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FISCAL IMPACT REPORT

ORIGINAL DATE 2/17/16

SPONSOR Johnson **LAST UPDATED** _____ **HM** 107

SHORT TITLE Child Care Development Grant Applications **SB** _____

ANALYST Klundt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate but could increase costs	Indeterminate but could increase costs		Federal	General/Federal

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

House Memorial 107 requests the Children, Youth and Families Department (CYFD) to consider the following input of child care industry stakeholders into the state’s application for the Child Care and Development Block Grant:

- A. that the three-year plan needs to include a strategy to enroll more of the thirty-five thousand eligible children who are not receiving assistance by allowing providers to enroll parents in child care assistance;
- B. that the plan needs to include the actual cost of providing services in the calculation of its reimbursement rate to providers to ensure that the reimbursement rate meets the actual cost of providing child care;
- C. that the plan needs to increase reimbursement rates to allow providers to pay a living wage; and
- D. that the application needs to have a concrete plan to implement the federal regulation of twelve-month contracts without children losing slots due to lack of funding, which would result in fewer children being served.

FISCAL IMPLICATIONS

In FY16, CYFD’s operating budget for the childcare assistance program is \$115 million, including \$49 million from the federal CCDF (see FY16 Child Care Funding Source and Uses Table).

FY16 Child Care Funding Sources and Uses	
(in thousands of dollars)	
	FY16 Budget
Sources	
CCDF (Federal)	\$49,243
Title IV-E (Federal)	\$900
TANF (Federal)	\$30,528
Employment & Training (Federal)	\$0
Other State Funds	\$0
General Fund	\$34,376
Total Revenue	\$115,046
Uses	
Child Care Services*	
1-Star	\$6,007
2-Star	\$24,514
3-Star	\$25,793
4-Star	\$7,301
5-Star	\$32,992
Child Care Services 1-5 Star Uses Total	\$96,607
Quality Initiatives (TTAP, etc)	\$8,392
Admin/Eligibility	\$10,047
Total Spending	\$115,046

Source: CYFD

The memorial requests CYFD to consider an increase of reimbursement rates to allow providers to pay increased wage. In FY15 and FY16 CYFD implemented provider rate increases which were an average increase of over 30 percent (see LFC Volume 3, pg.83). Currently, HB2 does not include an increase of general fund or other revenues for additional provider rate increases beyond what was implemented between FY15 and FY16. Any additional increase in provider rates could result in an increase cost.

SIGNIFICANT ISSUES

The Child Care and Development Block Grant (CCDBG or Discretionary Funds) is a part of the Child Care and Development Fund (CCDF) program, along with the Child Care Mandatory and Matching Funds. The CCDBG provides grants to States, Territories, Tribes, and tribal organizations serving federally-recognized tribes for child care assistance for low-income families.

Administered by the Children, Youth, and Families Department (CYFD), the Childcare Assistance Program in New Mexico serves about 18 thousand children up to age 13 at a cost of \$97 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 \$48.5 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance.

Historically, child care has been viewed as a welfare support program, allowing low-income parents to work. However, since 2004, LFC evaluations have emphasized high-quality programs improve outcomes and recommended shifting funding toward more costly initiatives.

In 2014, the federal Child Care and Development Block Grant (CCDBG) Act was reauthorized. CCDBG is the federal authority and funding source for childcare assistance. The reauthorization made significant changes by defining health and safety requirements for childcare providers, outlining family-friendly eligibility policies, and requiring parents and the general public to have transparent information about available childcare services. New Mexico receives close to \$36.1 million from CCDBG annually.

Highlights of CCDBG reauthorization requirements include criminal background checks for all childcare staff, certification that providers are complying with child abuse reporting requirements, pre-licensure and annual unannounced inspections of licensed providers, qualifications and training for licensing inspectors, and standard child-to-provider ratios. The most costly requirement of the reauthorization is a new 12-month eligibility period versus the current six months. Extending the recertification process may result in significant increased enrollment and expenditures.

OTHER SUBSTANTIVE ISSUES

In alternative to provider rate increases the “INCENTIVES\$” Early Childhood Pay Supplement Program, funded with public and private money, bolsters the T.E.A.C.H. scholarship program by providing pay supplements every six months (averaging \$1,250) to educators in private and public programs who have worked the previous six months with children under 5 years of age and who earn \$16 an hour or less. The supplements go to people who have completed degrees, as well as people working on early childhood degrees. The goals of INCENTIVES\$ are to increase the education of teachers of children under 5, boost the teachers’ compensation and reduce staff turnover. In FY15, 228 early education teacher state-wide participated in INCENTIVES\$.

This memorial also requests, “that the plan needs to include the actual cost of providing services in the calculation of its reimbursement rate to providers to ensure that the reimbursement rate meets the actual cost of providing child care”. The US Department of Health and Human Services recently provided an online demonstration Provider Cost of Quality Calculator (PCQC) to assist states in analyzing this issue.

ALTERNATIVES

The Early Childhood and Education Act outlines detailed statutory responsibilities of the ELAC. Included in these responsibilities is to “make recommendations to the department and the legislature on how to coordinate and align an early childhood care and education system to include child care, pre-kindergarten, home visitation, early head start, head start, early childhood special education, early intervention and family support and to provide New Mexico families with consistent access to appropriate care and education services...”, to “...“ensure effective collaboration with state and local child welfare programs and early childhood health and behavioral health programs” and to “consider the advancement of quality early childhood care and education programs in order to support the healthy development of children...” The Early Childhood Care and Education Act also gives authority to the ELAC to establish subcommittees composed of ELAC members as well as experts in the field. ELAC could convene a

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subcommittee to make recommendations to CYFD regarding the requests included in this memorial.

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