HOUSE RESEARCH ORGANIZATION bill analysis — 4/29/1999

HB 3333
Tillery
(CSHB 3333 by Luna)

SUBJECT: Regulating child-care funding

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 9 ayes — Jim Solis, Van de Putte, Deshotel, Homer, Keffer, Luna, McClendon, Seaman, Yarbrough

0 nays

WITNESSES: For — Sandra Lamm, The Child Care Group

Against — Kathy Eicher and Steve Sanders, Permian Basin Licensed Child Care Association; Floyd Ivy; John Sumner

On — David Coufal, Texas Workforce Commission

BACKGROUND: The Texas Department of Protective and Regulatory Services (DPRS), through its Division of Child Care Licensing, develops policies and procedures for licensed, registered, and listed child-care facilities.

Registered family homes are limited to providing child care for six or fewer preschool children in addition to six school-aged children after school. Homes are inspected before registration, but are not inspected routinely thereafter. Licensing representatives inspect 30 percent of these homes each year and visit them to investigate complaints related to child abuse or standards violations.

Group day-care homes provide care for less than 24 hours per day for seven to 12 children under 14 years old. Day-care centers care for 13 or more children under age 14 for less than 24 hours. The licensing division must inspect all licensed or certified facilities at least once a year, and inspections may be unannounced. The division must investigate a facility when it receives a complaint.

Federal funds through the Childcare and Development Block Grant provide most funds available for subsidized child care. Additional funds are provided through state general revenue. The state administers federal funding for child care through separate programs for welfare-to-work training and job search, for welfare recipients new to the work force, and for working poor families who need subsidized child care to stay in their jobs. A fourth program manages local money to provide subsidized child care. Reimbursement rates paid through these programs are set by the Texas Workforce Commission (TWC) at up to 75 percent of the local market rates, based on a 1992 market survey.

DIGEST: CSHB 3333 would amend the Government Code to require a specific portion of federal child-care funds to go to registered family homes and would increase the reimbursement rates for child care in Texas.

The bill would require each local workforce development board to allocate a portion of the board's federal child-care development funds to a competitive procurement system. That system would encourage child care for children under age four in registered family homes that meet DPRS requirements, have low child-to-staff ratios, have at least five years experience with child-care contracts, provide a homelike environment, are located near the children's homes, and have flexible hours of operation that meet the needs of parents who do not have traditional working hours.

The bill would require a local workforce development board to develop graduated reimbursement rates for child care based on the Texas Workforce Commission's (TWC) designated vendor program. The vendor program would have to be voluntary and have standards related to accreditation and certification held by the vendor. The minimum reimbursement rate would have to be 80 percent of the local rate based on a current market survey. The highest reimbursement rate would have to be assigned to child care accredited by the National Association for the Education of Young Children (NAEYC).

This bill would take effect September 1, 1999.

SUPPORTERS SAY: The quality of child care in Texas ranks 48th in the nation, according to NAEYC. One reason is that good child care is expensive. Currently, all subsidized child-care providers receive the same reimbursement rate. The key to improving child care is ensuring that state and federal money goes to child-care providers with the highest-quality service, and the graduated reimbursement rates in CSHB 3333 would encourage this.

Currently, only 20 percent of the state's child-care facilities participate in TWC's designated vendor program. The program sets higher standards while providing money for educational toys and equipment and training for staff. CSHB 3333 would encourage more vendors to participate in the program.

Low reimbursement rates actually encourage providers who provide less training and experience high turnover due to low wages to take care of our most vulnerable children whose parents are the working poor or on welfare. CSHB 3333 would make the current 75 percent maximum reimbursement rate a solid minimum rate for providers rather than leaving it to TWC's discretion to pay less. TWC has requested sufficient funds in the appropriations process to meet this higher reimbursement rate.

NAEYC sets standards for providing child care that are more stringent than state standards. CSHB 3333 would ensure that NAEYC-accredited child-care facilities receive a higher reimbursable rate than facilities whose standards are not as high. These higher quality providers deserve higher reimbursement.

Registered family homes should be given priority for care of children under age three. Studies show that most of a child's development occurs during this time, and babies do better in family homes. Designated family care homes are inspected four times a year and receive training and consulting from a child care expert.

Child care is extremely scarce for parents with infants or who work nights or weekends, shifts commonly held by former welfare recipients who take entry-level jobs. CSHB 3333 would give priority money to registered family homes that, as one of the standards, have flexible hours of operation.

Former welfare families get priority standing for subsidized child care. In addition, TWC has moved $7.7 million this year to help bridge the gaps that former welfare recipients are starting to encounter. Over the next two years, Texas will leave welfare waiver status and require all TANF recipients with children over age one to work rather than the current exemption until their child reaches age four. Clearly, more early childhood providers will be needed for children under four, and CSHB 3333 is aimed at increasing the number of providers who take in infants and toddlers.

CSHB 3333 is intended as a quality expansion program and would not encroach upon the allocation of funds for actual child care slots. The federal government earmarks 4 percent of child care development funds for programs that improve the quality of care. In Texas, these expenditures are estimated to be $13 million over each year of the next biennium, based on the House and Senate versions of HB 1, plus a line item in the federal budget has tentatively given Texas an additional $16 million for quality program expansion.

OPPONENTS SAY:

Texas should fund children, not facilities. CSHB 3333 would not increase funding for children to receive good child care. Instead, the bill would set money aside for specific facilities. This would decrease the number of low-income families who would receive funding for child care. It would violate federal rules for subsidized child-care funds that require states to provide parental choice. Under CSHB 3333, TWC either would have to violate federal rules or pay for child-care slots at family homes that parents do not choose, wasting federal and state funds.

TWC estimates that the state helps provide child care for less than 5 percent of the 1.8 million poor and low-income children under age 13, or about 81,000 children. An additional 40,000 names are on the waiting list for child-care funds. CSHB 3333 would not increase overall funding for child care, but would increase the percentage subsidized by state and federal funds. The first priority should be to spend available federal money to wipe out the waiting list.

The key to improving the quality of child care in Texas is to provide more training for child-care workers and to pay them more. Day-care operators cannot pay higher wages without raising their fees beyond what parents can pay. Changing the reimbursement rates would do nothing to increase training and pay for child-care workers. Under CSHB 3333, subsidized child care still would pay lower rates to child-care providers while adding a layer of paperwork and regulation.

CSHB 3333 would provide a specific portion of money for family home child-care facilities even though they have less stringent standards than licensed day-care facilities. Current law requires DPRS to inspect licensed facilities annually. The department is required to inspect registered family homes only once every three years. Setting money aside specifically for family home facilities also would take funding away from other child-care facilities.

CSHB 3333 would give preference to registered family homes that meet certain conditions. However, those conditions are vague and would not be enforced because these facilities are not inspected regularly.

OTHER OPPONENTS SAY:

NAEYC does not accredit family homes that provide child care. The bill should include other national child-care associations that accredit facilities, such as the National Association for Child Care and the National Association for Family Child Care.

Local workforce development boards already have the authority to set graduated reimbursement rates that take into account quality of care. Texas should require more frequent inspections of child-care facilities to ensure that these facilities provide good care and meet safety guidelines.

NOTES:

The committee substitute added the requirements for minimum and maximum reimbursement rates.

Several other bills have been filed this session to address child-care issues in Texas. HB 65 by Greenberg, et al. (SB 426 by Ellis, et al.) would create a franchise tax credit of up to 30 percent for businesses that invest in child care for their employees. HB 66 by Greenberg, et al. (SB 425 by Ellis, et al.) would provide $1 million in state funds to award $1,000 scholarships for child-care workers studying to win national credentials in their field. HB 1689 by Greenberg. et al. (SB 442 by Ellis) would create a college loan forgiveness program for graduates with a degree in early childhood development. HB 3741 by Greenberg would require DPRS to conduct a comprehensive cost-benefit analysis and economic impact study for revisions of minimum standards that would affect staff-child ratios, group sizes, or square footage of child-care facilities.

HB 1689 passed the House as amended on April 27. HB 3741 was reported favorably by the House Human Services Committee as substituted on April 13 and was recommended for the Local, Consent, and Resolutions Calendar. The other bills are still in committee.