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FISCAL IMPACT REPORT

 NSOR: Stewart DATE TYPED: 01/22/02 HB HJM 14

SHORT TITLE: State-Subsidized Child Care Facilities SB _____

ANALYST: Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		See Narrative		Non-Recurring	General Fund

SOURCES OF INFORMATION

Children Youth and Families Department (CYFD)

SUMMARY

Synopsis of Bill

House Joint Memorial 14 requests that CYFD create a task force to study the licensing of all child-care facilities that receive childcare subsidy payments. The memorial notes that at least 60% of state-subsidized childcare is provided through unlicensed childcare facilities. The memorial further notes that because these facilities are not licensed, the state of New Mexico is paying for care that may be substandard, and that reimbursement rates currently paid for childcare by the state are below market value. The memorial requests the task force to develop a plan to license all providers that receive or are eligible to receive state reimbursement for childcare services.

Significant Issues

CYFD reports that the issues outlined in the bill have been studied. CYFD indicates that in the 1999 Legislative Session, SM 12, identified all the facilities statewide that were unlicensed. The majority of these unlicensed facilities in the state were identified as faith-based facilities operated by churches and summer recreation programs operated by municipalities and care for children over the age of 12. These factors make these facilities ineligible for CYFD childcare payments.

CYFD specifies that the memorial is inaccurate in stating that unlicensed care is substandard and that the state is paying for substandard care. All children that receive state funded childcare assistance must be in either licensed or registered facilities. Registered facilities operate under the rules

and regulations of the Family Nutrition Bureau and have the same standards for health and safety as licensed facilities. These facilities are inspected once per year, with registered homes reviewed at least four times per year.

The latest market rate survey for CYFD was conducted in April 2001. As a result, childcare reimbursement rates were increased to an average of 97% of the 75th percentile for rural providers and an average of 83% of the 75th percentile for metro providers. The cost to bring all facilities up to the 75th percentile would be \$8,600.0 based on the most current market rate study. See below for further clarification of 75th percentile.

Currently, 51% of childcare subsidies are paid to registered homes and 49% to licensed facilities. CYFD currently has 964 licensed childcare facilities and 9,430 registered homes.

FISCAL IMPLICATIONS

CYFD notes that the cost to complete the study requested in SM 12 noted above was approximately \$50.0.

ADMINISTRATIVE IMPLICATIONS

CYFD expresses concern that effort to meet the requirements of the memorial would impact the ability of CYFD to meet its performance-based measures.

OTHER SUBSTANTIVE ISSUES

CYFD has a tiered system for licensing and registering childcare facilities. All providers receiving payment by CYFD for childcare services must be licensed or registered. Childcare centers, group homes and family homes are licensed by the Child Care Services Bureau under Title 8, Chapter 16, Part 2 (8.16.2.1 NMAC-Rp 8.16.2.1 NMAC, 08/01/01). Annual surveys are conducted for all licensed childcare facilities. Registered homes may provide childcare for up to 4 non-related children, with no more than 2 children at any one time less than 2 years old. These homes are registered and monitored by the Family Nutrition Bureau under Title 8, Chapter 17, Part 2 (8.17.2.1 NMAC-Rp * 17.2.1,11-15-01). These regulations contain basic health and safety requirements. Registered homes participating in the federal food and nutrition program are monitored 4 times a year; non-participating registered homes are monitored annually.

CYFD has a tiered reimbursement system for childcare subsidy payments. Differential rates are paid for metro and rural providers as well as for centers, licensed group, licensed family and registered homes. Additionally, different rates are paid for care of infants, toddlers and pre-school age children. A market rate survey of childcare rates is conducted every 2 years as required by

federal rules, which recommend that childcare subsidy rates be at or above the 75th percentile of market rates. This means that the maximum rate paid by the State is equal to or greater than the price of at least 75% of the care in a particular category and rate area.

BD/ar