTION 2. Sections 302.0042(b) and (c), Labor Code, are
2 amended to read as follows:

3 (b) The commission's evaluation must assess:

4 (1) the use of current federal child care funds by each
5 local workforce development board;

6 (2) the ability of each local workforce development
7 board to meet child care performance measures;

8 (3) the average cost of child care in each local
9 workforce development area;

10 (4) the average monthly price charged by child care
11 providers for full-day child care in each local workforce
12 development area as stated in the market rate survey conducted
13 under 45 C.F.R. Section 98.45(c);

14 (5) the average monthly price charged by quality child
15 care providers for full-day child care in each local workforce
16 development area;

17 (6) the poverty rate of each local workforce
18 development area compared to the state's poverty rate;

19 (7) the number of children on waiting lists for child
20 care in each local workforce development area;

21 (8) the number of places that are reserved by each local
22 workforce development board in contracts authorized under Section
23 302.0461 for participants in the child-care subsidy program out of
24 the total number of children enrolled with a provider on a full-
25 time basis categorized by age of the child for each provider in
26 each local workforce development area that is certified as a 2-
27 star, 3-star, or 4-star provider in the Texas Rising Star Program

1 or that does not participate in the Texas Rising Star Program;

2 (9) the total number of child care providers
3 participating in the Texas Rising Star Program in each local
4 workforce development area and the number of 2-star, 3-star, and
5 4-star rated child care providers in the local workforce
6 development area;

7 (10) the number of child care providers participating
8 in the Texas Rising Star Program in each local workforce
9 development area as a percentage of the total number of both
10 subsidized child care providers and all child care providers in
11 the local workforce development area;

12 (11) the number of 2-star, 3-star, and 4-star rated
13 child care providers in the local workforce development area as a
14 percentage of the total number of both subsidized child care
15 providers and all child care providers in the local workforce
16 development area;

17 (12) the total number of children enrolled in
18 subsidized child care providers participating in the Texas Rising
19 Star Program in each local workforce development area and the
20 number of subsidized children enrolled in 2-star, 3-star, and 4-
21 star rated child care providers in the local workforce development
22 area; [~~and~~]

23 (13) the number of subsidized children enrolled in
24 child care providers participating in the Texas Rising Star Program
25 in each local workforce development area as a percentage of the
26 total number of subsidized children enrolled in child care
27 providers in the local workforce development area and the number

1 of subsidized children enrolled in 2-star, 3-star, and 4-star rated
2 child care providers in the local workforce development area as a
3 percentage of the total number of subsidized children enrolled in
4 child care providers in the local workforce development area; and
5 (14) the number of 3-star and 4-star rated child care
6 providers participating in partnerships with public school
7 districts and public charter schools based on data provided by the
8 Texas Education Agency, as necessary.

9 (c) For the purposes of evaluation under this section, the
10 commission shall annually update the information described by
11 Subsections (b) (7)-(14) [~~(b) (7)-(13)~~].

12 SECTION 3. Subchapter A, Chapter 302, Labor Code, is amended
13 by adding Section 302.00436 to read as follows:

14 Sec. 302.00436. SUBSIDIZED CHILD CARE PROGRAM: INFORMATION
15 FOR PUBLIC SCHOOLS. Each local workforce development board shall
16 inform the local school districts and open-enrollment charter
17 schools in the workforce development area regarding opportunities
18 to partner with child-care providers in the board's area to expand
19 access to and provide facilities for prekindergarten programs.

20 SECTION 4. Section 302.0461(d), Labor Code, is amended to
21 read as follows:

22 (d) The commission shall determine the information that must
23 be included in the report required by Subsection (c). A local
24 workforce development board shall update the report required by
25 Subsection (c) every 12 [~~six~~] months from the date the board
26 submits its initial report to the commission.

27 SECTION 5. The Texas Workforce Commission and local

1 workforce development boards are required to implement a provision
2 of this Act only if federal money is available for that purpose
3 and using the federal money for that purpose would not result in
4 supplanting or decreasing existing funding for programs currently
5 funded by the Texas Workforce Commission using available federal
6 money under the Child Care Development Block Grant. If the state
7 does not receive sufficient additional federal money under the
8 Child Care Development Block Grant or other federal money to
9 implement a provision of this Act, the commission and the boards
10 may, but are not required to, implement a provision of this Act
11 using other appropriations available for that purpose.

12 SECTION 6. This Act takes effect September 1, 2021.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 27, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2607 by Talarico (Relating to the powers and duties of the Texas Workforce Commission and local workforce development boards regarding the provision of child care and the subsidized child care program.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2607, As Passed 2nd House : an impact of \$0 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from Workforce Commission Federal Acct 5026
2022	(\$21,500,771)
2023	(\$32,458,135)
2024	(\$43,415,761)
2025	(\$46,374,914)
2026	(\$49,248,417)

Fiscal Analysis

The bill would amend Section 2308.3155, Government Code to remove the word “voluntary” from the description of the Texas Rising Star Program, a quality-based child care rating system of child care providers participating in the Texas Workforce Commission's (TWC) subsidized child care program. The bill would require that the Texas Rising Star rules include an entry level rating for child care providers and a maximum length of time a provider may participate at the entry level rating. The bill specifies a provider participating at the entry level rating is not eligible for increased reimbursement rates. The bill would require that TWC establish a maximum length of time that a provider may participate at the entry level rating.

The bill would amend Chapter 302, Labor Code regarding the “Evaluation of Allocation Formulas for Child Care Development Funds” to clarify that the number of reserved places in the evaluation be based on the number of places reserved in local workforce development board (Board) Child Care Provider Contract Agreements. The bill would require Boards inform local school districts and open-enrollment charter schools of opportunities to partner with child care providers to provide facilities for prekindergarten programs, based on data provided by the Texas Education Agency. The bill would change the frequency of the Board update report on contracted slots to every 12 months from the date the Board submits its initial report to TWC.

The bill would authorize Boards to allow a child care provider with a contract for slots agreement to identify and refer to the Board children who could be eligible for subsidized child care services. In making a referral, the child care provider would have to consider the child's TWC priority group status, including the priority of service for active duty military, veteran, or spouse and for foster children and former foster children.

The bill states that provisions of the bill can only be implemented if TWC has federal money available for this purpose and using the federal money for this purpose would not result in supplanting or decreasing existing funding for programs currently funded by TWC using Child Care Development Block Grant (CCDBG) funds. If the state does not receive sufficient additional federal money under CCDBG, the bill authorizes TWC to use other appropriations available for this purpose.

Methodology

The bill would remove the voluntary nature of the Texas Rising Star (TRS) program and add an entry-level rating for child care providers. This analysis assumes this change would require all subsidy providers to participate in the TRS program, at least at the new entry-level rating. The bill would also require that the entry-level rating be time-limited based on TWC rule. According to TWC, it is assumed this time limitation means that once the time limit has passed and the provider has not progressed to at least a 2-Star rating, then the provider will no longer be eligible to provide care to subsidized children.

TWC reports that current rules contain an entry-level rating for regulated child care programs participating in the subsidy program called “Pre-Star”. Per TWC rule, this Pre-Star designation is implemented on a rolling timeline and is determined by screening the child care program for licensing compliance. The current timeline for achieving the Pre-Star level is currently set at 5 years. However, there is no current requirement that once the Pre-Star level is attained, the provider must progress to a higher TRS certification level. TWC reports this was done to acknowledge that there might be issues of compliance in areas with a limited number of child care providers; thus, potentially impacting parent choice requirements required by the federal Child Care and Development Fund (CCDF) funds.

According to TWC, federal regulations do allow states to place requirements on providers to meet higher standards of quality, such as those identified in a quality rating and improvement system, as long as the parental choice requirements are met.

In implementing the time-limited requirement for the entry level, TWC reports the agency must ensure that a significant number of entry level providers are able to move to at least a 2-Star level in order to remain in compliance with the federal parent choice requirements. To ensure this, TWC will require additional TRS staff (assessors, mentors, and support staff) to assist programs in achieving and maintaining higher levels of certification beyond the entry level rating.

According to TWC, there were 5,279 non-TRS providers in fiscal year 2020. TWC reports that 85 percent of these providers, or 4,487, would meet the entry level qualifications. TWC estimates that 85 new non-TRS providers would meet the entry level qualifications each year. According to TWC, current non-TRS providers would be provided mentoring and assessed in a phased in-approach over the next five years in the following way: 1,122 providers each fiscal year from 2022 through 2024, 673 providers in fiscal year 2025, and 448 providers in fiscal year 2026. Each provider would receive services from an assessor (\$1,155 per provider) and a mentor (\$7,580 per provider) resulting in a total cost of \$10,543,145 each fiscal year from 2022 to 2024, \$6,621,130 in fiscal year 2025, and \$4,655,755 in fiscal year 2026 from the Workforce Commission Federal Account 5026.

According to TWC, this bill will also impact the cost per child for subsidized child care due to the anticipated

increase in the providers reimbursed at the higher reimbursement of at least the 2-Star level. TWC reports that any increase in the cost per child will impact the total number of children that can be served. Based on information provided by TWC, this analysis assumes an increased cost in reimbursements for direct care totaling \$10,957,626 in fiscal year 2022, \$21,914,990 in fiscal year 2023, \$32,872,616 in fiscal year 2024, \$39,753,784 in fiscal year 2025, and \$44,592,662 in fiscal year 2026. TWC reports it would plan to absorb this cost with anticipated increases in Child Care and Development Block Grant (CCDBG) funds, so that there would be no reduction in the average number of children served per day through TWC's At-Risk and Transitional Child Care for Families Working or Training for Work program. However, the agency notes that if these additional CCDBG funds are not made available to the state, the number of children served would decrease unless the additional costs were funded with another method of finance.

TWC reports it will work with the Children's Learning Institute (CLI) to include any changes required by this bill into their online Engage system which tracks TRS providers during the assessment and mentoring process. TWC does not anticipate additional information technology costs related to implementing the provisions of the bill.

The activities and funding are allowable through the Child Care and Development Block Grant. If TWC does not receive federal money to implement this legislation, then TWC may choose to not implement and would have no cost.

This analysis assumes there would be a minimal cost associated with implementing some provisions of the bill that could be absorbed within current resources at the Texas Education Agency.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission, 701 Texas Education Agency

LBB Staff: JMc, SD, AJL, MB, DFR, SZ

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 24, 2021

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2607 by Talarico (relating to the powers and duties of the Texas Workforce Commission and local workforce development boards regarding the provision of child care and the subsidized child care program.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2607, Committee Report 2nd House, Substituted : an impact of \$0 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from Workforce Commission Federal Acct 5026
2022	(\$21,500,771)
2023	(\$32,458,135)
2024	(\$43,415,761)
2025	(\$46,374,914)
2026	(\$49,248,417)

Fiscal Analysis

The bill would amend Section 2308.3155, Government Code to remove the word “voluntary” from the description of the Texas Rising Star Program, a quality-based child care rating system of child care providers participating in the Texas Workforce Commission's (TWC) subsidized child care program. The bill would require that the Texas Rising Star rules include an entry level rating for child care providers and a maximum length of time a provider may participate at the entry level rating. The bill specifies a provider participating at the entry level rating is not eligible for increased reimbursement rates. The bill would require that TWC establish a maximum length of time that a provider may participate at the entry level rating.

The bill would amend Chapter 302, Labor Code regarding the “Evaluation of Allocation Formulas for Child Care Development Funds” to clarify that the number of reserved places in the evaluation be based on the number of places reserved in local workforce development board (Board) Child Care Provider Contract Agreements. The bill would require Boards inform local school districts and open-enrollment charter schools of opportunities to partner with child care providers to provide facilities for prekindergarten programs, based on data provided by the Texas Education Agency. The bill would change the frequency of the Board update report on contracted slots to every 12 months from the date the Board submits its initial report to TWC.

The bill would authorize Boards to allow a child care provider with a contract for slots agreement to identify and refer to the Board children who could be eligible for subsidized child care services. In making a referral, the child care provider would have to consider the child's TWC priority group status, including the priority of service for active duty military, veteran, or spouse and for foster children and former foster children.

The bill states that provisions of the bill can only be implemented if TWC has federal money available for this purpose and using the federal money for this purpose would not result in supplanting or decreasing existing funding for programs currently funded by TWC using Child Care Development Block Grant (CCDBG) funds. If the state does not receive sufficient additional federal money under CCDBG, the bill authorizes TWC to use other appropriations available for this purpose.

Methodology

The bill would remove the voluntary nature of the Texas Rising Star (TRS) program and add an entry-level rating for child care providers. This analysis assumes this change would require all subsidy providers to participate in the TRS program, at least at the new entry-level rating. The bill would also require that the entry-level rating be time-limited based on TWC rule. According to TWC, it is assumed this time limitation means that once the time limit has passed and the provider has not progressed to at least a 2-Star rating, then the provider will no longer be eligible to provide care to subsidized children.

TWC reports that current rules contain an entry-level rating for regulated child care programs participating in the subsidy program called “Pre-Star”. Per TWC rule, this Pre-Star designation is implemented on a rolling timeline and is determined by screening the child care program for licensing compliance. The current timeline for achieving the Pre-Star level is currently set at 5 years. However, there is no current requirement that once the Pre-Star level is attained, the provider must progress to a higher TRS certification level. TWC reports this was done to acknowledge that there might be issues of compliance in areas with a limited number of child care providers; thus, potentially impacting parent choice requirements required by the federal Child Care and Development Fund (CCDF) funds.

According to TWC, federal regulations do allow states to place requirements on providers to meet higher standards of quality, such as those identified in a quality rating and improvement system, as long as the parental choice requirements are met.

In implementing the time-limited requirement for the entry level, TWC reports the agency must ensure that a significant number of entry level providers are able to move to at least a 2-Star level in order to remain in compliance with the federal parent choice requirements. To ensure this, TWC will require additional TRS staff (assessors, mentors, and support staff) to assist programs in achieving and maintaining higher levels of certification beyond the entry level rating.

According to TWC, there were 5,279 non-TRS providers in fiscal year 2020. TWC reports that 85 percent of these providers, or 4,487, would meet the entry level qualifications. TWC estimates that 85 new non-TRS providers would meet the entry level qualifications each year. According to TWC, current non-TRS providers would be provided mentoring and assessed in a phased in-approach over the next five years in the following way: 1,122 providers each fiscal year from 2022 through 2024, 673 providers in fiscal year 2025, and 448 providers in fiscal year 2026. Each provider would receive services from an assessor (\$1,155 per provider) and a mentor (\$7,580 per provider) resulting in a total cost of \$10,543,145 each fiscal year from 2022 to 2024, \$6,621,130 in fiscal year 2025, and \$4,655,755 in fiscal year 2026 from the Workforce Commission Federal Account 5026.

According to TWC, this bill will also impact the cost per child for subsidized child care due to the anticipated

increase in the providers reimbursed at the higher reimbursement of at least the 2-Star level. TWC reports that any increase in the cost per child will impact the total number of children that can be served. Based on information provided by TWC, this analysis assumes an increased cost in reimbursements for direct care totaling \$10,957,626 in fiscal year 2022, \$21,914,990 in fiscal year 2023, \$32,872,616 in fiscal year 2024, \$39,753,784 in fiscal year 2025, and \$44,592,662 in fiscal year 2026. TWC reports it would plan to absorb this cost with anticipated increases in Child Care and Development Block Grant (CCDBG) funds, so that there would be no reduction in the average number of children served per day through TWC's At-Risk and Transitional Child Care for Families Working or Training for Work program. However, the agency notes that if these additional CCDBG funds are not made available to the state, the number of children served would decrease unless the additional costs were funded with another method of finance.

TWC reports it will work with the Children's Learning Institute (CLI) to include any changes required by this bill into their online Engage system which tracks TRS providers during the assessment and mentoring process. TWC does not anticipate additional information technology costs related to implementing the provisions of the bill.

The activities and funding are allowable through the Child Care and Development Block Grant. If TWC does not receive federal money to implement this legislation, then TWC may choose to not implement and would have no cost.

This analysis assumes there would be a minimal cost associated with implementing some provisions of the bill that could be absorbed within current resources at the Texas Education Agency.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission, 701 Texas Education Agency

LBB Staff: JMc, AJL, MB, DFR, SZ

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 20, 2021

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2607 by Talarico (Relating to the powers and duties of the Texas Workforce Commission and local workforce development boards regarding the provision of child care and the subsidized child care program.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2607, As Engrossed : an impact of \$0 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from Workforce Commission Federal Acct 5026
2022	(\$21,500,771)
2023	(\$32,458,135)
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2025	(\$46,374,914)
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Fiscal Analysis

The bill would amend Section 2308.3155, Government Code to remove the word “voluntary” from the description of the Texas Rising Star Program, a quality-based child care rating system of child care providers participating in the Texas Workforce Commission's (TWC) subsidized child care program. The bill would require that the Texas Rising Star rules include an entry level rating for child care providers and a maximum length of time a provider may participate at the entry level rating. The bill specifies a provider participating at the entry level rating is not eligible for increased reimbursement rates. The bill would require that TWC establish a maximum length of time that a provider may participate at the entry level rating.

The bill would amend Chapter 302, Labor Code regarding the “Evaluation of Allocation Formulas for Child Care Development Funds” to clarify that the number of reserved places in the evaluation be based on the number of places reserved in local workforce development board (Board) Child Care Provider Contract Agreements. The bill would require Boards inform local school districts and open-enrollment charter schools of opportunities to partner with child care providers to provide facilities for prekindergarten programs, based on data provided by the Texas Education Agency. The bill would change the frequency of the Board update report on contracted slots to every 12 months from the date the Board submits its initial report to TWC.

The bill would authorize Boards to allow a child care provider with a contract for slots agreement to identify and refer to the Board children who could be eligible for subsidized child care services. In making a referral, the child care provider would have to consider the child's TWC priority group status, including the priority of service for active duty military, veteran, or spouse and for foster children and former foster children.

The bill states that provisions of the bill can only be implemented if the state receives federal money for that purpose.

Methodology

The bill would remove the voluntary nature of the Texas Rising Star (TRS) program and add an entry-level rating for child care providers. This analysis assumes this change would require all subsidy providers to participate in the TRS program, at least at the new entry-level rating. The bill would also require that the entry-level rating be time-limited based on TWC rule. According to TWC, it is assumed this time limitation means that once the time limit has passed and the provider has not progressed to at least a 2-Star rating, then the provider will no longer be eligible to provide care to subsidized children.

TWC reports that current rules contain an entry-level rating for regulated child care programs participating in the subsidy program called “Pre-Star”. Per TWC rule, this Pre-Star designation is implemented on a rolling timeline and is determined by screening the child care program for licensing compliance. The current timeline for achieving the Pre-Star level is currently set at 5 years. However, there is no current requirement that once the Pre-Star level is attained, the provider must progress to a higher TRS certification level. TWC reports this was done to acknowledge that there might be issues of compliance in areas with a limited number of child care providers; thus, potentially impacting parent choice requirements required by the federal Child Care and Development Fund (CCDF) funds.

According to TWC, federal regulations do allow states to place requirements on providers to meet higher standards of quality, such as those identified in a quality rating and improvement system, as long as the parental choice requirements are met.

In implementing the time-limited requirement for the entry level, TWC reports the agency must ensure that a significant number of entry level providers are able to move to at least a 2-Star level in order to remain in compliance with the federal parent choice requirements. To ensure this, TWC will require additional TRS staff (assessors, mentors, and support staff) to assist programs in achieving and maintaining higher levels of certification beyond the entry level rating.

According to TWC, there were 5,279 non-TRS providers in fiscal year 2020. TWC reports that 85 percent of these providers, or 4,487, would meet the entry level qualifications. TWC estimates that 85 new non-TRS providers would meet the entry level qualifications each year. According to TWC, current non-TRS providers would be provided mentoring and assessed in a phased in-approach over the next five years in the following way: 1,122 providers each fiscal year from 2022 through 2024, 673 providers in fiscal year 2025, and 448 providers in fiscal year 2026. Each provider would receive services from an assessor (\$1,155 per provider) and a mentor (\$7,580 per provider) resulting in a total cost of \$10,543,145 each fiscal year from 2022 to 2024, \$6,621,130 in fiscal year 2025, and \$4,655,755 in fiscal year 2026 from the Workforce Commission Federal Account 5026.

According to TWC, this bill will also impact the cost per child for subsidized child care due to the anticipated increase in the providers reimbursed at the higher reimbursement of at least the 2-Star level. TWC reports that any increase in the cost per child will impact the total number of children that can be served. Based on information provided by TWC, this analysis assumes an increased cost in reimbursements for direct care

totaling \$10,957,626 in fiscal year 2022, \$21,914,990 in fiscal year 2023, \$32,872,616 in fiscal year 2024, \$39,753,784 in fiscal year 2025, and \$44,592,662 in fiscal year 2026. TWC reports it would plan to absorb this cost with anticipated increases in Child Care and Development Block Grant (CCDBG) funds, so that there would be no reduction in the average number of children served per day through TWC's At-Risk and Transitional Child Care for Families Working or Training for Work program. However, the agency notes that if these additional CCDBG funds are not made available to the state, the number of children served would decrease unless the additional costs were funded with another method of finance.

TWC reports it will work with the Children's Learning Institute (CLI) to include any changes required by this bill into their online Engage system which tracks TRS providers during the assessment and mentoring process. TWC does not anticipate additional information technology costs related to implementing the provisions of the bill.

The activities and funding are allowable through the Child Care and Development Block Grant. If TWC does not receive federal money to implement this legislation, then TWC may choose to not implement and would have no cost.

This analysis assumes there would be a minimal cost associated with implementing some provisions of the bill that could be absorbed within current resources at the Texas Education Agency.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission, 701 Texas Education Agency

LBB Staff: JMc, AJL, MB, DFR, SZ

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 23, 2021

TO: Honorable Angie Chen Button, Chair, House Committee on International Relations & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2607 by Talarico (Relating to the powers and duties of the Texas Workforce Commission and local workforce development boards regarding the provision of child care and the subsidized child care program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2607, As Introduced : an impact of \$0 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from Workforce Commission Federal Acct 5026
2022	(\$21,500,771)
2023	(\$32,458,135)
2024	(\$43,415,761)
2025	(\$46,374,914)
2026	(\$49,248,417)

Fiscal Analysis

The bill would amend Section 2308.3155, Government Code to remove the word “voluntary” from the description of the Texas Rising Star Program, a quality-based child care rating system of child care providers participating in the Texas Workforce Commission's (TWC) subsidized child care program. The bill would require that the Texas Rising Star rules include an entry level rating for child care providers and a maximum length of time a provider may participate at the entry level rating. The bill specifies a provider participating at the entry level rating is not eligible for increased reimbursement rates. The bill would require that TWC

establish a maximum length of time that a provider may participate at the entry level rating.

The bill would amend Chapter 302, Labor Code regarding the “Evaluation of Allocation Formulas for Child Care Development Funds” to clarify that the number of reserved places in the evaluation be based on the number of places reserved in local workforce development board (Board) Child Care Provider Contract Agreements. The bill would require Boards inform local school districts and open-enrollment charter schools of opportunities to partner with child care providers to provide facilities for prekindergarten programs, based on data provided by the Texas Education Agency. The bill would change the frequency of the Board update report on contracted slots to every 12 months from the date the Board submits its initial report to TWC.

The bill would authorize Boards to allow a child care provider with a contract for slots agreement to identify and refer to the Board children who could be eligible for subsidized child care services. In making a referral, the child care provider would have to consider the child's TWC priority group status, including the priority of service for active duty military, veteran, or spouse and for foster children and former foster children.

Methodology

The bill would remove the voluntary nature of the Texas Rising Star (TRS) program and add an entry-level rating for child care providers. This analysis assumes this change would require all subsidy providers to participate in the TRS program, at least at the new entry-level rating. The bill would also require that the entry-level rating be time-limited based on TWC rule. According to TWC, it is assumed this time limitation means that once the time limit has passed and the provider has not progressed to at least a 2-Star rating, then the provider will no longer be eligible to provide care to subsidized children.

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According to TWC, federal regulations do allow states to place requirements on providers to meet higher standards of quality, such as those identified in a quality rating and improvement system, as long as the parental choice requirements are met.

In implementing the time-limited requirement for the entry level, TWC reports the agency must ensure that a significant number of entry level providers are able to move to at least a 2-Star level in order to remain in compliance with the federal parent choice requirements. To ensure this, TWC will require additional TRS staff (assessors, mentors, and support staff) to assist programs in achieving and maintaining higher levels of certification beyond the entry level rating.

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\$39,753,784 in fiscal year 2025, and \$44,592,662 in fiscal year 2026. TWC reports it would plan to absorb this cost with anticipated increases in Child Care and Development Block Grant (CCDBG) funds, so that there would be no reduction in the average number of children served per day through TWC's At-Risk and Transitional Child Care for Families Working or Training for Work program. However, the agency notes that if these additional CCDBG funds are not made available to the state, the number of children served would decrease unless the additional costs were funded with another method of finance.

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Local Government Impact

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Source Agencies: 320 Texas Workforce Commission, 701 Texas Education Agency

LBB Staff: JMc, SZ, MB, DFR