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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/2/15

SPONSOR SPAC LAST UPDATED 3/12/15 HB \_\_\_\_\_

SHORT TITLE Child Care Assistance Accountability Act SB 379/SPACS/aSFC

ANALYST Klundt

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		TBD	TBD			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Children, Youth and Families Department (CYFD)

### SUMMARY

#### Synopsis of SFC Amendment

The SFC amendment to SB379 adds clarifying language to provide flexibility to CYFD to take into consideration the categories of childcare assistance providers (i.e. licensed centers, registered homes, etc.) when following program standards and developing an outcomes measurement plan.

#### Synopsis of Original Bill

This bill adds a new section of the Children’s Code to enact a Child Care Assistance Accountability Act. The bill requires the Children, Youth and Families Department (CYFD) to support a voluntary statewide child care assistance infrastructure for qualifying children, and establishment of quality ratings for providers for the child care assistance program. The child care system should provide a common framework for service delivery an accountability, deliver a variety of education, development and other referral or support services, promote positive parenting practices, safety and well-being. Additionally, the bill allows for the collection, aggregation, and analysis of data for an annual report from CYFD to the governor and Legislature detailing quality system inputs, program context, and performance outcomes.

### FISCAL IMPLICATIONS

The bill does not appropriate any additional funds to the child care assistance program. CYFD

and the Department of Health (DOH) note a concern that the collection and reporting of data may be burdensome. However, LFC staff analysis indicates CYFD could absorb additional reporting requirements using existing resources noting that much of the needed data is currently collected for federal reporting purposes.

## **SIGNIFICANT ISSUES**

The childcare assistance program is the largest early childhood program administered by the state, serving about 18 thousand children monthly at an annual cost of over \$97 million. The program is currently not established in statute. The program subsidizes the cost of child care for families with incomes at or below 200 percent of the federal poverty level (FPL), about \$47.8 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance.

In addition, there are 998 licensed child care programs in New Mexico eligible to serve low-income children who receive assistance. These licensed programs range from home-based to center-based. The majority 633 of 998, or 64 percent, of these programs meet only minimal health and safety standards, or 2 STAR. Additionally, only about 140, or 14 percent, of the state's 998 licensed child care programs would currently be considered to be high-quality, or 5 STAR. CYFD believes that raising the quality of lower quality centers may be costly for both programs and the state; however on average in FY15, provider reimbursements increased 27 percent. This increase is in addition to a 4 percent increase received in FY14, and therefore it may be assumed that the significant provider rate increases could be utilized to support improved quality.

Historically, child care has been viewed as a welfare support program, allowing low-income parents to work. However, since 2004, evaluations and federal guidance have emphasized quality initiatives intended to improve outcomes and recommended shifting funding toward more costly, high quality programs. Currently, to improve quality of child care providers CYFD is implementing FOCUS, a new tiered quality rating and improvement system (TQRIS), funded through the federal Race to the Top-Early Learning Challenge (RTT-ELC) grant.

This bill establishes the program in statute, supports the framework developed through FOCUS, and provides for program accountability to meet the highest level of quality rating.

CYFD notes a concern, however, that any additional reporting may result in less providers choosing to accept child care assistance clients. Additionally, the agency reports the federal Child Care Development Fund, requires parental choice and access to all child care, and any significant reduction in providers could jeopardize parental choice and access, particularly in rural areas.

## **PERFORMANCE IMPLICATIONS**

This bill requires an annual report from the CYFD to the governor and the Legislature detailing quality system inputs, program context, and performance outcomes.

## **ADMINISTRATIVE IMPLICATIONS**

Additional resources to comply with accountability and reporting may be absorbed with existing

resources at CYFD.

## **OTHER SIGNIFICANT ISSUES**

Nationally, states are increasingly instituting Quality Rating and Improvement Systems (QRIS) with coaching and resources to increase the quality of child care. Developing a QRIS was a requirement of the Race to the Top – Early Learning Challenge grant that New Mexico received. According to Child Trends *QRIS Building The Research Base* (Oct 2013) “In a system strategy like QRIS, multiple outcomes for children, families, and the early care and education workforce may be possible if sufficient resources and supports for implementation are available. QRIS-related activities such as individual coaching that directly promote improvements in teachers’ and caregivers’ interactions with children may link to measures of children’s learning.”

According to the US Administration for Children and Families, QRIS participation is voluntary in most states; however, SB 379 mandates child care agencies that serve children that receive child care assistance in New Mexico to participate in the QRIS.

New Mexico is in the process of establishing its third generation Tiered Quality Rating and Improvement System (TQRIS) known as “FOCUS on Young Children’s Learning” that will be a quality rating system used across New Mexico’s early learning programs.

Under the Race To the Top – Early Learning Challenge grant, New Mexico is developing an Early Childhood Integrated Data System (ECIDS). ECIDS will allow for reporting across New Mexico’s early learning programs, as well as reporting longitudinally, i.e. outcomes for children over time. Children who receive child care often will also receive other early learning services from birth to age 5 years, including: home visiting; FIT Program early intervention; PreK; Head Start / Early Head Start; and / or preschool special education. It will therefore be challenging to determine the longitudinal outcomes for kids receiving just child care services.

## **TECHNICAL**

SB 379 requires that data be collected on the percentage of children who participate in special education but does not include the percentage of children who participate in the Family Infant Toddler (FIT) Program. The FIT Program provides early intervention under IDEA (Individuals with Disabilities Education Act Part C) to kids ages birth to 3 years, whereas the IDEA 619 provides special education from age 3 years through age 21 years.

In addition, CYFD believes there to be inconsistency in the language of Section 4. Section 4.A.(1-3) directs the CYFD to convene a representative group of stakeholders to develop the goals, objectives and corresponding indicators/metrics that will be measured and reported in the annual outcomes report. Section 4.B.(1&2.a.-n.) then proceeds to define the measures to be included in the annual outcomes report.

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