

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2-2-06

SPONSOR King LAST UPDATED _____ HB 363

SHORT TITLE INCREASE CHILD CARE PROGRAM SB _____

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$18,100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB159, Relates to SB141, HB13, HB206, HB19, SB161

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)

New Mexico Highlands University (NMHU)

State Personnel Office (SPO)

SUMMARY

Synopsis of Bill

House Bill 363 appropriates eighteen million one hundred thousand dollars (\$18,100.0) to CYFD for the following expenditures:

- 1) \$10,000.0 for childcare programs to two hundred percent of the federal poverty level.
- 2) \$4,000.0 to increase the reimbursement rate for licensed childcare providers.
- 3) \$2,000.0 for aim high programs increasing the quality of early childcare programs.
- 4) \$1,000.0 for scholarships to help early childhood teachers learn more about child development and early learning while earning college degrees.
- 5) \$1,000.0 for wage supplements for early childhood teachers, based on the educational level that those teachers achieve.
- 6) \$100.0 to improve accreditation for childcare providers.

House Bill 363 appropriates \$18,100.0 from the general fund to Children, Youth and Families Department for the purpose of increase childcare assistance, providing a greater reimbursement rate for providers, and increasing quality.

FISCAL IMPLICATIONS

This appropriation is not part of the CYFD request. The Executive recommendation includes \$2,438.0 to raise the childcare program eligibility to 160% of the federal poverty level. Items 2-6 are not part of the Executive recommendation. Unexpended and unencumbered funds at the end of FY07 shall revert to the general fund.

SIGNIFICANT ISSUES

The appropriation is in addition to the general fund amount in CYFD's budget request.

The appropriation enables CYFD to raise the childcare assistance program eligibility to 200% of the Federal Poverty Level. Current eligibility standards for child care assistance require families to be at or below 150% of the FPL. However, families that were receiving assistance when eligibility was 200% of the FPL are being "grand-fathered" into the program. CYFD estimates the grand-fathering to be 1,700 slots at an estimated cost in excess of \$5,000.0.

CYFD, in 2006, is expected to overspend the current childcare budget by an estimated 4 million. CYFD will use carryover of federal childcare funds to resolve the shortfall. This shortfall is in part attributable to the "grandfathering" of 1,700 slots at FPL levels in excess of the 150%.

Changes to the statewide minimum wage law will have an impact to childcare providers. This bill recommends \$4,000.0 (item 2 from synopsis) to increase the reimbursement to providers. Many of the provider's staff members are paid minimum wage. As the minimum wage increases, so to must the provider reimbursement. If the provider reimbursement is not increased then the agency may fund few child care slots, or the providers may not maintain low staff to child ratios, or the quality of care may decline.

The Children, Youth and Families Department (CYFD) uses TEACH or Teacher Education and Compensation Helps scholarships for early childhood professionals. The scholarships pay for tuition, fees, and books for early childhood workers who are taking classes on early learning. TEACH scholarships are used to help encourage the development of specialists and teachers through community colleges.

Wage supplements are designed to encourage child care center workers toward completion of early childhood programs. Wage supplements are based on the level of education the child care professional has reached and depending on the level, the individual will receive a bonus from their employer. The purpose of wage supplements is to decrease early childhood professionals who start to take classes and then leave to go and work for the public schools. The incompleteness rates of students in early childhood programs create a need for quality child care workers and a need for completion. This bill creates an incentive for those individuals who are committed to early childhood and who remain and complete programs in order to fill the need of quality early childhood professionals. The quality of early childhood experiences impacts learning in the later years.

There are approximately 8,000 individuals employed in the field of child care in New Mexico. The average salary is \$7.20 per hour. Child care centers are small employers and rarely provide benefits for their employees.

PERFORMANCE IMPLICATIONS

It is unclear what the performance objective is of raising the FPL to 200%. The bill does not address an increased level of employment, job retention, educational attainment, etc associated with the additional slots for the parents.

A significant barrier to entering the workforce is childcare. The Office of Workforce Training and Development is charged with placing displaced workers back in the workforce. Among the difficulties encountered entering the workforce is childcare. As a new entrant to the workforce increases earnings, loss of their childcare benefit becomes an issue.

The proposed increase in funding for childcare assistance would allow CYFD to serve approximately 3,200 additional children per month.

ADMINISTRATIVE IMPLICATIONS

CYFD will absorb any additional administrative costs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates SB159

This bill is related to both SB 141 and HB 013, each of which propose one million dollars (\$1,000,000) to provide supplemental wage support and benefits to child care workers.

This bill relates to an appropriation in the General Appropriation Act. HAFC's substitute for HB2 has an additional \$1,383.6 for child care slots.

OTHER SUBSTANTIVE ISSUES

Approximately 7% (133,454) of New Mexicans are under five years old. (HPC Quick Facts 2005)

The average annual cost of a childcare slot in New Mexico is \$3,260.00 (CYFD Childcare Road Map November 2006)

Poor Families in the State

- More than 2 in 10 children are poor in this state. (Children's Defense Fund, January 2003)
- 87,959 (13%) households in New Mexico make less than \$10,000 annually, compared to 9% nationally. (HPC Quick Facts 2005)
- 19% of New Mexicans are poor of which 25% are children under 18
- 36% are families with female head of household with no husband present (US Census 2003 Data Profiles)

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB363 is not enacted the number of quality early childhood professionals will decrease and there will be no incentives for professionals to complete early childhood degrees. Therefore, there will be fewer trained early childhood workers to address the shortage among childhood centers in the state.

DL/mt