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## FISCAL IMPACT REPORT

Trujillo,  
 CH/Louis/Gallegos,      **ORIGINAL DATE** 2/22/19  
**SPONSOR** DY/Thomson      **LAST UPDATED** \_\_\_\_\_ **HB** 623  
**SHORT TITLE** Voluntary Early Childhood Program      **SB** \_\_\_\_\_  
**ANALYST** Klundt

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$14,000.0	Recurring	General

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See fiscal impact	See fiscal impact			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department

### SUMMARY

#### Synopsis of Bill

House Bill 623 (HB 623) appropriates \$14 million from the general fund to the early childhood care workforce fund for expenditure in FY20 and subsequent fiscal year for the Children, Youth and Families Department (CYFD) to develop and implement the voluntary early childhood care providers program.

HB 623 bill amends the Early Childhood Care and Education Act as follows:

Added Definitions: "early childhood care worker" as an employee of an eligible provider; "eligible provider" as a person licensed by the department that provides early childhood care services; "review board" as the early childhood care workforce review board.

Voluntary early childhood care providers program: creates a voluntary early childhood care providers program for the provision of early childhood care services and the development of the early childhood care workforce, with the assistance of the review board. Requirements for the professional development organizations are included in this bill. An annual report to the governor and the legislature on the progress of the state's voluntary early childhood care providers program is required.

The Early Childhood Care and Education Board: adds a new section of the Early Childhood Care and Education Act, including the creation of an early childhood workforce review board, describing membership and duties, assisting CYFD in the development of standards that include:

- “the minimum professional standards for early childhood care workers to receive a minimum hourly wage of twelve dollars...”
- a wage and career ladder for early childhood care workers
- a diversity of culturally, linguistically and developmentally appropriate curricula for early childhood care programs, and
- a diversity of professional development opportunities.

Contracting process, monitoring and research: requires CYFD to issue a Request For Proposals or a request for applications for ‘early childhood care services’, stating that funding criteria would be determined by the current operating costs of an eligible provider. Adding that funds shall not be used for “...any religious, sectarian or denominational purposes, instruction or material.”

## **FISCAL IMPLICATIONS**

The appropriation of \$14 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall not revert to the general fund. This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

CYFD is concerned the bill does not clarify the age group to be served, expected outcomes for implementation, and measures of accountability for this funding. In addition, the agency also reported concerns whether CYFD will be able to use any monies appropriated to the newly created fund to support the expanded administrative workload necessary to fulfill the requirements of the bill. Finally, this bill mandates a minimum wage of \$12.00 an hour, and includes an appropriation if the bill’s provisions are to be applied to all existing childcare services.

## **SIGNIFICANT ISSUES**

Since the enactment of the Early Childhood Care and Education Act of 2011, the state of New Mexico has been working cross-sector, cross-department in the implementation of a continuum and alignment of the Early Learning System. Eliminating the siloes between programs benefits children and families.

This bill does not define the term “early childhood care services.” It is unclear whether this is the existing statewide licensed Child Care system or a new service. This bill does not describe the

services to be provided, expected outcomes of the program or the age and eligibility for children to be served.

If this bill is proposing ‘early childhood care services’ as a new service, it unclear how it will be integrated into the state’s early learning system that is described at <https://www.earlylearningnm.org/programs> as required by the Early Care and Education Act, including the following programs: Child Care; PreK; Head Start; Home Visiting; Family Infant Toddler (FIT) Program (Individuals with Disabilities Education Act Part C); and Preschool Special Education (IDEA Part B Section 619). If this is a new service, it will lead to a fragmentation of the system.

This bill requires the Children’s Youth and Families Department to issue a Request for Proposals or a request for applications for ‘early childhood care services.’ This will be a significant burden if this requirement is to apply to all current Child Care providers, which includes large organizations, small independently owned centers and family care homes, many who are minority owned and Spanish speaking.

Currently, childcare providers do *not* have to submit proposals in response to an RFP or application, and many of these providers would likely experience significant challenges in submitting such a proposal / application. All Child Care providers (homes and centers) are licensed and receive higher reimbursement through the state subsidy reimbursement system as a result of participating in the New Mexico FOCUS quality improvement system that includes a variety of quality standards, including professional development, programing and ratios. This bill requires a significant shift in the design and administration of the Child Care Assistance Program, threatening the stability of whole system, and jeopardizing the federal funding of the Child Care Assistance program.

If this RFP / application is not intended to apply to all Child Care providers, but to a new service, the process CYFD is concerned the bill may disenfranchise the smaller child care and family care providers from participating, creating further disadvantage and inequity in unserved and underserved communities.

CYFD also reported concerns HB 623 proposal to create an “early childhood care workforce review board” duplicates the role of the Governor’s Early Learning Advisory Council (ELAC), which advises and assists the CYFD, PED, and DOH in the administration of the state is early learning system, including workforce and professional development issues. It particularly duplicates the work of the Higher Education Taskforce, a subcommittee of the ELAC which makes recommendations regarding early childhood education higher education issues.

CYFD stated the agency is already working on an assessment of the state’s workforce development needs and capacity through a \$5.4 million federally funded Preschool Development Grant, birth to age five, from the US Health and Human Services Department. This grant includes a comprehensive statewide Needs Assessment to take place during the first part of 2019, followed by the development of a statewide birth to five strategic plan. A crucial component of this Needs Assessment is Assessing Workforce Development needs and capacity. This will include assessing the status of the current workforce: i) the number of staff by programs and geographical area; ii) level of education iii) longevity, turnover and movement of staff between programs iv) pay and economic well-being; as well as the capacity of higher education and training and technical assistance system to scale up to meet the needs of an expanding workforce if early learning programs are expanded to scale. This assessment will also look at the current

workforce development system, from higher education to in-service, to make recommendations regarding enhancement, efficiencies, and potential alignments between programs that would result in a more cohesive and accessible system for early learning staff and result in quality best practices being used with young children and their families. It would be premature to implement a workforce development plan without the necessary information.

## **OTHER SUBSTANTIVE ISSUES**

Administered by CYFD, childcare assistance in New Mexico is projected to serve over 20 thousand children up to age 14 at a cost of \$139 million in FY19. The program subsidizes the cost of childcare for families with incomes up to 200 percent of the federal poverty level (FPL). As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance. The newest federal childcare block grant funding framework released in early 2018 provided the state an additional \$18 million in discretionary funds, allowing the state to maintain enrollment despite growing average costs per child. Despite increased federal revenues, overall childcare assistance spending remained relatively stable due to declining fund balances previously used to sustain the program (See Volume III, Childcare Assistance Sources and Uses).

Increased provider rates for the highest levels of quality care contributed to increased spending as more providers qualify for the reimbursements rates for centers with five stars. Childcare providers can qualify as a five star provider by either meeting quality standards in the state's tiered rating quality improvement system, Focus, or through an approved national accrediting body. Provider rates have grown 76 percent from an average monthly rate of \$326 in 2013 to \$577 in FY19. At \$577 per child per month, it will cost an additional \$6 million for every 1,000 additional children served. Total direct spending for childcare assistance in FY18 reached \$135.2 million, nearly \$19 million above anticipated spending in CYFD's FY18 operating budget. In FY19, childcare assistance received an additional \$22 million from the general fund and \$3 million from TANF. As more providers obtain the highest quality rating, the projected average monthly subsidy will increase. While the cost per child continues to rise, enrollment in the first few months of FY19 was slightly below projections and may result in a small revenue carry-forward to FY21. The LFC recommendation increases TANF transfers from the Human Services Department for childcare assistance by \$3 million. In addition, the LFC recommendation also increased workforce support funding for the state early childhood system \$3 million from the general fund in FY20

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