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FISCAL IMPACT REPORT

SPONSOR Trujillo, C/ Roybal/Caballero **ORIGINAL DATE** 2/2/2020
LAST UPDATED _____ **HB** 86
SHORT TITLE Early Childhood Care Workforce Support Pgm **SB** _____
ANALYST Klundt

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$18,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 2

SOURCES OF INFORMATION

LFC Files

Responses Received From

Early Childhood Education and Care Department (ECECD)
 Children, Youth and Families Department (CYFD)

SUMMARY

Synopsis of Bill

House Bill 86 (HB 86) amends the Early Childhood Care and Education Act to require the advisory council to develop, and the Early Childhood Education and Care Department (ECECD) implement, the voluntary early childhood care and education workforce program to ensure the retention and development of its workforce.

The career and wage ladder established in the workforce development plan developed by the advisory council is required to set forth a schedule of compensation incentives designed to yield overall hourly compensation for participants between \$15.00 and \$23.00.

ECECD shall submit an annual report to the governor and the legislature on the progress of the state's voluntary early childhood care and education workforce support program, and must include the program's impact on the reduction rate of turnover, professional development attainment of early care and education staff, and provision of services in High Needs Areas.

This bill further requires ECECD to contract with one or more non-profit institutions to administer the compensation incentives, providing the compensation incentives no less than

every three months. The institution(s) must demonstrate familiarity with the child care assistance program, have relationship with institutions of higher education, and exhibit familiarity with the cultural and linguistic composition of the state's early childhood care and education workforce. The duties for the institution(s) include conducting outreach, receiving and approving applications, providing counseling, and providing the compensation incentives.

In addition, the institution(s) contracted to administer the compensation incentives program must obtain from eligible providers a certification stating that the provider will not (a) consider the program funding to reduce or otherwise supplant the compensation provided by the employer; or (b) deny raises or other compensation that the employer would have otherwise provided to qualified staff.

Finally, the bill creates the Early Childhood Care and Education Workforce Fund as a non-reverting fund in the state treasury, said fund to be administered by ECECD with money in the fund being appropriated to ECECD to carry out the provisions of the bill, and appropriates \$18 million from the general fund into the newly-created workforce fund for expenditure in FY21 and subsequent fiscal years.

FISCAL IMPLICATIONS

The appropriation of \$18 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of each fiscal year shall not revert to the general fund. While HB 86 in a nonrecurring expense the general fund, services provided by the funding will likely be a recurring expense. As the agency draws down this fund to provide services the fund may need to be replenished by in coming years.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

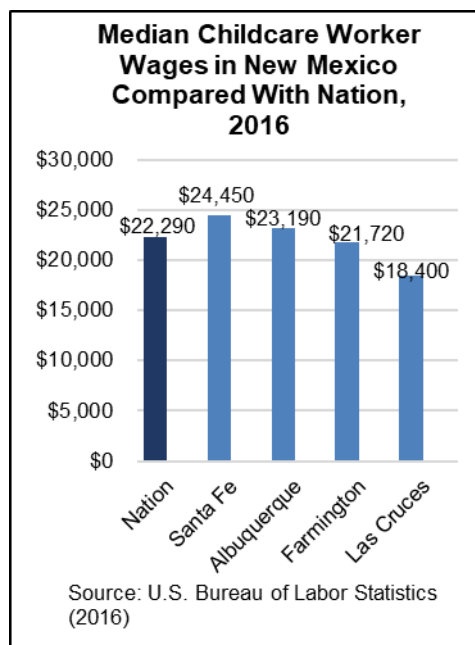
Preliminary action taken by the House Appropriating and Finance Committee for FY21 appropriation to the Early Childhood Education and Care Department (ECECD) included an additional \$5.1 million for workforce supports including wage supplements and scholarships. The FY20 operating budget includes \$4.2 million for workforce supports.

SIGNIFICANT ISSUES

A recent evolution of the childcare assistance program found New Mexico reimbursement rates are above the national average for all age groups.¹ However, early childcare teachers have low wages nationally and in New Mexico.² The annual median wage for childcare teachers in New Mexico is \$19,740, 13 percent below the national average of \$22,290. Wages vary regionally according to the 2018 Childhood Workforce Index. The highest childcare worker wages are in the Santa Fe area (\$11.76 per hour), while the lowest wages are in the Las Cruces area, (\$8.85 per hour). New Mexico ranks 35th out of the states (including Washington, D.C. and Puerto Rico) for median wage for childcare workers. Twenty-six percent of childcare workers in New Mexico used Medicaid and 28 percent spent over \$250 on their classroom without being reimbursed according to a workforce survey conducted in October 2019 as part of the preschool development grant needs assessment. Nationwide, some states are making progress in paying higher wages with moderate reimbursement rates. New Mexico, similar to some other states, has relatively high reimbursement rates and low average hourly wages, while other states have more

moderate reimbursement rates, but pay their teachers a relatively high wage.

Also, while CYFD started a salary supplement pilot in Las Cruces in spring 2019 to boost childcare worker salaries, CYFD has not reported any outcomes from this pilot. CYFD increased the participating workers' salaries by \$2 per hour. For FY20, CYFD allocated \$1.5 million for the pilot. In its FY21 budget request, ECECD added \$19 million for wage supplements to expand the pilot program to serve up to 3,700 workers (30 percent of the workforce) for about \$5 thousand a year per worker. With just one year of operation, CYFD has not reported any outcomes from this program at the time of this report.



CYFD and ECECD reported the following:

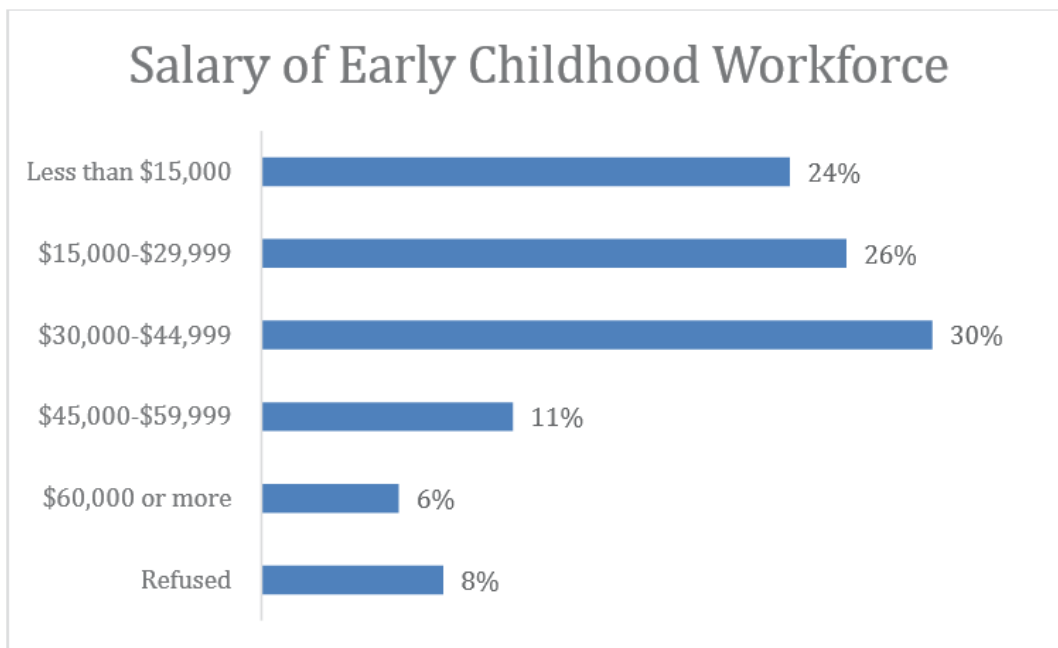
“In 2019, the State of New Mexico conducted a Comprehensive Statewide Needs Assessment for early childhood care and education as part of the Preschool Development Grant B-5. Among the assessed areas was workforce. One of the themes that emerged during the process of the qualitative interviews conducted during the assessment was that salary levels of the early childhood workforce are low, and those salary levels impact the ability to recruit and retain high quality professionals. This included a survey with over 1,290 respondents. When the full sample provided their annual salary specific to their job in early childhood, 50 percent of the sample reported that they make less than \$30 thousand annually and 6 percent of the sample reports making \$60 thousand or more annually.

The survey also revealed that roughly a third (29 percent) of the early education workforce does not have a regular wage increase, with 23 percent noting that wage increases depend on funding availability. A smaller 8 percent of the sample reported that they do have regular wage increases for all staff, 10 percent have regular wage increases based on education and training levels, and 1 percent based on seniority. The survey also revealed that roughly a third (29 percent) of the early education workforce does not have a regular wage increase, with 23 percent noting that wage increases depend on funding availability. A smaller 8 percent of the sample reported that they do have regular wage increases for all staff, 10 percent have regular wage increases based on education and training levels, and 1 percent based on seniority.

Concerning the compensation program, ECECD must require the contracted non-profit institution responsible to administer the compensation program to obtain from eligible providers a certification stating that the provider will not:

- A. Consider the program funding to reduce or otherwise supplant the compensation provided by the employer; or
- B. Deny raises or other compensation that the employer would have otherwise provided to qualified staff.

It is not clear from the bill if the applicant is the child care provider (a program through the director/owner) on behalf of their staff, which would make the certification relatively simple to obtain; or the individual education and care staff, which would make obtaining the statement from the provider a challenge. There is also no clarity as to whether the payments are made directly to the child care provider (program) or to the educator, or if this fund may address individual needs such as benefits in addition to salaries. Finally, monitoring the implementation and determining consequences for non-adherence to the certification may become a management liability as the denial of the requested compensation/termination of benefits for non-compliance (by the program) may result in unintended consequences for the applying educator.”



KK/sb

¹Tran, V., Minton, S., Haldar, S., & Dwyer, K. (2018). *The CCDF Policies Database Book of Tables: Key Cross-State Variations in CCDF Policies as of October 1, 2017*, (OPRE Report 2018-106). Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services. Retrieved from:

<https://ccdf.urban.org/sites/default/files/CCDF%20Policies%20Database%202017%20Book%20of%20Tables%20%28final%2010%2009%2018%29.pdf>

² Center for the Study of Child Care Employment (2019). Retrieved from: <http://csce.berkeley.edu/topic/early-childhood-workforce-index/2018/>