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FISCAL IMPACT REPORT



SPONSOR: Begaye DATE TYPED: 01/30/02 HB HJM 37

SHORT TITLE: Urban & Rural Child Care Provider Work Group SB _____

ANALYST: Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		\$0.1	See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HJM 14

SOURCES OF INFORMATION

Responses Received

Children Youth and Families Department (CYFD)

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

House Joint Memorial 37 requests CYFD to convene a workgroup of urban and rural child care providers to review the current procedures for determining market rate reimbursements, review the federal register requirements for reimbursements and make recommendations to ensure equal access to child care for children and fair market reimbursement rates for providers. The memorial requests that the work group report its findings to the Welfare Reform Oversight Committee and the Legislative Health and Human Services Committee.

Significant Issues

CYFD is required by federal rules to conduct a market rate survey of childcare payment rates every two years. The latest market rate survey for CYFD was conducted in April 2001. The survey results demonstrated that there was a difference in rates paid in rural areas versus the three federally designated standard metropolitan areas. Based on these survey results, the market rates in the rural areas were found to be less than the rates paid in the designated metropolitan areas.

As a result of this survey, childcare reimbursement rates were increased. This increase in reimbursement rates was estimated to cost approximately \$3.6 million dollars, with \$2 million directed to rural providers and \$1.6 million directed to metro providers. The result of the increase in rates was to reduce the disparity between rural and metro reimbursement rates. The rate increase went into effect September 1, 2001.

However, the SDE explains that the current procedures to determine market rate do not include the most costly childcare providers (New Mexico Child Care Association). According to SDE a rural market rate of reimbursement is lower than the urban market rate. Therefore, a rural community included in urban area catchments may receive a higher rate than an equal rural community in a rural catchments area (Child Care Compensation Report, September 23, 2001, CYFD).

Reimbursement rates have continually been an issue, and this study may address some of the concerns of the providers in the rural areas who indicate that they are not being paid for what it cost to run childcare programs.

FISCAL IMPLICATIONS

The memorial does not contain an appropriation; therefore, CYFD would have to absorb any fiscal implications within its existing resources. The cost of conducting a market rate survey for childcare in New Mexico is approximately \$25.0.

ADMINISTRATIVE IMPLICATIONS

CYFD will be required to work closely with all parties identified in this memorial when developing the protocol and methodology for market rate surveys including issues relating to rural and metropolitan areas. CYFD will have to consult with federal agencies when conducting market rate surveys to ensure equal access to services and parental choice.

RELATIONSHIP

HJM 14 relates to the market rate value of childcare reimbursement rates.

OTHER SUBSTANTIVE ISSUES

The sponsor may wish to cite SDE as a member of the task force, and ensure that fair reimbursement rates be joined to quality programs based on measurable performance standards.

BD/ar/njw