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THE TEXAS EARLY CARE AND EDUCATION CRUNCH: Senate Bills 75 and 76 Help All Texans Access Child Care

Millions of Texas families have a hard time finding and paying for good child care. Two bills still pending before the Texas Legislature will help Texas parents go to work and help Texas children get ready for school. Senate Bill 75 will encourage the use of state and federal tax incentives for employers and workers. Senate Bill 76 will help Texas better coordinate its scarce early care and education resources and ensure that the state can provide more families with good early care and education.

****ACTION ITEM BELOW****

The Texas child care system is in crisis. Millions of working Texas families struggle everyday to provide children with quality early childhood education while parents work. The introduction of “high stakes” testing for Texas third-graders has made the early years even more important. Texas must do more now to ensure that parents can get and stay employed and to better prepare its children for success in school and life. Unfortunately, the state’s budget shortfall of at least \$10 to \$15.6 billion and reluctance to raise new revenue have prevented increased investment in early care and education. However, much can be done to ensure that working Texans of all incomes have better access to good, safe, and developmentally appropriate child care without new funds from the state.

Senate Bill 75 (Zaffirini) helps middle class families and other Texas workers not eligible for child care subsidies afford good child care.

Child care can be an incredible expense for low-income and middle class families. In fact, the yearly cost of child care exceeds annual public college tuition in all but one state.¹ Senate Bill 75 works to address this reality at no cost to the state.

¹ Schulman, K. (2000). *The High Cost of Child Care Puts Quality Care Out of Reach for Many Families*. Washington, D.C.: Children’s Defense Fund.

SB 75 requires the Texas Workforce Commission (TWC) to help local workforce development boards promote the under-utilized tax break for employers that fund child care for their employees through the establishment of an on-site child care center or through the purchase of employees’ child care services. According to the Texas Comptroller, the total amount of child care tax credits applied against the franchise tax was \$224,000 in 2001 and \$273,000 in 2002. Unused child care tax credits totaled \$1,743,000: \$1,163,000 in 2001 and \$580,000 in 2002.² Unused child care credits may not be carried forward by the state. Simply put, Texas business is not taking advantage of this important tax incentive, to the detriment of working parents.

In addition to promotion of tax incentives for business, SB 75 also requires TWC to help local workforce development boards promote pre-tax payroll dependent care accounts for workers. Many employers already offer these “Section 125 plans” as an employee benefit. However, more working Texas families should be aware of this important federal tax relief. With a Section 125 account a worker can shelter up to \$5000 per year of income spent on dependent care costs from federal income taxes, resulting in a big tax cut. This bill will

² Texas Comptroller of Public Accounts. (February 2003). *Special Report: Franchise Tax Credit Claims under SB 441*. p. 4.

also help families caring for seniors, as elder care expenses may also be sheltered from federal income taxes.

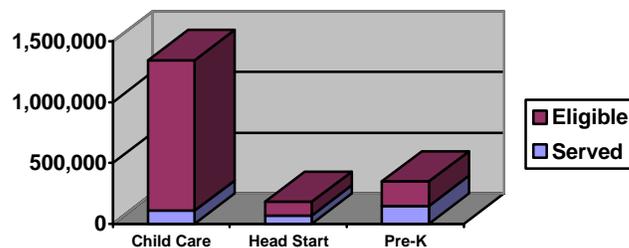
Finally, SB 75 also helps the lucky few of Texas' low-income workers who have a child care subsidy stay off of welfare. SB 75 requires that the local workforce development boards that manage the child care subsidy program give child care subsidy recipients at least 30 days notice before terminating their child care. The requirement does not apply in cases of fraud or income ineligibility. This provision will increase the likelihood that these working parents have time to find new child care and not become unemployed or go on welfare. Some workforce boards already have similar policies with notification periods as long as 60 days. Increases in work participation rates included in TANF reauthorization proposals may result in thousands of Texas workers, who are by definition "at risk" of going on public assistance, losing their child care subsidies in the years to come as more child care slots are needed for TANF families. SB 75 will help ease the transition off public assistance.

Senate Bill 76 (Zaffirini): Better Coordination Will Improve Quality and Access

The Texas early care and education system needs more money. All three publicly funded early care and education programs do not have sufficient funding to serve all eligible children, let alone the hundreds of thousands of families ineligible for child care assistance. The child care subsidy system managed by TWC serves approximately 108,000 or just 9 percent of the more than 1.2 million eligible children.³ The Texas Education Agency (TEA) reports that during the 2001-2002 school year Texas served 147,324 children in its pre-kindergarten program or 73 percent of the 201,814 eligible children.⁴ The Texas Head Start program serves 67,664 children or 60 percent of the estimated 112,775 eligible children.⁵ It is important to remember

that all three programs have different eligibility levels and policies. While many eligible children do not need child care, these numbers reveal enormous unmet need for early care and education.

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Unfortunately, the budgets under consideration by both the Texas Senate and House of Representatives increase the reliance upon local communities to raise funds to draw down federal funds and cut critical funding for child care quality improvement. For example, funding for the Texas Association of Child Care Resource and Referral Agencies (TACCRRRA) is eliminated.

Nonetheless, Texas can still do better with the limited resources at its disposal. Improved coordination between programs is crucial to ensuring that Texas families have the full-day, full-year child care they need to work and that children have the early education they need to succeed in school and pass the TAKS.

Increased coordination of child care resources is also a stated priority of President George Bush. Many child care advocates are justifiably very concerned about the impact of proposed changes to federal early care and education programs included in the current Congressional reauthorization of Head Start and the Child Care and Development Fund. Perhaps most significant are concerns about the proposed block granting of Head Start dollars to deficit-plagued states like Texas. In addition, Head Start may lose its federally required quality standards and its research-proven "whole child" mandate under reauthorization. SB 76 is an effort to ensure that at least in Texas the importance of overall access and the ability to address children's comprehensive needs are not lost in the push for greater state control and an increased emphasis on pre-literacy development. Much like the 1995 Texas welfare reform law, SB 76 may well "pre-date" changes in federal law, allowing the state time to ensure that its transition is as smooth as possible.

³ U.S. Department of Health and Human Services, *How Many Children are Estimated to be Eligible for CCDF-Funded Child Care Subsidies?* Presented to the HHS State Administrators Conference, August 13, 2001.

⁴ Texas Education Agency.

⁵ Head Start Fact Sheet Fiscal Year 2002,

<http://www.acf.hhs.gov/programs/hsb/research/2003.htm>. The Children's Defense Fund estimates that states generally serve 3 out of every 5 children eligible for Head Start.

SB 76 allows for greater coordination between early care and education programs. Under SB 76 the pre-kindergarten grant program will be expanded to allow use of funds to coordinate early care and education programs with a pre-literacy focus. Coordinated activities may include research, eligibility determination and registration, training, sharing of facilities and staff, and transportation coordination. The quality of child care provided will be a primary consideration in coordinated activities.

The TEA Commissioner must approve any coordination involving the pre-kindergarten program and has the option to waive state early care and education law or rules to make coordination possible, a provision that will demand outside monitoring if SB 76 becomes law. In addition, SB 76 requires that parents be provided information concerning effective early education settings and kindergarten readiness.

SB 76 also changes the manner in which a parent enters the publicly funded early care and education system. Currently, there is no requirement that parents be informed of all possible options for child care, so a parent in need of care may languish for months on a waiting list even though early care and education under another program may be available. The bill requires that parents be provided with information about how to access all locally available early care and education resources. While the originally mandated “streamlined” single point of access originally proposed in SB 76 is gone, the bill still represents a step forward for time-strapped, low-income working parents in need of child care assistance.

SB 76 also carves out a prominent role for the new State Center for Early Childhood Development. In December 2002 Texas Governor Rick Perry designated the University of Texas Health Science Center-Houston's Center for Improving the Readiness of Children for Learning and Education (CIRCLE) as the State Center for Early Childhood Development. More information is available on the web at www.uth.tmc.edu/circle.

Under SB 76 the State Center, in conjunction with a school district, educational service center, institution of higher education, local government, local workforce development board, or community organization, will develop demonstration projects to test out coordination and a quality rating system for child care.

In addition, SB 76 also charges the State Center to create an advisory committee to “evaluate the feasibility of coordinating government-funded child care programs in a manner that promotes access to child care programs and results in improved school-readiness. Advisory committee representatives must include representatives of the Office of Early Childhood Coordination at the Texas Health and Human Services Commission, TWC, TEA, the Texas Department of Protective and Regulatory Services (child care licensing), school districts, local workforce boards, local child care contractors, the Head Start Association, the Texas Head Start Collaboration Office, non-profit child care providers, for-profit child care providers, administrators of government funded child care programs, and parents.

The advisory committee will submit a report by September 1, 2004 in advance of the next legislative session including recommendations for models of child care coordination, models of local and state administration, statutory revisions necessary to make coordination possible, methods for utilizing existing public school information to assess program effectiveness, and finally for promotion of school readiness through early care and education programs.

What can you do to support Senate Bills 75 and 76?

Senate Bill 75 is up for a vote in the Texas Senate maybe as soon as this week. Contact your Senator today at <http://www.capitol.state.tx.us/fyi/fyi.htm> to voice your support for the bill. Tell him or her to vote to make child care more affordable and accessible for ALL Texans and to support SB 75.

Senate Bill 76 has already been approved by the Texas Senate and is set for a House vote soon. Contact your Representative today at <http://www.capitol.state.tx.us/fyi/fyi.htm> and tell him or her to vote for more effective use of limited early care and education funds and to support SB 76.

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