Center for Public Policy Priorities

THE POLICY PAGE

An Update on State and Federal Action

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THE TEXAS CHILD CARE CHALLENGE: PART II -- WORKFORCE BOARDS, CHILD CARE, AND LOCAL CONTROL

This *Policy Page* is the second in a four-part series summarizing a new report, "*The Texas Child Care Experience Since 1996: Implications for Federal and State Policy*" to be released in March 2002 by the Center for Public Policy Priorities and the national Center on Law and Social Policy (www.clasp.org). This series and the larger report are part of CPPP's effort to add a Texas perspective to debates concerning Congressional reauthorization of the Child Care and Development Fund (CCDF) in 2002. This *Policy Page* will examine variations in child care policies across local workforce development boards. A previous *Policy Page* examined child care funding and access in Texas. The two remaining *Policy Pages* in this series will provide insight into the importance of child care quality and the increasingly important role played by locally generated child care match.

LOCAL WORKFORCE DEVELOPMENT BOARDS: BACKGROUND

Texas is at the forefront of welfare reform. In 1995 Texas authored its own welfare reform legislation. A key component of this reform was the creation of the Texas Workforce Commission (TWC) and the consolidation of nearly all employment-related programs, including child care, into a single state agency. This overhaul also created 28 local workforce development boards, sent funding to these local boards in the form of block grants, and invested them with wide-ranging rulemaking and management authority. Local boards are composed of volunteers from the business, labor, education, community-based, and child care sectors. Business interests must comprise at least 51% of a workforce board's membership.

Decentralization of the Texas child care system has presented significant challenges. TWC allocates federal CCDF and state general revenue funds appropriated by the Texas Legislature to its network of local boards. Allocations depend on local population and projected need. Local boards then contract with providers to deliver child care services and with public and private entities to administer resource and referral services. Management of workforce development and child care services is contracted to non-profit and for-profit entities via a Request for Proposals (RFP) process. Child care funding makes up the single largest funding stream local boards manage, outstripping all other workforce funding. Local boards exercise great authority in rule-making for child care services. Workforce boards determine income eligibility levels, co-payment rates, and provider reimbursement rates.

Prior to 1995, child care had been the responsibility of the Texas Department of Human Services and all child care rulemaking was done at the state level.

An important step toward the goal of ensuring effective child care management was the passage of Senate Bill 459 by the 75th Texas Legislature in 1997. SB 459 mandated that all local boards include a child care representative. Child care representatives on local boards bring expertise about the importance of quality child care, serve as "interpreters" of child care trends and policies, and become advocates for children and quality child care on local boards and in the communities they serve.

TEXAS TWO STEP

Quick Conversion Chart of Federal Poverty and State Median Income

100% FPL = 33% SMI
133% FPL = 44% SMI
150% FPL = 50% SMI
200% FPL = 66% SMI
241% FPL = 80% SMI
257% FPL = 85% SMI

100% FPL = $17,650
100% Texas SMI = $53,291

Figures used by TWC in administering child care Effective 9/1/2001, Based on a family of four.

Local Workforce Development Board Basic Eligibility Guidelines
(Maximum Allowable Income)

150% Poverty (50% SMI)		55% SMI	75% SMI	80% SMI	85% SMI
Panhandle	Dallas	East Texas	Lower Rio Grande	Rural Capital	Upper Rio Grande*
South Plains	North East	West Central	Cameron County	Golden Crescent	Capital Area**
North Texas	Concho Valley	Permian Basin	Texoma		South Texas
North Central	Heart of Texas				Middle Rio Grande
Tarrant County	Brazos Valley				
SE Texas	Deep East Texas				
Alamo	Coastal Bend				
Central Texas	Gulf Coast				

* The Upper Rio Grande Workforce Development Board in El Paso recently lowered its eligibility level to 185% of federal poverty.
* *The Capital Area Workforce Board uses 85% of SMI for basic eligibility, but gives wait list priority to families at or below 150% of poverty.

All this local control comes with a catch for local boards. In addition to significant management and rulemaking responsibility, the State of Texas expects local boards to find money locally to help draw down federal funds. This requirement shifts a portion of the responsibility for accessing federal money away from the state to local communities. The variation in local capacity to meet this expectation and access federal funds raises concerns about equity in access to child care and the implications of federal and state devolution. Local boards in rural and border areas have limited local capacity to generate match and in turn may benefit less from increased child care allocations. Issues of local match will be addressed in detail in a later Policy Page in this series.

ELIGIBILITY RATES: VARIETY FROM BOARD TO BOARD

Access to child care subsidies and eligibility income levels for child care assistance vary significantly across local boards. Texas' local workforce development boards have the flexibility to set their own income limits for CCDF eligibility, provided they are at or below the federally mandated cap of 85% of State Median Income (SMI). Basic eligibility rates range from 150% Federal Poverty (50% SMI) to 257% Federal Poverty (85% SMI).

There is an emerging debate in Texas about whether or not limited child care assistance should be specifically targeted to those most in need. Some lawmakers and policymakers have wondered aloud if all waiting lists should be sorted by income and not utilize a first-come-first-serve methodology. In reality, families on the lowest rungs of the economic ladder are receiving the overwhelming majority of Texas' child care subsidies, as discussed in Policy Page #1 of this series. Nonetheless, further policy proposals are anticipated in this area.

CO-PAYMENT POLICY: PARENTS PAY FOR A PORTION OF THEIR CHILD CARE

Some Texans are surprised to learn that families receiving child care subsidies pay for a portion of their child care. The amount that parents are required to contribute varies across workforce development board areas. Co-payment fees are waived for parents receiving TANF and/or Supplemental Security Income (SSI) and for parents participating in Food Stamp Employment and Training programs. Parents of children receiving protective services also do not contribute a co-payment, unless the Texas Department of Protective and Regulatory Services (TDPRS) assesses a fee.

Most local boards expect parents to pay 9% of their family's gross monthly income if they have one child in care. The percentage typically increases to 11% for families with two or more children, but variations do occur between local boards. For example, the Permian Basin Workforce Development Board in the Midland/Odessa area expects 11% for the first child and 13% for two or more, a significantly larger bite into a family's income than the 9% co-payment found in most parts of Texas. Other local boards, notably the Capital Area Workforce Development Board in Austin and the Gulf Coast Workforce Development Board serving Houston and surrounding counties, increase co-payment expectations the longer families receive subsidies.

Co-payments are one mechanism for offsetting the public costs of providing subsidized child care. However, there are limitations to how much cost sharing can be expected from low-income families. Also, local flexibility on co-payment policy must be balanced with state level constraints to ensure that co-payments themselves do not become a barrier for families who need child care to remain employed.

REIMBURSEMENT RATES: INCENTIVES FOR QUALITY AND REGIONAL INEQUITIES

Because of the child care system's localized rulemaking structure, discussion of provider reimbursement rates is a complicated affair. Reimbursement rates are calculated for each of the 28 local boards for four provider categories: licensed centers, licensed group day homes, registered family homes, and self-arranged care. In addition, rates in each provider category may vary by child age and full or part day need. These rates are derived from an ongoing market rate study conducted by the University of Texas under contract with TWC. In a few rare cases local boards have conducted their own rate surveys to complement the state data.

Digging deeper into reimbursement rate data raises equity concerns across the state's local boards. While the reimbursement rate methodology is designed to respond to regional market variations, local boards have considerable flexibility in setting their own reimbursement rates, causing significant and surprising variations in the data. For example, the maximum daily reimbursement rate for an infant receiving full day care at a licensed center in the Capital Area Workforce Development Area in Austin is $24.13. A licensed center in the Cameron County Workforce Development Area along the border in the Rio Grande Valley, on the other hand, would be reimbursed the state's lowest daily rate for licensed centers of $14.00.

Low reimbursement rates exacerbate a serious resource problem in many areas. Providers in low-income communities already have a difficult time making ends meet and retaining quality staff. Very low-reimbursement rates in the very centers providing the most subsidized slots creates even more downward pressure, threatening the economic viability of these operations and making quality improvements a near impossibility.

Reimbursement rates for Self-Arranged Care are the lowest in the state. Texas' lowest reimbursement rates are found in the Southeast Texas Workforce Development Area along the Texas - Louisiana border. All self-arranged providers there are paid a maximum daily rate of $6.70.

Clearly, reimbursement rates play a role in the capacity of child care providers to retain staff and offer quality services. TWC offers an incentive to child care providers to increase child care quality through its Designated Vendor/Rising Star program. Designated Vendors receive an enhanced daily reimbursement. A Designated Vendor "is a child care provider that has a written agreement with the local Board's child care contractor and voluntarily meets a certification criteria that exceed the minimum licensing standards set by the Texas Department of Protective and Regulatory Services." Designated Vendors have smaller group sizes, and staff are required to have more training in child development, abuse/neglect indicators, and parent-child interaction. Full-day care for an infant in a Designated Vendor licensed center in the Capital Area Workforce Development Area is reimbursed at a maximum daily rate of $30.16, an impressive jump of more than $6.00 or 25% from the standard rate of $24.13.

While the Cameron County Workforce Board in the Rio Grande Valley also rewards quality providers, its ability to do so is limited by funds. A Designated Vendor licensed center in Brownsville receives a maximum daily rate of $14.70, a small increase of 70 cents or 5% from the standard rate of $14.00. Quality improvements bring less of a positive financial reward, and less incentive exists for this provider to improve child care quality. In fact, providers may actually lose money by becoming a Texas Rising Star Provider if the increased reimbursement does not cover the costs of quality improvements.

NEED MORE INFORMATION?

If you are curious about the specific child care policies of the local workforce development board serving your community, be sure to check out the Texas Workforce Commission's 2002-2003 Texas Child Care State Plan for details at www.twc.state.tx.us/svcs/childcare/ccinfo.html. Most policy specifics can be found in the document's attachments and are conveniently arranged by local workforce board.

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