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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/23/15

SPONSOR Candelaria LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Early Childhood Provider Benefit Incentives SB 559

ANALYST Klundt

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

|              | FY15 | FY16 | FY17 | 3 Year<br>Total Cost | Recurring or<br>Nonrecurring | Fund<br>Affected |
|--------------|------|------|------|----------------------|------------------------------|------------------|
| <b>Total</b> | TBA  | TBA  | TBA  | Significant          | Recurring                    | General<br>Fund  |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Children, Youth and Families Department (CYFD)

### SUMMARY

Senate Bill 559 amends the section of the Early Childhood Care and Education Act that created a non-reverting Early Childhood Care and Education Fund in the New Mexico State Treasury. The fund was established to carry out the provisions of the Early Childhood Care and Education Act and is administered by the Children, Youth and Families Department (CYFD). This bill amends the Act to require CYFD prioritize funds to increase monthly child care assistance reimbursement rates by 50 percent for providers that offer four of the following to their employees:

- At least five paid sick days;
- At least three days of paid family or medical leave;
- Health insurance;
- A minimum wage of \$15 per hour; or
- Participate in a substitute teacher program or operate a substitute teacher program.

This bill declares an emergency.

### FISCAL IMPLICATIONS

CYFD reports the current Fund Balance of the Early Childhood Care and Education Fund is \$219.7 thousand. The fund balance is associated with a grant from the Kellogg Foundation to CYFD, and the money is obligated to establish an early childhood and family resource center in

the South Valley in Albuquerque in FY15. In order to satisfy the requirements of the Kellogg Foundation grant these funds must be used for the early childhood and family resource center. Therefore, there is no funding available to increase provider reimbursements in this fund.

Additionally, since there is no way to quantify how many providers meet these criteria, it is unknown how much additional funding would be necessary. However, since a 50 percent is a significant increase in provider reimbursement any sizeable amount of providers meeting these criteria would have substantive fiscal implication.

## **SIGNIFICANT ISSUES**

Child Care Assistance is the largest early childhood program administered by CYFD. The annual budget is about the Childcare Assistance Program in New Mexico serves about 18 thousand children up to age 13 at a cost of \$96 million annually. The program subsidizes the cost of child care for families with incomes at or below 200 percent of the federal poverty level (FPL), or about \$48 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance.

Due to cost-containment measures implemented in 2012, such as a requirement that single parents register with the Child Support Enforcement Division, the number of children participating in childcare assistance has dropped, resulting in a surplus of funds in FY14 and FY15. CYFD reinvested this \$16 million surplus in provider rate increases to compensate for the higher cost of quality child care. On average in FY15, provider reimbursements increased 27 percent. This increase is in addition to a 4 percent increase received in FY14.

In addition, child care programs have not provided access to CYFD for review of their finances historically. In order for the agency to confirm that the program meets the requirements of the bill, CYFD would need access to each program's finances and, payroll records to confirm that the program meets the requirements. There also exists the necessity to establish monitoring and reporting mechanisms to minimize the possibility of fraud.

## **CONFLICT**

This bill conflicts with SB 304, which appropriates \$200.0 thousand of the \$219.7 thousand in the Fund to PED.

## **TECHNICAL ISSUES**

Additionally, CYFD notes a need for further clarification on provisions in this bill including:

- Does the provision regarding a minimum wage include all employees – including maintenance, janitorial, clerical, cooks, etc.?
- Which substitute teacher program this bill is referencing?

KK/aml/bb