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FISCAL IMPACT REPORT

SPONSOR: Smith DATE TYPED: 02/08/01 HB _____
 SHORT TITLE: Increase Rural Area Child-Care Reimbursements SB 488
 ANALYST: Chabot

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 1,500.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 538.

SOURCES OF INFORMATION

LFC Files
 Children, Youth and Families Department (CYFD)

SUMMARY

Synopsis of Bill

This bill appropriates \$1.5 million from the general fund to CYFD for the purpose of increasing the reimbursement rates for child care provided in rural areas. The appropriation shall be expended to increase the reimbursement rate in rural areas by no more than twenty-five percent of the difference between the rates paid for reimbursement in metropolitan areas and the rates paid for reimbursement in rural areas. The net effect of this bill would be raise the subsidized rate for child care in rural areas above the rate determine by the CYFD's market rate survey.

Significant Issues

As required by federal government regulations, states receiving federal funds under the Child Care Development Fund (CCDF) must conduct market rates surveys every two years. CYFD's latest survey is dated May 2000. Currently, the state is reimbursing rural childcare providers at 100 percent of the market rate and 90 percent for all other categories of child care.

The Omnibus Bill enacted in December 2000 provided an additional \$8.3 million for child care in New Mexico. CYFD must hold hearings on how the federal child care funds are used but there tentative plans are to use \$3.8 million of the funds to bring child care subsidies up to 100 percent of

the 1999 market rate survey. This additional federal funding was recommended for inclusion in HB 2 during the CYFD hearing before the House Appropriation and Finance Committee.

The bill's provision to increase the reimbursement rate provided for rural areas conflicts with guidance in 45 CFR Parts 98 and 99. Section 98.43 (a) requires certification that rates paid are sufficient to ensure equal access to child care services for "families not eligible to receive" child care assistance under "Federal, State, or tribal programs." Page 39959, 45 CFR Parts 98 and 99 states "we remind Lead Agencies of the general principle that Federal subsidy funds can not pay more for services than is charged to the general public for the same service." This bill would raise rates above the determined market rates and may deny some families access to child care. This could jeopardize funding from CCDF.

45 CFR Section 98.51 does provide for quality initiatives to "improve child care by providing training in health and safety, nutrition, first aid, the recognition of communicable diseases, child abuse detection and prevention" and "care of children with special needs, and improving compensation for full-and part-time staff."

FISCAL IMPLICATIONS

The appropriation of \$1,500.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the general fund. **Enactment and CYFD implementation of this bill could jeopardize a portion of \$36.7 million in federal funds provided under CCDF.**

DUPLICATION

This bill duplicates HB 538.

POSSIBLE QUESTIONS

1. Can CYFD use the federal appropriation to meet the intent of the appropriation contained in this bill?
2. If CYFD increases the subsidy to 100 percent of the 1999 Market Rate Survey, is there a need for an additional subsidy to rural child care providers?
3. Could the intent of this bill be accomplished by a quality initiative in rural areas to "improve child care by providing training in health and safety, nutrition, first aid, the recognition of communicable diseases, child abuse detection and prevention" and "care of children with special needs, and improving compensation for full-and part-time staff" as provided for in 45 CFR Section 98.51?

GAC/sb:pr