



The Texas Child Care Experience Since 1996:

Implications for Federal and State Policy

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Data collected for this report come from a variety of sources and include both qualitative and quantitative material. The authors of this report have strived to ensure that we present a balanced view of the Texas child care system that includes the concerns of those managing the program at the Texas Workforce Commission, their local counterparts at local workforce development boards and contractors, child care providers, the growing Texas child care advocacy community, and most importantly the families receiving child care.

Table of Contents

| | |
|--|----|
| Executive Summary | 1 |
| Introduction | 5 |
| I. Securing Stable and Adequate Funding Sources for Child Care Services | 9 |
| II. Reaching and Serving Low- and Moderate-Income Children and Families | 17 |
| III. Ensuring that Families with Child Care Subsidies have Meaningful Parental Choice, including the Ability to Choose Quality Child Care | 25 |
| IV. Promoting Child Development in Child Care | 29 |
| V. Recommendations | 33 |
| VI. Methodology | 35 |
| Appendix 1: Local Workforce Development Board Income Limits for CCDF Eligibility | 37 |
| Appendix 2: Local Workforce Development Board Co-Payment Schedule | 39 |
| Appendix 3: Local Workforce Development Board Average Daily Spending per Child (Fiscal Year 2001) | 41 |
| Appendix 4: Local Workforce Development Board Average Annual Waiting List (Fiscal Year 2001) | 43 |
| Appendix 5: Texas Pre-kindergarten Enrollment and Spending | 45 |

Executive Summary

Changes in the child care system in Texas have paralleled major welfare reforms over the past five years. Child care policies, funding and programming have all experienced significant and far-reaching modifications. Both funding levels and the numbers of children in subsidized care have increased dramatically. Changes in the management and oversight of child care programs have resulted in a very decentralized and locally controlled system. While the trends have been generally positive, risks and problems have accompanied the shift to local control and increases in funding are not keeping pace with growing demands.

In 1996 child care subsidy spending totaled \$179.9 million, with state funds accounting for \$22.6 million of the total or 12.5%. In 2000 total child care spending was \$398.4 million, with state funds accounting for \$68.4 million of the total or 17%. By 2003 total child care spending will increase to \$441.4 million with state funds accounting for \$75 million of the total, remaining at 17%. Increases in state spending on child care have been primarily due to increased federal requirements for state match for CCDF.

Until the current biennium the state had committed all the funds necessary to draw down federal matching dollars. However, this pattern stalled as competition for limited state revenue resulted in inadequate appropriations for fiscal 2002 and 2003. More evidence of the pressure on state funds has been an ever-increasing expectation that local workforce development boards (LWDB's) will generate matching funds to draw down federal child care dollars. The variation in local capacity to meet this expectation raises concerns of equity in access to child care funds and implications of federal and state devolution. Despite the funding increases in recent years, stagnating state funding comes at the same time as demands are projected to increase as more TANF recipients are required to enter the workforce. As a result, child care for the working poor faces reductions in the coming years as resources are shifted to meet this increased need.

Perhaps most troubling has been the role that TANF funding has, and has not, played in the child care picture in Texas. With caseloads declining precipitously between 1995 and 2001, Texas found itself with large surpluses in TANF funds—\$400 million in 1997 and \$600 million in 1999. Unfortunately, only a fraction of these funds were transferred to CCDF to expand child care assistance. By 2001 Texas was transferring about \$33.5 million in TANF to CCDF. But then came the appropriations act for 2002 and 2003. All TANF-to-CCDF transfers were eliminated and offset by increases in federal CCDF funds. This shortsighted budget decision marks a lost opportunity to expand child care assistance in a time of accelerating demand.

As an indication of demand, the current waiting list for child care assistance stands at more than 40,000 children. However, this only hints at the state's actual unmet need. In 2003 the Texas Workforce Commission projects that it will provide child care to 107,195 children. While this is certainly a lot of children in care and a significant increase from the 1996 total of 63,221 children, it represents a fraction of the need. Texas is a state of 21 million people with 3 million living in poverty. In determining who will receive child care assistance in Texas, the Texas Workforce Commission (TWC) allows LWDB's in 28 regions of the state the flexibility to set eligibility limits at or below the federally allowable maximum 85% of the state median income (SMI). Using the state's maximum allowable eligibility standard as a measure, approximately 1,350,000 children would potentially be eligible for child care.

In 1995, when Texas authored its own welfare reform legislation, a key component was the creation of the Texas Workforce Commission (TWC). TWC consolidated nearly all employment-related programs, including child care, into a single agency and decentralized responsibility and rulemaking to LWDB's. LWDB's manage state and federal funds and are composed of community volunteers from the business,

labor, education, community-based, and child care sectors with a paid professional staff. Business interests must comprise at least 51% of a LWDB's membership. Previously, child care had been the responsibility of the Texas Department of Human Services and all child care rulemaking was done at the state level.

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 LWDB's. Allocations depend on local population and projected need. LWDB's 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 an RFP (Request for Proposals) process. Child care funding makes up the single largest funding stream they manage, outstripping all other workforce funding.

All this local control comes with a catch for LWDB's. In addition to a significant management and rule-making responsibility, the State of Texas expects LWDB's to find money locally to draw down federal funds. This requirement shifts a portion of the responsibility for accessing federal money away from the state to local communities. LWDB's serving rural and border areas have limited local capacity to generate match, and in turn benefit, less from increased child care allocations.

Another area of concern is related to efforts to improve the quality of care in the child care system. Here too, Texas has made important strides since 1996 only to see a troubling reversal in the current budget cycle. Beginning in 2002, LWDB's will no longer be mandated to spend 4% of their child care funds on quality initiatives. Up until the current fiscal year, local spending on quality improvement initiatives has been used to satisfy the federal requirement that 4% of CCDF dollars be spent on quality initiatives. Texas has decided that funding for its child care regulatory and licensing activities, and state level activities, will be used to satisfy the 4% quality spending requirement. LWDB's may choose to continue spending their child care dollars on quality initiatives but do so in a direct trade-off with increasing the number of children served, and at the risk of not meeting state performance measures for units of child care service delivered. While there are encouraging signs that some LWDB's are electing to continue quality improvement efforts, other areas are eliminating this spending, and fiscal pressures will make this a difficult decision for any LWDB. Progress in improving the quality of child care is clearly threatened by this policy change.

The Center for Public Policy Priorities offers the following recommendations:

1. Texas cannot provide families with the child care they need to get and stay employed without increased state and federal funding.

Texas child care spending has increased dramatically since 1995. As a result, more children are receiving child care subsidies now than ever before. However, much more needs to be done. Texas has allowed its child care system to become increasingly reliant on federal funds and local match dollars. Even though an artificially low waiting list of approximately 40,000 children remains, Texas is not drawing down all available federal child care funds and has zeroed out TANF transfers to child care in 2002 and 2003. Texas is leveling its child care spending because of the increased competition for state general revenue dollars, not because it has fulfilled the state's tremendous unmet need. Texas is choosing to dedicate state general revenue dollars elsewhere and is demanding more and more from local communities while providing less and less care to working poor families.

2. O TANF, Where Art Thou?: Texas must be more strategic in its use of the TANF block grant. States must be mandated to make significant efforts to help reduce poverty, not fill state budget holes, with TANF dollars.

Congress must retain the ability of states to transfer TANF funds to the CCDF to increase child care assistance. However, it must also pay close attention to supplantation issues and

work to ensure that the needs of low-income families have first call on TANF funds. Without an investment in true poverty reduction programs, Texas is destined to continue serving the same families and, perhaps, their children with its already under-financed support systems.

3. Local efforts to improve child care quality need funding if they are to be effective.

Texas continues to make unacceptable trade-offs between the quality of care and helping parents to pay for child care. Funding for children's programs in Texas is now so tight that the state is asking communities to choose between the quality and the quantity of child care assistance. Congress must increase investments in the CCDF to allow states to help more families with their child care costs, to help better prepare children for school, and to ensure that the quality set-aside can be increased beyond the current 4%.

Introduction

In the spring of 2001, Texas opened the new Bob Bullock Texas State History Museum. The first temporary exhibit in the museum, entitled "Texas: It Ain't Braggin' if It's True!," celebrates all that is Texas. Items in the exhibit range from a rhinestone-covered Cadillac to the Bible that took a bullet meant for Texas hero Sam Houston at the Civil War battle of Shiloh. While wandering through the museum, one cannot help but reflect on the challenges and opportunities presented by a place as enormous and diverse as Texas.

Today's 21 million Texans may face a different set of realities than their forebears, but these circumstances are no less challenging or rich in opportunity. This report will examine one current social reality and the public system designed to address it—the need for child care assistance for low-income families and the provision of subsidized child care to meet that need. The report will focus on the Texas child care system, as well as on state budgeting, program and policy development, and program management under this system in the five years since federal welfare reform in 1996. It will examine important trends, discuss implications of certain policy decisions and finally offer recommendations for both state and federal policymakers. The authors hope that this review of child care in Texas in the wake of welfare reform can help inform decisions during congressional reauthorization of the Child Care and Development Fund (CCDF) in 2002 and spur program expansions and improvements in Texas.

Like the history of Texas, the state's child care system is complex and multi-layered. Starting in 1991, the state began a far-reaching overhaul of its child care delivery system that aimed to integrate multiple funding streams and improve access for eligible families. These early modifications set the stage for the policy changes and funding expansions that accompanied state and federal welfare reforms in 1995 and 1996. Reforms to the child care system in Texas have paralleled major welfare reforms over the past five years. Child care policies, funding, and programming have all experienced significant and far-reaching modifications. Both funding levels and the number of children in subsidized care have increased dramatically, but primarily through increases in federal funds. Child care funding has roughly tripled, but approximately three-quarters of that increase is due to increases in federal, not state, spending. System-wide changes in the management and oversight of child care programs have resulted in a very decentralized and locally controlled infrastructure. While the trends have been generally positive, risks and problems have accompanied the shift to local control, increases in funding are not keeping pace with growing demands, and inadequate progress in quality improvements leaves many children in care that may not be developmentally appropriate.

In 1996 child care subsidy spending totaled \$179.9 million, with state funds accounting for \$22.6 million of the total or 12.5%. By 2000 total child care spending had grown to \$398.4 million, with state funds accounting for \$68.4 million of the total or 17%. By 2003 total child care spending will increase to \$441.4 million with state funds accounting for \$75 million of the total, remaining at 17%. Increases in state spending on child care have been primarily due to increased federal requirements for state match for CCDF.

Until the current biennium, the State of Texas had committed all the funds necessary to draw down federal matching dollars. This pattern stalled as competition for limited state revenue resulted in inadequate appropriations for fiscal 2002 and 2003.¹ More evidence of the pressure on state funds has been an ever-increasing expectation that local workforce areas will generate matching funds to draw down federal child care dollars. Despite the funding increases in recent years, stagnating state funding comes at the same time demands are projected to increase as more Temporary Assistance to Needy Families (TANF) recipients are required to enter the workforce. As a result, child care subsidies for the working poor face reductions in the coming years as resources are shifted to meet this increased need.

¹ The United States Congress has not finalized CCDF appropriations for federal fiscal year 2002, but Texas state budget watchers predict that necessary state funds will not be available to draw down all available federal dollars.

Perhaps most troubling has been the role that TANF funding has, and has not, played in the child care picture in Texas. With caseloads declining precipitously between 1995 and 2001, Texas found itself with large surpluses in TANF funds—\$400 million in 1997 and \$600 million in 1999. Unfortunately, only a fraction of these funds were transferred to CCDF to expand child care assistance, much less than the 30% allowable under federal law. By 2001, Texas was transferring about \$80 million in TANF to CCDF. Then came the state legislature's appropriations for 2002 and 2003. All TANF-to-CCDF transfers were eliminated and offset by increases in federal CCDF funds. This shortsighted budget decision leaves Texas child care without the critical TANF dollars most states use to fund their child care systems.²

As an indication of demand, the current waiting list for child care assistance stands at approximately 40,000 children. However, this only hints at the state's actual unmet need. The Texas Workforce Commission (TWC) projects that by 2003 it will provide child care to 107,195 children. While this is certainly a significant increase from the 1996 total of 63,221 children, it still represents a fraction of the need. Texas is a state of 21 million people with 3 million living in poverty. In determining who will receive child care assistance in Texas, the TWC allows Local Workforce Development Boards (LWDB's) in 28 regions of the state the flexibility to set eligibility limits at or below the federally allowable maximum of 85% of the state median income (SMI), or \$45,297 annual income for a family of four.³ Using the state's maximum allowable eligibility standard as a measure, approximately 1,236,800 children under age 13 would potentially be eligible for child or after-school care.⁴

In 1995, when Texas authored its own welfare reform legislation, a key component was the creation of the TWC. The legislation created TWC and consolidated nearly all employment-related programs, including child care, into a single state agency. This overhaul also created 28 LWDB's, sent funding to these LWDB's in the form of block grants, and invested them with wide-ranging rulemaking and management authority.⁵ LWDB's are currently composed of community volunteers from the private, labor, education, community-based, and child care sectors. Business interests must comprise at least 51% of a workforce board's membership. Previously, child care had been the responsibility of the Texas Department of Human Services and all child care rulemaking was done at the state level.

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 LWDB's. Allocations depend on local population and projected need. LWDB's 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 LWDB's manage, outstripping all other workforce funding.

All this local control comes with a catch for LWDB's. In addition to significant management and rule-making responsibility, the State of Texas expects LWDB's 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

² For analysis of the use of TANF for child care, see the Center on Law and Social Policy's "The Impact of TANF Funding on State Child Care Subsidy Programs" at www.clasp.org/pubs/childcare/TANFChildCareFullReport.pdf. September 2001.

³ This figure became effective September 1, 2001 and is based upon a State Median Income of \$53,291.

⁴ U.S. Department of Health and Human Services, *How Many Children are Estimated to be Eligible for CCDF-Funded Child Care Subsidies?* (Presented to HHS State Administrators Conference, August 13, 2001). Federally eligible children are children under the age of 13 (or 19 if the child has a disability and can't care for him or herself) whose family's income is below 85% of SMI and whose parents are working and/or in education or training programs.

⁵ For a thorough description of the localization of workforce services in Texas, see the Urban Institute's "Recent Changes in Texas Welfare and Work, Child Care, and Child Welfare Systems" at http://newfederalism.urban.org/html/TX_update.html. June 2001.

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. LWDB's in rural and border areas have limited local capacity to generate match and, in turn, may benefit less from increased child care allocations.

Another area of concern is related to efforts to improve quality in the child care system. Here too, Texas has made important strides at the local and state levels since 1996 only to see a troubling reversal in the current budget cycle. Beginning in 2002, LWDB's will no longer be mandated to spend 4% of their child care funds on quality initiatives. Up until the current fiscal year, local spending on quality improvement initiatives had been used to satisfy the federal requirement that 4% of CCDF dollars be spent on quality initiatives. Texas has decided that funding for its child care regulatory and licensing activities, and other state level activities, will be used to satisfy the 4% quality spending requirement. LWDB's may choose to continue spending their child care dollars on quality initiatives, but do so in a direct trade-off with increasing the number of children served and at the risk of not meeting state performance measures for units of child care services delivered. While there are encouraging signs that some LWDB's are electing to continue quality improvement efforts, other areas are reducing this spending and fiscal pressures will make this a difficult decision for any LWDB. Continued progress in improving the quality of child care is clearly threatened by this policy change.

In many ways Texans can claim "braggin' rights" about the child care system currently in place. With more than 100,000 children receiving subsidized care each year, thousands of working families are benefiting from an essential work support service. Over the past five years, a dramatic influx of federal funding has allowed the state to provide care to more families than ever. The decentralization of control and rulemaking from a state agency to Texas' 28 LWDB's has fostered greater local creativity and "ownership" of the child care system. In many cases, this increased local control has generated new relationships between the public and private sectors and brought about other important innovations. Nonetheless, advocates are justifiably concerned about the state of child care in Texas.

The state stands at a decision point. Will it build upon past expansions and successes and meet the growing demands for child care assistance or will it reverse these trends and limit access to care? The most recent legislative session offers a troubling glimpse at where we are headed. Child care funding increases have stalled and the state may leave federal funds unmatched for the first time in many years. Constrictions on funding also threaten local quality improvement initiatives. Maintaining state commitment to child care is critical at this juncture. As Congress initiates a debate over the future of welfare-to-work policy, child care will be central to any effort to help low-income families not only leave public assistance but escape poverty.

The Center for Public Policy Priorities offers the following recommendations:

I. Texas cannot provide families with the child care they need to get and stay employed without increased state and federal funding.

Texas child care spending has increased dramatically since 1995. As a result, more children are receiving child care subsidies now than ever before. However, much more needs to be done. Texas has allowed its child care system to become increasingly reliant on federal funds and local match dollars. Even though an artificially low waiting list of approximately 40,000 children remains, the Texas Legislature chose not to draw down all available federal child care funds and has zeroed out TANF transfers to child care in 2002 and 2003. Texas is leveling its child care spending because of the increased competition for state general revenue dollars, not because it has fulfilled the state's tremendous unmet need. Texas is choosing to dedicate state general revenue dollars elsewhere and is demanding more and more from local communities while providing less and less care to working poor families.

2. O TANF, Where Art Thou?⁶: Texas must be more strategic in its use of the TANF block grant. States must be mandated to make significant efforts to help reduce poverty, not fill state budget holes, with TANF dollars.

Congress must retain the ability of states to transfer TANF funds to the CCDF to increase child care assistance. However, it must also pay close attention to supplantation issues and work to ensure that the needs of low-income families have first call on TANF funds. Without an investment in true poverty reduction programs, Texas is destined to continue serving the same families and, perhaps, their children with its already under-financed support systems.

3. Local efforts to improve child care quality need funding if they are to be effective.

Texas continues to make unacceptable trade-offs between the quality of care and helping parents to pay for child care. Funding for children's programs in Texas is now so tight that the state is asking communities to choose between the quality and the quantity of child care assistance. Congress must increase investments in CCDF to allow states to help more families with their child care costs, to help better prepare children for school, and to ensure that the quality set-aside can be increased beyond the current four percent.

⁶ Credits to Patrick Bresette. For more information on Texas' "crouching budget and hidden TANF", see <http://www.cppp.org/products/policypages/111-130/111-130html/PP127.html>.

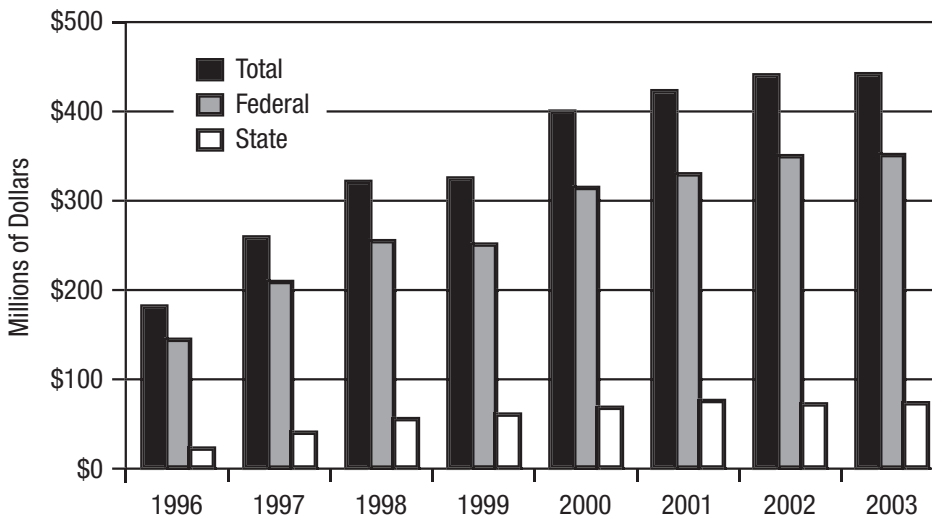
I. Securing Stable and Adequate Funding Sources for Child Care Services

This section will discuss the growth in child care funding, the relationship between federal and state spending, the role of TANF dollars in child care expansions and issues of local match requirements.

Child Care Spending: Important Gains and Missed Opportunities

Child care funding in Texas has increased considerably since 1996. However, these increases are slowing as the state's budget woes intensify the fight for scarce general revenue dollars. In 1996 child care subsidy spending totaled \$179.9 million, with state funds accounting for \$22.6 million of the total or 12.5%. In 2000 total child care spending was \$398.4 million, with state funds accounting for \$68.4 million of the total or 17%. Unfortunately, this increase in percentage share funding by the State of Texas will not continue in the immediate future. By 2003 total child care spending will increase to \$441.4 million with state funds accounting for \$75 million of the total, remaining at 17%.⁷ Increases in state spending on child care came about primarily due to federal requirements for state match for CCDF. Child care funding has roughly tripled, but approximately three-quarters of that increase is due to increases in federal, not state, spending. This reliance on federal funds echoes the Texas experience in many other health and human services programs but stands in stark contrast to the significant increases in state funding for child care seen in many other states. Figure 1 reflects this steady increase and the leveling off of funding in the 2002-2003 biennium. For child care to make any more progress the balance of state and federal funding cannot remain so lopsided. Texas must commit more state funds to child care.

Figure 1. Texas Child Care Spending 1996-2003



Source: Texas Legislative Budget Board.

⁷ The \$27.7 million in TANF MOE are the same state general revenue dollars that are used as CCDF MOE and are part of Texas' child care budget. All of these funds are expended for child care services.

It is worth noting that starting in FY 2002, the federal funds used for child care will include **no** TANF funds. In the 2001-2002 biennium, the state had been transferring TANF funds into CCDF, but these transfers were eliminated when the budget was written for FY 2002-2003. This funding shift is part of a larger and equally troubling story about how Texas has utilized its TANF block grant funds. It is also worth noting that Texas spends no TANF funds directly on child care at the LWDB level.

With TANF caseloads declining precipitously between 1995 and 2001, state budget-writers found themselves with large surpluses in TANF funds—\$400 million in 1997 and \$600 million in 1999. Instead of developing a strategic framework for using this block grant, lawmakers viewed surpluses primarily as a financing windfall, most notably in meeting increased demands at the Texas Department of Protective and Regulatory Services (TDPRS), which now receives a full third of TANF spending. While TDPRS fulfills a critical function and is responsible for everything from child care licensing to dropout prevention and foster care, Texas child well-being and welfare advocates are concerned that TDPRS funding increasingly depends on the TANF block grant instead of state general revenue. This dramatic shift in financing leaves critical children's services vulnerable to potential federal reductions, or set-asides, in the TANF block grant and has effectively squeezed out any TANF-funded investments in actual welfare-to-work improvements and child care.⁸

In the 2001 legislative session, the TANF surpluses of the two previous sessions were gone and current spending levels exceeded Texas' federal TANF allocation. Additionally, dissipation of TANF funds among multiple agencies and programs threatened investments in the welfare-to-work services for which the TANF block grant was created. Unfortunately, the Texas Legislature chose to continue the problematic patterns set in place in the past two budget cycles and did not seize the opportunity to use this federal funding stream strategically.⁹ For the 2000-2001 biennium, Texas was transferring about \$80 million in TANF to CCDF. For 2002-2003, however, all TANF-to-CCDF transfers were eliminated and offset by increases in federal CCDF funds.

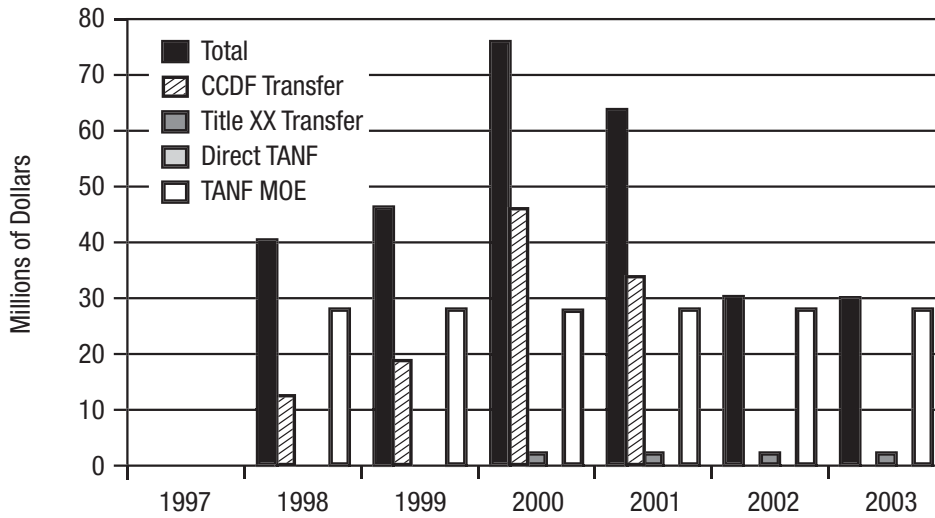
Figure 2 demonstrates this funding change in the 2001 legislative session when all TANF transfers to CCDF were eliminated. This major financing reversal was ameliorated only by the significant increase in federal CCDF funds received in late 2000. In other words, Texas used increases in the federal CCDF grant not to increase the amount of available care, but instead to free up TANF funds for use elsewhere in the state budget. The \$33.5 million of TANF funds the Texas Legislature transferred to CCDF in FY 2001 would have bought about 8,270 child care slots each year in 2002.¹⁰ While this represents only a dent in existing waiting lists and total need, an additional 8,300 child care slots would have helped thousands of working poor Texas families get the child care they need to get and keep jobs.

⁸ For comments on the latest Texas TANF State Plan see <http://www.cppp.org/products/testimony/testimony/tst91001.html>. September 10, 2001.

⁹ For more information on TANF issues in Texas see: <http://www.cppp.org/products/policyanalysis/briefingpapers/tanfchallenge.html> and analyses of TANF spending in the 1997, 1999 and 2001 legislative sessions at <http://www.cppp.org/policy/welfare-reform/index.html>.

¹⁰ These figures assume higher costs for CHOICES (Texas' TANF work program) and Food Stamp Employment and Training child care, provided 5 days a week, 50 weeks per year. The Texas Legislative Budget Board cost for CHOICES and E&T child care is \$16.21 daily for 2002 and 2003. Multiply this by 500 (250 child care days/year) and divide it into \$33.5 million.

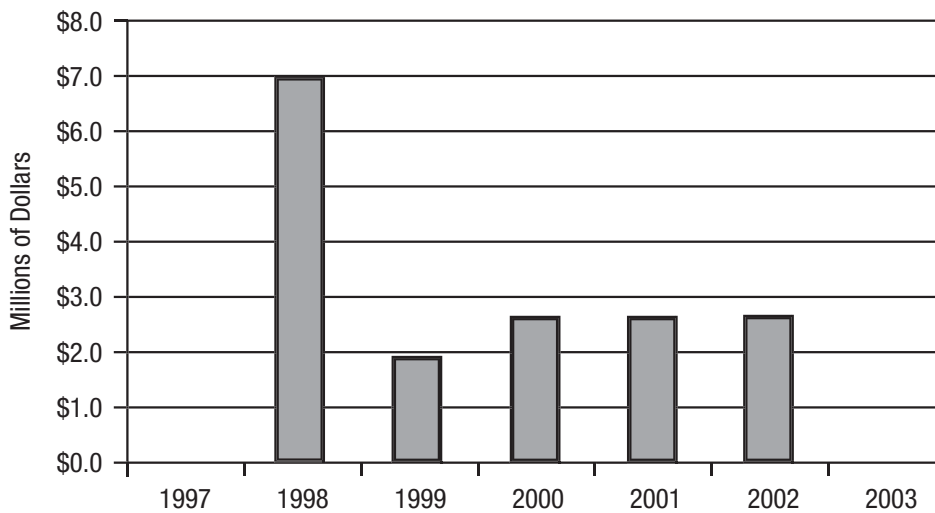
Figure 2. Use of TANF for Child Care in Texas



Source: Texas Legislative Budget Board.

Another federal funding stream used in limited amounts to fund child care assistance has been the Welfare-to-Work program of the U.S. Department of Labor. Figure 3 reflects state spending of federal Welfare-to-Work funds at the LWDB level on child care, an allowable work support for individuals making the transition from public assistance to employment. The end of Welfare-to-Work funding for child care in 2003 is explained not by a drop in the need for child care services, but by the fact that LWDB's are projected to have exhausted Welfare-to-Work funds.

Figure 3. Welfare-to-Work Spending on Child Care



Source: Texas Legislative Budget Board.

Local Control (with a Price Tag)

The Texas child care story is also a story of devolution and increasing local control. This has had a significant impact on the design and operation of child care services in Texas. The shift from a central state program to one implemented by 28 LWDB's has affected both child care policy and child care financing. This transition has a history that parallels welfare reforms of the past five years. In 1995, when Texas passed its own welfare reform legislation (HB 1863 73rd Regular Legislative Session) a last minute amendment in the Senate contained a complete overhaul of the state's workforce system. This amendment was wrapped into the bill and became law. The legislation created TWC and consolidated nearly all employment-related programs, including child care, into a single state agency. This overhaul also created 28 LWDB's, sent funding to LWDB's in the form of block grants, and invested them with wide-ranging rule-making and management authority. LWDB's are currently composed of community volunteers from the private, labor, education, community-based, and child care sectors. Business interests must comprise at least 51% of each LWDB's membership.

One of the major programs included in this consolidation and devolution was child care, which had previously been administered by the Texas Department of Human Services (DHS). The transfer of control of the Texas child care system to local communities has presented significant challenges. TWC allocates federal CCDF and state general revenue funds appropriated by the Texas Legislature to its network of LWDB's. Allocations depend on local population and projected need. LWDB's then contract with child care contractors (at least one per LWDB) to manage child care services and to administer resource and referral services. These child care contractors make agreements with a network of providers to deliver child care. Management of workforce development and child care services is contracted to non-profit and for-profit entities via an RFP (Request for Proposals) process.

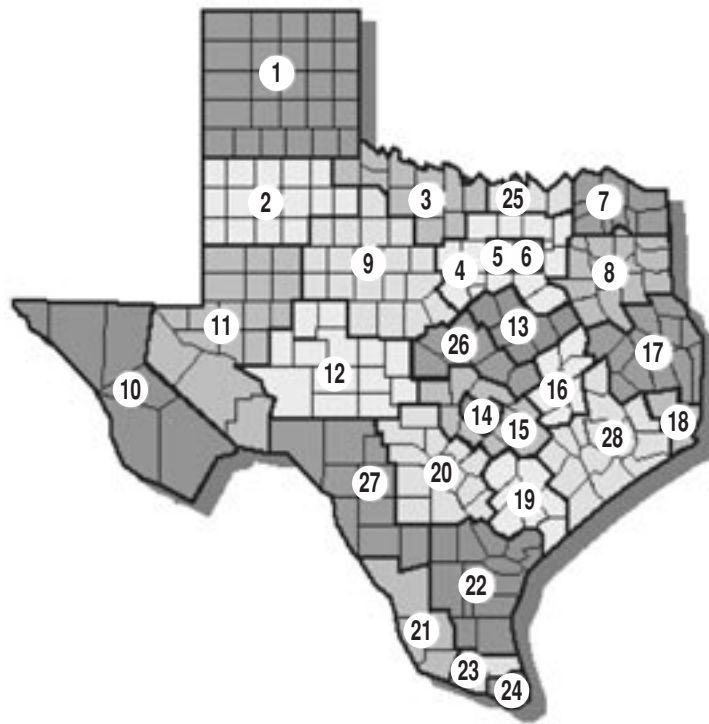
Welfare-to-Work Match: A Glimpse of the Future?

New efforts to access Welfare-to-Work dollars through a child care mechanism offer a theoretical threat to the solvency of child care providers. The Texas Workforce Commission is asking all of its 28 local workforce development boards to calculate the difference between a child care vendor's published rate and the local board's maximum reimbursement rate. For example, if a child care center has a published rate of \$400 to provide one month of child care to one child, and the center is reimbursed the board's maximum rate of \$300 through the child care subsidy system, \$100 in local Welfare-to-Work match has been generated for the local board and, in turn, the State of Texas. Perversely, the match generation effort may be an additional incentive for workforce boards to lower reimbursement rates, both to create more child care slots and to generate more local match. The United States Congress must maintain existing restrictions on CCDF match to prevent states from using similar methods to finance child care subsidies.

LWDB's vary significantly from place-to-place in Texas. Figure 4 reflects the striking variety in size of the state's 28 LWDB's. In areas such as Dallas and Houston, LWDB's serve huge populations and receive large sums of state and federal money, which is enhanced by their ability to generate local match funds and draw down other dollars. In poor communities along the Mexican border, in the piney woods of Deep East Texas, and in the vast solitude of West Texas, the story can be quite different.

Child care funding is the single largest pot of money managed by LWDB's, outstripping all other workforce funding. In the early days of decentralization, few LWDB's had the capacity to manage child care services well. In fact when TWC was created, the transition of the child care program from DHS to TWC, and then to the LWDB's, was delayed a year longer than all other programs specifically because of concerns about local capacities. The transition to local control required extensive technical assistance and training by TWC and the input of community child care experts who had been part of the previous system.

Figure 4. Texas' Local Workforce Development Boards¹¹



Directory of Texas' Local Workforce Development Boards

| | | | |
|-------------------|----------------------|----------------------|-----------------------|
| 1. Panhandle | 8. East Texas | 15. Rural Capital | 22. Coastal Bend |
| 2. South Plains | 9. West Central | 16. Brazos Valley | 23. Lower Rio Grande |
| 3. North Texas | 10. Upper Rio Grande | 17. Deep East Texas | 24. Cameron County |
| 4. North Central | 11. Permian Basin | 18. South East Texas | 25. Texoma |
| 5. Tarrant County | 12. Concho Valley | 19. Golden Crescent | 26. Central Texas |
| 6. Dallas | 13. Heart of Texas | 20. Alamo | 27. Middle Rio Grande |
| 7. North East | 14. Capital Area | 21. South Texas | 28. Gulf Coast |

Legislation passed in 1997 required that at least one member of each LWDB have expertise in child care or early childhood education. This has helped to build local child care management capacity and ensure there was at least one informed board member to oversee child care operations. The transitional learning period also helped to build local “ownership” of the child care system and helped board members come to a realization that child care was both a core workforce issue and an essential early childhood development service. After a couple of years, LWDB's gained confidence in general program operations and began to shift their focus to opportunities to shape child care policies to meet specific local needs.

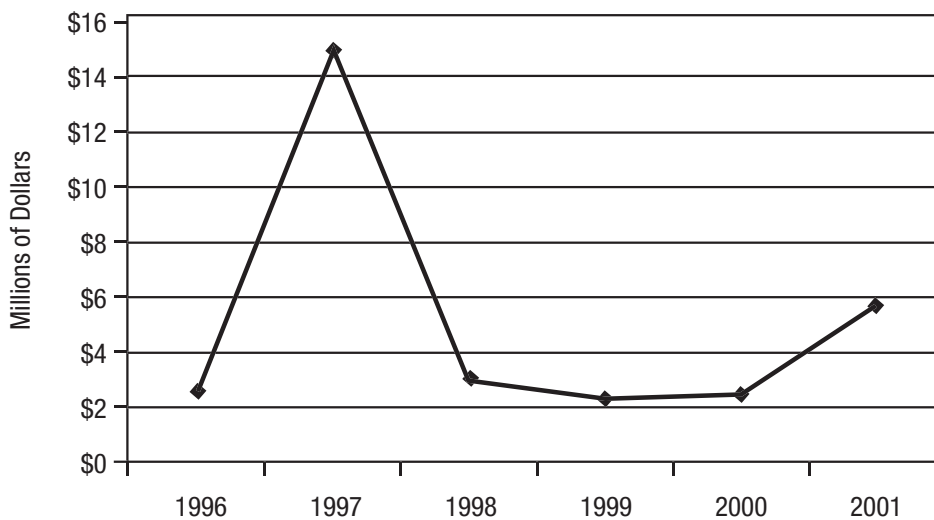
Prior to the creation of the new workforce system, the Texas DHS had been developing ways to use local resources as part of its required child care matching funds to draw down federal funding. When the child care program transitioned to the TWC and the LWDB's, this local matching funds expectation transitioned as well. As a result, Texas expects LWDB's to provide an increased share of the match necessary to draw down federal child care funds. Local matching funds include corporate contributions, dollars raised through local fundraising

¹¹ For a complete directory of Texas' LWDB's, please see the source of this map on the Texas Workforce Commission's website at <http://www.twc.state.tx.us/dirs/wdbs/wdbmap.html>.

initiatives, and public expenditures on child care. For example, the City of San Antonio spends more than \$1 million directly on child care. These funds are then counted by the Alamo Workforce Development Board and certified by TWC as local match. LWDB's in rural and border areas have limited local capacity to generate match and, in turn, may benefit less from increased child care allocations.

As Figure 5 demonstrates, this move shifts a portion of the match generation away from state-level commitment of general revenue funds to local communities' capacities to generate local matching dollars. Eventually, the state will no longer be able to extract more match from LWDB's to leverage federal dollars. Future increases in child care funding will ultimately require the state to increase its general revenue spending if its children and working families are to have the child care system they need and deserve. The 1997 figure reflects the inclusion of pre-kindergarten spending in the local match equation. By 1998 Texas began to capture pre-kindergarten spending at the state level to help fulfill its maintenance of effort requirements, thus reducing local access to a major source of matching funds.

Figure 5- Child Care Funding and Local Match¹²



Source: Texas Legislative Budget Board.

Let's take a look at how much LWDB's are actually spending on child care. Average daily spending, or "unit cost", for working poor child care reflects the disparity between LWDB's. Needless to say, child care can be much more expensive in urban areas. Average spending is also affected by the age of children receiving care, the ratio of part-time to full-time care, and the type of care provided. Regional cost variations have an impact on both the amount of money LWDB's have to spend on child care and on the public resources flowing into the child care infrastructure. As noted in Figure 6, all LWDB's along the United States—Mexico border have average daily spending below \$10.00 per child. However, the state's lowest spending of \$8.29 is found in the Concho Valley Workforce Development Area, just one indication of the depressed economics of many of Texas' rural communities. Unit costs in major metropolitan areas are obviously much higher with Forth Worth's Tarrant County Workforce Development Area exhibiting Texas' highest average daily spending at \$14.26.¹³

¹² TWC projects that the 2003 local match requirement will more than double from the 2001 figure of \$5.7 million to \$11.9 million in 2002.

¹³ Data provided by TWC. See Appendix 4 for detailed information on all LWDB's.

Figure 6. Average Daily Spending per Child in Child Care For Low-Income Families Across Texas' Local Workforce Development Boards

| \$8.00 - \$9.00 | \$9.00 - \$10.00 | \$10.00 - \$12.00 | \$12.00 - \$14.00 | \$14.00 and above |
|---|---|---|---|--|
| <ul style="list-style-type: none"> •North East (R) •Permian Basin (R/B) •Concho Valley (R) •Lower Rio Grande (R/B) •Cameron County (R/B) | <ul style="list-style-type: none"> •Panhandle (R) •Upper Rio Grande (U/R/B) •Heart of Texas (R) •Golden Crescent (R) •South Texas (U/R/B) •Coastal Bend (U/R) •Middle Rio Grande (R/B) | <ul style="list-style-type: none"> •South Plains (R) •North Texas (R) •East Texas (R) •West Central (R) •Rural Capital (R) •Deep East Texas (R) •South East Texas (R) •Texoma (R) •Central Texas (R) | <ul style="list-style-type: none"> •North Central (R) •Dallas (U) •Capital Area (Austin - U) •Brazos Valley (R) •Alamo (San Antonio- U/R) •Gulf Coast (Houston - U/R) | <ul style="list-style-type: none"> •Tarrant County (Fort Worth-U) |

**B=Border, R=Rural, and U=Urban
Average Daily Spending per Child is \$11.18.**

Source: Texas Workforce Commission.

The story of child care funding in Texas is mixed and complicated. On the one hand the overall level of funding has indeed increased significantly since 1996. However, the lion's share of this growth has come from federal funding increases. While Texas did increase state funding over this period, those increases were directly in response to the growing matching requirements for drawing down federal funds. More recently, the trends have not been so positive. State funding increases have stalled and federal funds will be left on the table for the first time in years. Meanwhile, as will be discussed in the next section, the demand for care is projected to increase and large waiting lists to persist. Increases in the TANF caseload will further strain the child care subsidy system.

Without significantly increased state funding, and a level or larger federal CCDF block grant, Texas will slip further behind in meeting the child care needs of its hard working low-income families. The shifting cost burden to local areas only competes with other community needs and increases the disparity in resources among different regions of the state. Border and rural areas unable to generate local match will fare even worse than they currently are. As the United States Congress takes up and considers reauthorization of the CCDF, federal funding adequacy must be a central focus. However, without an increased state commitment, in tough economic times Texas stands to become even more dependent on the federal government to fund its child care system.

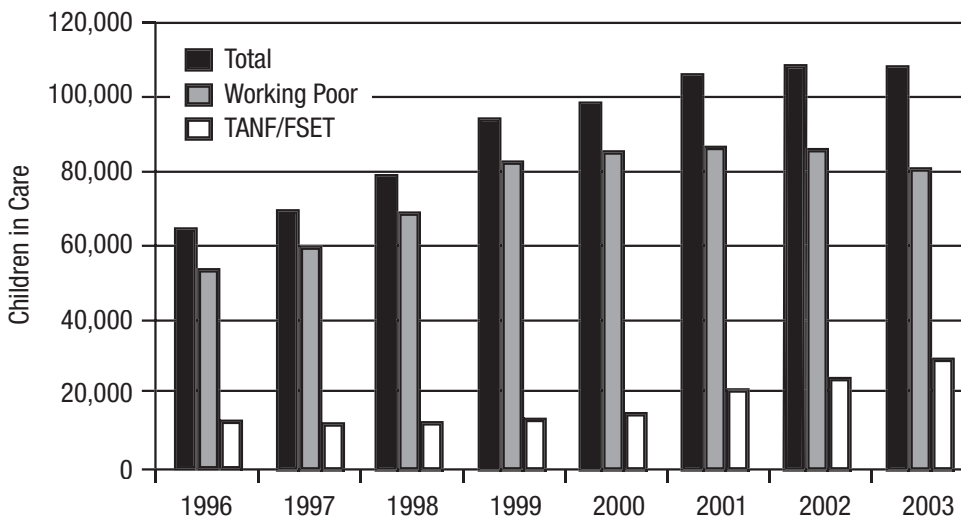
II. Reaching and Serving Low- and Moderate-Income Children and Families

This section will discuss gains in available child care, lingering access difficulties, and variations in eligibility and co-payment policies between LWDB's.

Child Care Access: Improvement, but Persistent Shortfalls

By 2003, the TWC projects that it will provide child care to 107,195 children. As Figure 7 demonstrates, this is a significant increase from the 1996 total of 63,221 children. However, if one considers that Texas is the second most populous state in the Union, and home to some of its largest cities and 13 of its 50 poorest counties, that number looks much smaller.¹⁴ To get a sense of the level of need in Texas, one can look at how many children are in families who are potentially income eligible for child care assistance. TWC has set the maximum income eligibility for child care at the federal maximum of 85% of SMI.¹⁵ Using this eligibility standard approximately 1,236,800 children are potentially eligible for child care assistance in Texas.¹⁶ It is important to recognize that Texas also operates an extensive pre-kindergarten program through its public school system, serving three- and four-year olds who have limited English proficiency, are educationally disadvantaged, or are homeless. While all of these programs are not necessarily full-day or full-year, they provide a significant complement to the state's subsidized child care system. See Appendix 6 for more detail.

Figure 7. Children in Subsidized Child Care¹⁷



Source: Texas Legislative Budget Board.

¹⁴ U.S. Bureau of the Census, <http://www.census.gov/hhes/www/saipe/poorcty.html>.

¹⁵ While 85% SMI represents the state maximum, nearly all LWDB's have set operational limits at much lower income levels. See Appendix 2 for board-by-board specific information.

¹⁶ U.S. Department of Health and Human Services, *How Many Children are Estimated to be Eligible for CCDF-Funded Child Care Subsidies?* (Presented to HHS State Administrators Conference, August 13, 2001). Federally eligible children are children under the age of 13 (or 19 if the child has a disability and can't care for him or herself) whose family's income is below 85% of SMI and whose parents are working and/or in education or training programs.

¹⁷ Figure 7 represents all subsidized care. Child care for foster care children is included in working poor care. Transitional and Welfare-to-Work care are included with TANF/Food Stamp Employment and Training care.

The large increases in the number of children receiving subsidized child care in Texas are related both to increased funding and to increased demand. One component of increased demand for child care has been related to the numbers of TANF recipients participating in employment services. Under its welfare reform policies, Texas continues to guarantee child care to TANF recipients who need assistance to participate in employment services or go to work. Additionally, Transitional Child Care services are available to families for twelve to eighteen months as long as the families' incomes from employment do not exceed income guidelines. TANF recipients with work exemptions who volunteer for CHOICES are rewarded with an extra six months of child care. However, the state TANF time clock begins to tick for those who voluntarily opt for extra child care assistance.

While Texas TANF caseloads have dropped sharply since 1996, the percentage of recipients expected to participate in work activities has increased in recent years. This has happened primarily due to reductions in the number of work exemptions, most notably the exemption related to the "age of child". When Texas passed its welfare reform law in 1995, it retained a work exemption for families with children less than five years of age, which dropped the following year to "under four". This provision exempted nearly half of the TANF caseload from mandatory work requirements. At the time lawmakers consciously made this choice based on funding concerns. There was a stated goal of having a welfare reform law that was "cost neutral," and neutralizing child care costs was the primary mechanism for doing so. This policy and budget decision stood in contrast to other states' decisions to increase funding for employment support services and helping families move from welfare or poverty to family-supporting work.

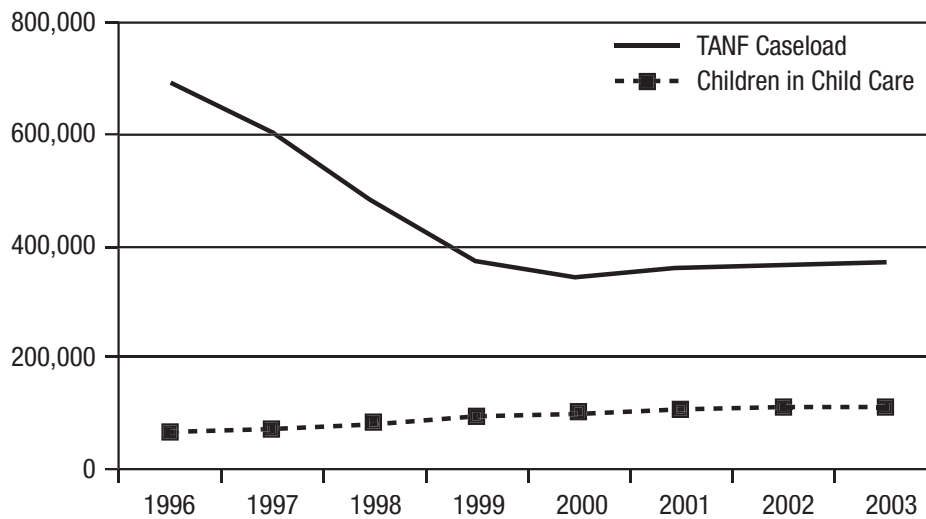
When the federal welfare law passed in 1996 with a work exemption only for those families caring for a child under one year of age, Texas was protected from this change under its welfare reform waiver. However, lawmakers understood that, with the expiration of the waiver in April 2002 the state would need to come into compliance with this federal provision. In 1999 Senate Bill 666 was passed, stair-stepping the "age of child" exemption age downward over three years. Now the Texas policy is aligned with federal exemption language. This change has resulted in a significant increase in TANF recipients who are participating in the TANF employment services program—called CHOICES—and who therefore need child care assistance. When the waiver expires in April 2002, it is likely that some additional exemptions currently in rule will also be eliminated, adding yet more recipients and more child care demand in coming years. These trends are being magnified by the fact that TANF caseloads are no longer decreasing and are in fact beginning to increase, as demonstrated in Figure 8. Figure 8 also clearly demonstrates Texas' critical shortage of child care assistance for families moving from welfare to work, as well as highlighting the shortage of child care subsidies for working poor families.

The increase in child care demand related to TANF recipients is anticipated to have a direct impact on resources available for "at-risk" or working poor recipients. The Texas Legislative Budget Board's Senate Bill I General Appropriations Bill projected during the 2001 legislative session that the number of CHOICES participants would increase from 8,150 in FY 2000 to almost 20,000 by FY 2003.¹⁸ While these projections were based on a number of interacting assumptions, the economic downturn and revised projections of TANF caseload increases have added even more confidence that such increases are likely. In 1996 Texas served 10,996 children of CHOICES participants in its child care program; by 2003 this number will increase to 27,843.¹⁹ Simply put, Texas has a rapidly growing number of TANF recipients who are guaranteed child care in order to fulfill work requirements, meaning that without additional funding less care will be available for non-TANF, working poor families.

¹⁸ Texas Legislative Budget Board's Senate Bill I General Appropriations Bill, p.VII-39. For additional details, see <http://www.cppp.org/products/policypages/131-150/131-150html/PP137.html>.

¹⁹ See <http://www.cppp.org/products/policypages/131-150/131-150html/PP134.html>. It is important to note that these are pre-September 11, 2001 figures.

Figure 8. Texas Child Care and TANF Caseloads



Source: Texas Department of Human Services and Texas Workforce Commission

Using estimates produced by the Texas Legislative Budget Board, the CPPP projects that in 2003 approximately 6,000 fewer children from non-TANF, working poor families will have access to child care subsidies, as LWDB's transfer available resources to the children of prioritized Choices participants and former participants receiving Transitional Child Care.²⁰ How this shift will happen, and whether children will actually be "disenrolled" is unclear at this time. LWDB's, not the state agency, determine service discontinuation policies. There are serious concerns about how individual LWDB's will address this issue. In June 2001, the South Texas Workforce Development Board abruptly cut child care subsidies to numerous families in the border city of Laredo due to budget concerns. Child care assistance was eventually returned to most families, but the incident highlighted concerns about LWDB level service discontinuation policies.²¹ TWC has pledged that future reductions will take place through "attrition", not through "disenrollment", and is closely monitoring boards' policies.

The Waiting is the Hardest Part

Texas has a child care waiting list statewide of approximately 40,000 children. Review of the waiting lists at LWDB's provides a glimpse into the relevant unmet need for child care from region to region.²² Individual LWDB's report waiting lists as staggering as 9,500 children in the Gulf Coast Workforce Development Area, encompassing Houston and surrounding counties, to zero in the Cameron County Workforce Development Area.²³ These waiting list data could reflect a combination of unique local factors

²⁰ TWC provided numbers to the House Research Organization that project "displacement" of 12,500 children from working poor families. House Research Organization State Finance Report. No. 77-3. September 28, 2001.

²¹ The Laredo Morning Times published a series of articles on this incident. Links to the series are available below.

<http://madmax.lmtonline.com/mainnewsarchives/062001/s2.htm>

<http://madmax.lmtonline.com/mainnewsarchives/062101/s4.htm>

<http://madmax.lmtonline.com/mainnewsarchives/062201/s2.htm>

<http://madmax.lmtonline.com/mainnewsarchives/062301/s3.htm>

²² See Appendix 5 for TWC average annual waiting list data for September 2000 through August 2001 for each LWDB.

²³ Ibid.

from low utilization patterns and provider participation, to limited outreach and enrollment activities. As one Laredo child care provider put it, "Why launch so much publicity about CCMS (child care management service)? I saw all of these ads coming out on the television. Why spend so much money promoting it and then 'Whomp!' have these cuts? It's beyond my comprehension."²⁴ Most distressingly, LWDB staff and contractors throughout the state report that the state's waiting list only begins to reflect actual need.²⁵

The experience of Texas families needing child care assistance to stay employed almost always starts with a waiting list, which often frustrates families' efforts to enter and stay in the workforce. Recently, when discussing subsidized child care options with adult GED students at a family literacy project, this author's questions about access were met with side-splitting peals of laughter. The system's long waits and budget limitations are the stuff of jokes in low-income communities. Parents know that for all intents and purposes, they will need to piece together child care among friends and family if they are to get the care they need in order to work. For some children, family care is a viable option. However, the informal care many families are able to provide for their children comes with serious concerns about quality, reliability, developmental appropriateness, and most distressingly, safety.

Low-income parents able to access care through the child care subsidy system report some disconcerting experiences associated with maintaining that precious child care voucher. The director of a highly regarded Austin center remembers an employee whose low pay made her eligible for child care assistance. To reward her assistant teacher's hard work, the director raised her salary, making her ineligible for her own child care subsidy. The child care voucher was more valuable than the pay raise, so the increase in pay and its potential for enhanced responsibilities and promotion were declined. From then on, the assistant teacher was jokingly wary of any more "good news" from her director.

Low-income families living in one workforce development area have been known to move across county lines to another LWDB when child care funds run dry or waiting lists get too long. The costs of moving and the associated family dislocation seem a small price to pay for some in the daily struggle to maintain child care. Austin's Capital Area Workforce Development Board, and its neighboring Rural Capital Area Workforce Development Board, report such caseload transfers.²⁶

The manner in which families move off the waiting lists and into subsidized care is also of concern. LWDB's must give preference to participants in the CHOICES TANF work program for subsidies. However, others on the wait list are served on a first-come, first-to-get-care basis. According to the Texas child care state plan, only the Capital Area Workforce Development Board uses an assessment of relative need to ensure that families with the greatest financial need get access to care more quickly. Families below 150% of Federal Poverty are selected for child care first. Conversations with Capital Area staff confirm prioritization of these "150's."

| 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. | |

²⁴ See a June 22, 2001 Laredo Morning Times article for more provider perspectives at <http://madmax.lmtonline.com/mainnewsarchives/062201/s2.htm>.

²⁵ CPPP Reauthorization Listening Sessions in Houston; Lubbock; and San Antonio, Texas.

²⁶ Center for Public Policy Priorities/Center on Law and Social Policy Texas Child Care Panel Discussion. Austin, Texas. September 11, 2001.

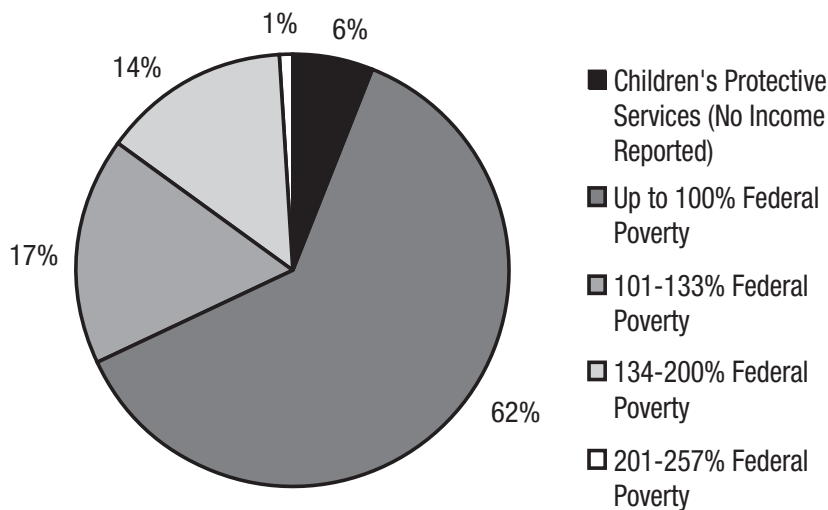
The inability to find appropriate child care is supposed to protect TANF recipients from being sanctioned for non-participation in required work activities. However, there is concern that some Texas TANF recipients are not being adequately informed about this provision in federal law. Texas child care advocates, in conjunction with national advocates, are working to improve understanding of the child care subsidy system at the LWDB level and among providers and parents throughout Texas.²⁷ Successful public and recipient education about child care policies is complicated by the wide variation in policies between LWDB's and Texas' size.

Eligibility and Co-Payment Policies: Local Control and Statewide Inequities

Access to child care subsidies and eligibility income levels for child care assistance vary significantly from LWDB to LWDB. Texas' LWDB's 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 SMI. Basic eligibility rates range from 50% SMI to 85% SMI. 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, as noted previously. Additional information on basic eligibility levels, as well as those for Transitional, Extended Year, and Teen Parent eligibility, can be found for all of Texas' 28 LWDB's in Appendix 2.

While income eligibility limits paint a picture of who **can** receive child care assistance, it is also worth understanding the characteristics of those actually receiving assistance. This information provides an additional assessment of whether or not those most in need receive the limited subsidies available. Looking at income data of child care subsidy recipients, it becomes apparent that families at the bottom end of the economic ladder are receiving the lion's share of child care subsidies, as reflected in Figure 9. Children in Protective Services receiving child care subsidies do not report family income. While Texas allows LWDB's

Figure 9. Who Gets a Child Care Subsidy in Texas?



Source: Texas Workforce Commission.

²⁷ For complete discussion of TANF and child care unavailability regulations in Texas, see the Child Care Rights Handbook for Parents Receiving TANF Benefits (Texas) at <http://www.childcareadvocate.org/agencyad.asp>. Summer 2001.

²⁸ Officials at one child care contractor reported a preponderance of school-aged children receiving benefits at the 85% SMI level.

to set income eligibility criteria at the highest federally allowable level of 85% SMI, only 1% of children receiving child care assistance in Texas come from families with earnings greater than 66% of SMI.²⁸ Interestingly, 62% of children in the Texas subsidized child care system come from families with incomes below the federal poverty line and 79% of children in subsidized care come from families earning less than 133% of poverty or 44% SMI.²⁹ The priority given to TANF CHOICES families is a partial explanation for these figures. Also, those leaving TANF and receiving Transitional Child Care assistance generally have very low incomes. A study by DHS showed that the average earnings for working TANF leavers were \$6.28 per hour for 34 hours per week of work, leaving them well below the federal poverty level.³⁰

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 as well and not utilize a first-come-first-serve methodology. The income data on those receiving child care assistance would seem to belie this concern, but further policy proposals are anticipated in this area. The first concrete initiative in this area came in the 2001 Legislative Session when Representative Mike Villareal from San Antonio filed and succeeded in passing a bill to require all LWDB's to lower their eligibility limit to 66% of SMI. Villareal stated that his bill was in direct response to the limited funding for child care and the large waiting lists for assistance. Texas Governor Rick Perry, who argued that its enactment would have restricted local control over child care policy, vetoed the bill.³¹ In reality, nearly every LWDB already has eligibility policies for child care assistance below the 66% SMI limit provided in the bill.³² In fact, most are at or below 150% of poverty, or 50% of SMI, for a family of four. Nonetheless, the bill's passage through the Texas House and Senate was recognition of the current operational limits on child care subsidies and represented the first legislative attempt to focus those resources on the neediest families.

As stated above, most LWDB's restrict eligibility below the federal and state maximum levels. However, there is considerable variation across LWDB's. Simply put, families in some parts of the state can earn nearly twice as much as their counterparts elsewhere and still be eligible for assistance.³³ A real discussion about how much a family needs to be earning given the local cost of living before they can afford to pay for child care on their own has not been part of the policy debate in Texas. In a world of increasing competition for state funding, it is unlikely that such a conversation will drive decisions about how much money is needed to fund child care adequately.

The state, and in turn LWDB's, also have co-payment policies for some categories of subsidized child care. Texas' local workforce development boards' schedule of co-payment policies is a dizzying read.³⁴ Most LWDB's 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 LWDB's. 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. Other LWDB's, notably the Capital Area Workforce Development Board in Austin

²⁹ September 2001 Texas Workforce Commission, Child Care FPL Report.

³⁰ Texas Department of Human Service, Texas Families in Transition, at <http://www.dhs.state.tx.us/about/initiatives/texasfamilies/index.html>.

³¹ <http://www.cppp.org/products/policypages/131-150/131-150html/PP134.html>.

³² Ibid.

³³ See the 2002-2003 Texas Child Care State Plan for details at <http://www.twc.state.tx.us/svcs/childcare/ccinfo.html>.

³⁴ For an example of the complexities of the devolved Texas Child Care State Plan, see Appendix 3.

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.

Co-payment fees are waived for the following parents or caretakers:

- Parents receiving TANF
- Parents receiving Supplemental Security Income (SSI)
- Parents participating in Food Stamp Employment and Training programs
- Parents of children receiving protective services, unless TDPRS assesses a fee to the parent

Source: Texas CCDF Plan for FY 2002-2003, p. 19.

III. Ensuring that Families with Child Care Subsidies have Meaningful Parental Choice, including the Ability to Choose Quality Child Care

This section will examine utilization patterns of different types of providers, the striking range of reimbursement rates between LWDB's, and LWDB management of child care funds.

Texas is a state philosophically committed to the central role of the individual and this sentiment is manifested in much of its public policy. In 1991, the state lead the way nationally in converting its entire child care system to one driven by parent choice, using a voucher-like system that allows parents to use their subsidy in the child care setting of their own choosing. The fortunate parents who successfully negotiate the eligibility process and waiting lists can use their child care voucher for care at a child care center, a family day care home—provided it is licensed and registered with the state's provider network, or through self-arranged care with a friend or relative. Self-arranged care is a flexible option particularly critical for families living in border and rural areas with few formal child care options. Unfortunately, it is no small feat to get a subsidy, find a quality center that accepts child care vouchers, and find space available for a child in a developmentally appropriate and stimulating environment. There is an important role for caseworkers and other child care resource and referral providers in helping parents make wise choices in care for their children.

Closer examination of the type of child care being provided across the state in the subsidized system shows high usage of licensed, center-based care. As Figure 10 demonstrates, more than three quarters of children receiving subsidized care are in licensed child care centers.³⁵ Also of interest are the children in self-arranged care, approximately 18% of the total.

Figure 10. TWC Subsidized Child Care by Facility Type: July 2001 Snapshot

| Facility Type | Number of Providers | Percent of Total Providers | Average Children Served/Day | Percent of Children Served |
|--------------------------|---------------------|----------------------------|-----------------------------|----------------------------|
| Licensed Centers | 2,687 | 25.6 | 78,491 | 76.1 |
| Licensed Group Day Homes | 482 | 4.6 | 3,062 | 3.0 |
| Registered Family Homes | 694 | 6.6 | 3,398 | 3.3 |
| Self-Arranged | 6,648 | 63.2 | 18,204 | 17.6 |
| Total | 10,511 | 100.0 | 103,155 | 100.0 |

Source: Texas Workforce Commission

³⁵ Data provided by TWC for July 2001. Figure 9 includes data for all TWC-subsidized child care, not just CCDF-funded care. While CCDF is the overwhelming majority of the agency's child care funding, this table also includes child care provided with funds from the Social Services Block Grant (Title XX), state and local match; and MOE, Title IV-E Foster Care, Title IV-B Foster Care, Welfare-to-Work, and Food Stamp Employment and Training.

Reimbursement Rates: Incentives for Quality and Regional Inequities

Because of the child care system's devolved nature, discussion of provider reimbursement rates is a complicated affair. Reimbursement rates are calculated for each of the 28 LWDB's 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, LWDB's have conducted their own rate surveys to complement the state data.

Digging deeper into reimbursement rate data raises equity concerns across the state's LWDB's. While the reimbursement rate methodology is designed to respond to regional market variations, LWDB's 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 \$14.00.³⁶ These low 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. Not surprisingly, reimbursement rates for the Self-Arranged Care category are the lowest in the state. Texas' lowest reimbursement rates for self-arranged care 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.³⁷ Full-day care for an infant in a Designated Vendor licensed center in the Capital Area Workforce Development Area would be 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 also rewards its quality providers, its ability to do so is limited by funds. A Designated Vendor licensed center in Brownsville would receive a maximum daily rate of \$14.70, a small increase of 70 cents, or 5%, from the standard rate of \$14.00.³⁸ Therefore, 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.

Many low-income communities across Texas have a difficult time providing the needed supply of child care. This shortage in capacity is especially acute in rural and border areas. Texas is a huge state and distances traveled can be long. Working poor families in remote areas often have no affordable child care options whatsoever. The choice between working and leaving one's children alone or in questionable care

³⁶ See the 2002-2003 Texas Child Care State Plan Attachment I for details at www.twc.state.tx.us/svcs/childcare/ccinfo.html.

³⁷ Ibid. P. 13.

³⁸ Ibid. Attachment 2.

is one few parents would like to make. Even in urban areas, parental choice can be limited by a lack of available care. The rise in service industry employment has put a pinch on families needing to find non-traditional care. With many low-income families working jobs with evening and weekend shifts, access to off-hour and weekend care is particularly acute.³⁹

Child care providers report difficulty in maintaining profitability during off-hours without significant rate increases. The same is true for child care centers working with parents whose job training or work activities are only part-time. If a parent needs care three days a week, subsidies will pay for only three days of care.⁴⁰ Providers unable to fill the remaining 40% of that child care spot must absorb the financial burden. This part-time pinch on providers is a further disincentive to participating in the state's voucher program and in the end reduces available care.

LWDB's exercise great authority in rule-making for child care services. LWDB's determine eligibility, set co-payment rates, and establish general operational policies. Texas child care advocates are concerned that many LWDB's and their contractors may not fully understand the regulations they are charged with administering. Staff turnover is high and regulations are constantly changing. In turn, families may not receive the full range of services for which they are eligible. TWC has placed a priority on providing technical assistance to LWDB's on management of the child care program. However, a recent survey of LWDB's and their implementation of the federal sanction protection mentioned above has raised concerns about the adequacy of this assistance and the clarity of state policies, and how they are imparted to LWDB staff.

An important step toward the goal of ensuring effective child care management was the passage of Senate Bill 459 by the 1997 Texas Legislature.⁴¹ As mentioned earlier, SB 459 mandated that all LWDB's include a child care representative. Betty Anderson, the current child care representative on the South Plains Workforce Development Board serving Lubbock and fourteen surrounding counties, reports that child care representatives on LWDB's 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 LWDB's and in the communities they serve.

³⁹ For discussion of such efforts at the local level, see the Amarillo Globe-News, www.amarillonet.com/stories/013001/bus_extchild.shtml. January 30, 2001.

⁴⁰ See Appendix 3 for board by board details.

⁴¹ For text of the bill, visit <http://www.capitol.state.tx.us/tlo/billnbr:htm> and search for SB 459 from the 75th Regular Session.

IV. Promoting Child Development in Child Care

This section will discuss the increasing difficulties local communities are facing in funding their child care quality initiatives and the Texas Legislature's unfunded efforts to improve child care quality.

Texas Child Care Quality: Local Control No More

Providing sufficient high-quality, developmentally appropriate child care to Texas' children is of paramount importance to Texas generally and an expressed priority of TWC and the 28 LWDB's. However, recent state budget decisions may severely hamper local boards' abilities to maintain and improve the quality of child care in their communities.

Beginning in FY 2002, LWDB's will no longer be mandated to spend 4% of their child care funds on quality improvement initiatives. Prior to this fiscal year, spending by LWDB's on quality initiatives was part of the state's calculation in meeting the federal requirement that 4% of CCDF dollars be spent on quality initiatives. Due to funding constraints, Texas has decided that existing funding for its child care regulatory and licensing activities—which are managed by the TDPRS—and other state-level projects, will be used to satisfy the federal 4% quality spending requirement.⁴² LWDB's may choose to continue spending a portion of their child care allocations on quality initiatives but do so in direct trade-off with increasing available slots of care. Moreover, if they choose to continue funding quality enhancement initiatives, it may place them at risk of not meeting state expectations for units of child care service delivered; failure to meet these expectations could result in financial sanctions for poor performance. As a result, LWDB's are scrambling statewide to locate the funds necessary to salvage existing quality efforts.

Child care quality should be important to all Texans. Texas' LWDB's have used quality funds for a variety of purposes. Examples of activities that LWDB's may have to, or choose to, reduce under the new funding situation include:

- Caregiver training on everything from brain development to Shaken Baby Syndrome
- Creative efforts to increase school-age and infant and toddler capacities
- Designated vendor (Texas Rising Star) and national accreditation incentives
- Technical assistance
- Early childhood education development, including funding for innovative lending libraries and technology projects open to all child care providers
- Parent education

In addition to local quality improvement initiatives, TWC is also responsible for statewide quality activities, including:

- Publication and distribution of *Child Care Quarterly* magazine
- Train Our Teachers education scholarship program (currently funded with \$1 million in CCDF discretionary funds)
- Development and implementation of 19 Employer Dependent Care Coalitions

⁴² For discussion of this move, see the CPPP's comments on the 2002-2003 Texas Child Care State Plan at <http://www.cppp.org/products/testimony/testimony/tst6501.html>. To review the State Plan itself, see <http://www.twc.state.tx.us/svcs/childcare/ccinfo.html>.

- Development of Child Care Texas, a resource and referral service expected to operate statewide by 2006
- Publication and distribution of 80,000 *I Am Your Child* developmental calendars to self-arranged care providers and others in 2001.

The localization of child care control provides an opportunity to improve child care quality by designing programs to meet unique local needs and taking advantage of local resources. Not only do local citizens know what needs to be done to improve child care quality in their communities, they understand the collaborative networks needed to make quality actually happen. Texas is blessed with an active and engaged child care community. Many local child care advocates have been hard at work for years, even decades, to improve child care in Texas and in their own communities. Local flexibility and control of funding has allowed existing networks both to flourish and to establish themselves as desperately needed voices for young children. The recent reversal of policies that counted these local efforts toward the federal quality set-aside requirement is an unfortunate change and yet another indication of the ripple effects of limited state funding commitment to child care.

Texas Legislature and Child Care: Unfunded Mandates

In an interesting paradox, the 2001 Texas Legislature recognized the critical nature and dire needs of the Texas child care community by passing several bills designed to enhance child care quality and access. Unfortunately, legislative interest was not matched by a financial commitment, as no additional funding was appropriated for these bills. Three themes emerged in the session's child care bills: 1) coordination of subsidized child care with Head Start and pre-kindergarten services, 2) teacher recruitment and retention, and 3) improved access and quality. The Texas Legislature has charged TWC and its LWDB's and the Texas Health and Human Services Commission to act on these important issues with no financial means for doing so. As a result, LWDB staff increasingly feel incapable of providing the quality care they know the children of their communities need.

The Texas Legislature has moved to require greater cooperation between LWDB's and other child care administrators, most importantly Head Start and pre-kindergarten programs. Texas is to be commended for the breadth of its pre-kindergarten program, serving three- and four-year-olds from households with low incomes or Limited English Proficiency; and its effort, housed at the Governor's Office, to bolster Head Start collaboration. Enhanced cooperation will assist low-income families cobble together the child care they need to stay employed. Many Head Start programs, for example, do not operate in the summer. Improved communication will ensure that children always have the consistent, nurturing atmosphere they need while their parents work. Greater cooperation between LWDB's and other child care stakeholders may also help generate additional local matching funds needed to draw down federal child care.

Recognizing the desperate shortage of good teachers and the low wages paid to child care workers, the 2001 Texas Legislature also expanded efforts to create teacher training projects. In addition, child care workers receiving education and tuition assistance through Texas' teacher training programs will be required to work in centers eligible for child care vouchers and in a low-income neighborhood. Unfortunately, these pilot projects did not receive further state funding.

The quality of subsidized child care in Texas varies from region to region, city to city, and neighborhood to neighborhood. The funding structure of Texas' child care system is exacerbating differences in child care quality throughout the state. Local communities have the opportunity to control and shape their child care systems. Creativity and know-how exist in abundance throughout Texas. However, a lack of resources limits even the most creative individuals. LWDB control of child care is a good thing when local leaders have the funding they need to improve child care quality. Without that financial commitment, efforts to improve child care quality will be limited.

Local efforts to improve child care quality are being undercut by state budgetary decisions. Texas must decide exactly how important child care quality really is. If TWC's performance measures are so rigid that LWDB's will be forced to spend all their money on slots, local quality initiatives will have been effectively shut down unless other funding is found. However, if the performance measures leave a little breathing room, LWDB's may be able to continue funding some quality improvement activities. Ultimately, real progress on improving the quality of child care in Texas depends on the decisions of policymakers and budget writers in Washington, D.C. and Austin, Texas. Deliberations over funding levels, quality set-asides, and reimbursement rate policies will either enhance or curtail local efforts.

V. Recommendations

The lobby of the new Bob Bullock Texas State History Museum contains a spectacular floor tile mosaic some 40 feet in diameter. Created by Amarillo native Robert Ritter, the mural depicts cowboys, construction workers, Native Americans, and Mexican- and African-Americans seated around a campfire as long-horn cattle graze nearby. Smoke swirls up from the fire as the characters defy the constraints of space and time to be together in the fire's warm light. Entitled "The Story of Texas: Born around the Campfires of our Past," the colorful mosaic gives pause to even the most cynical observer. Texas truly is a place in which people and cultures from far and near have come together to create something wonderfully unique.

The Texas child care system, like the museum's mosaic, is a reflection of the values of Texas. Even bound by Spartan state budgets and a striking dependence on federal funds, Texas is doing an admirable job of serving more than 100,000 children with subsidized child care. However, the state is not nearly meeting the demand for care, and increasing TANF caseloads will shrink the number of working poor families receiving care. Sustaining the progress made since 1996 and moving the system forward will require a renewed, not retrenched, commitment to child care as a state priority. Texas has no choice but to meet this challenge if it is going to have both the workforce it needs today and the skilled workers it needs for a prosperous future.

The Center for Public Policy Priorities offers the following recommendations:

1. Texas cannot provide families with the child care they need to get and stay employed without increased state and federal funding.

Texas child care spending has increased dramatically since 1995. As a result more children are receiving child care subsidies now than ever before. However, much more needs to be done. Texas has allowed its child care system to become increasingly reliant on federal funds and local match dollars. Even though an artificially low waiting list of approximately 40,000 children remains, the Texas Legislature chose not to draw down all available federal child care funds and eliminated TANF transfers to child care in 2002 and 2003. Texas is leveling its child care spending because of the increased competition for state general revenue dollars, not because it has fulfilled the state's tremendous unmet need. Texas is choosing to dedicate state general revenue dollars elsewhere and is demanding more and more from local communities while providing less and less care to working poor families.

Texas lawmakers must commit to appropriating the necessary state general revenue funds needed to draw down all available federal funds. LWDB's cannot be asked to continue to bear an undue share of the burden. As a start, Texas Legislators could commit to reducing the waiting list by at least one half or roughly 20,000 children. These recommendations will begin to address the critical child care dilemma Texas faces and are made even in light of the state's pending budget crunch. Texas' children must continue to be among the state's top priorities even in a period of sharp economic downturn.

2. O TANF, Where Art Thou?:⁴³ Texas must be more strategic in its use of the TANF block grant. States must be mandated to make significant efforts to help reduce poverty, not fill state budget holes, with TANF dollars.

Texas advocates for the working poor have worked diligently since 1996 to ensure that Texas spend its TANF block grant strategically and with the goal of poverty reduction clearly at the

⁴³ See <http://www.cppp.org/products/policypages/111-130/111-130html/PP127.html>.

forefront. Unfortunately, budget writers and the state's leadership have seen things differently and have used TANF funds throughout the state budget, filling in holes of state general revenue created by supplantation in 1997 and 1999. No TANF funds were left for child care during the 2001 Texas Legislature and the state's previous biennial (FY 2000-2001) commitment of \$79.1 million of the TANF block grant for child care was removed. As a result, the number of working poor families receiving assistance may drop dramatically.

Congress must retain the ability of states to transfer TANF funds to the CCDF to increase child care assistance. However, it must also pay close attention to supplantation issues and work to ensure that the needs of low-income families have first call on TANF funds. Without an investment in true poverty-reduction programs, Texas is destined to continue serving the same families and, perhaps, their children with its already under-financed support systems.

3. Local efforts to improve child care quality need funding if they are to be effective.

Research is clear that the quality of child care has an impact on children's ability to succeed in school. However, Texas continues to make unacceptable trade-offs between the quality of care and helping parents to pay for child care. Funding for children's programs in Texas is now so tight that the state is asking communities to choose between the quality and the quantity of child care assistance. If LWDB's are to meet state performance measures for the number of children receiving child care assistance, they will be forced to cut back their current limited investments in quality initiatives. While Texas has shifted to a decentralized model for child care policy decisions, the state is taking away the flexibility of local communities to invest in quality building activities. Congress must increase investments in the CCDF to allow states to help more families with their child care costs, to help better prepare children for school, and to ensure that the quality set-aside can be increased beyond the current 4%.

Methodology

Facts and Figures

This report is based on data and reports available from the Texas Workforce Commission and other state agencies, including the Legislative Budget Board, the Texas Education Agency, and the Texas Department of Human Services. Whenever possible, data provided in this report are the most currently available information. Information concerning reimbursement, eligibility, and co-payment policies, as well as other administrative specifics, was taken directly from the 2002-2003 Texas Child Care State Plan. For more information, visit the TWC website at www.twc.state.tx.us. The CPPP would like to extend special thanks to Ms. Donna Garrett and the entire staff at the TWC Child Care administrative office for their support in the collection of important data.

Community Meetings and Outreach: Getting The Child Care Story

While the concerns of those actually working “on the ground” with children are always the most important, Texas’ devolved system of child care management makes this local voice all the more critical. The CPPP is undertaking another initiative designed to collect community input on general reauthorization concerns, including Child Care, TANF and Food Stamps. Staff of the Center are conducting a series of regional “Listening Sessions” around Texas. At these sessions, CPPP staff facilitate workgroups designed to stimulate frank discussions of communities’ needs and their experience with federal assistance programs. Information gathered at sessions in Houston, Lubbock, and San Antonio has informed the writing of this report.

In addition, CPPP and CLASP conducted a Texas child care briefing for administrators, providers, and advocates from across the state on September 11, 2001 in Austin. Although unfortunately corresponding with the tragic events in New York City and Washington, D.C., more than 50 representatives attended the session from the Texas Workforce Commission, municipal governments, local workforce development boards, legislative staff, and numerous child care providers. The CPPP would like to thank all the many Texas child care advocates who attended these meetings and offered their input, which has been invaluable in the development of this report and in the Center’s general policy work on child care.

The authors would also like to thank the many local workforce development board and contractor staff from across Texas who fielded questions and provided quick and thoughtful insight during the research and writing of this report. We hope that our efforts will only facilitate their work on behalf of our youngest Texans.

Appendix 1: Local Workforce Development Board Income Limits for CCDF Eligibility⁴⁴

| LWDB | Basic Eligibility | Transitional* | Extended Year** | Teen Parents |
|-------------------|--|---------------|-------------------|--------------|
| Panhandle | 150% FPL | 75% SMI | NA | 75% SMI |
| South Plains | 150% FPL | 150% FPL | NA | 150% FPL |
| North Texas | 150% FPL | 150% FPL | 75% SMI | 75% SMI |
| North Central | 150% FPL | 150% FPL | 85% SMI | 85% SMI |
| Tarrant County | 150% FPL | 85% SMI | 85% SMI (2 yrs) | 85% SMI |
| Dallas | 150% FPL | 75% SMI | 185% FPL | 185% FPL |
| North East | The lower of 150% FPL or 75% SMI | 85% SMI | 75% SMI | 75% SMI |
| East Texas | 55% SMI | 85% SMI | 75% SMI | 75% SMI |
| West Central | 55% SMI | 80% SMI | 80% SMI | 80% SMI |
| Upper Rio Grande | 85% SMI | 85% SMI | NA | 85% SMI |
| Permian Basin | 55% SMI | 55% SMI | 55% SMI | 55% SMI |
| Concho Valley | 150% FPL | 85% SMI | 75% SMI | 75% SMI |
| Heart of Texas | 150% FPL | 85% SMI | 85% SMI | 85% SMI |
| Capital Area | 85% SMI and Wait list priority at 150% FPL | 85% SMI | NA | 85% SMI |
| Rural Capital | 80% SMI | 80% SMI | NA | 80% SMI |
| Brazos Valley | 150% FPL | 85% SMI | 75% SMI | 75% SMI |
| Deep East Texas | 150% FPL | 150% FPL | 85% SMI | 75% SMI |
| South East Texas | 150% FPL | 85% SMI | 75% SMI | 75% SMI |
| Golden Crescent | 80% SMI | 80% SMI | NA | 80% SMI |
| Alamo | 150% FPL | 75% SMI | 75% SMI | 75% SMI |
| South Texas | 85% SMI | 85% SMI | NA | 85% SMI |
| Coastal Bend | 150% FPL | 85% SMI | 75% SMI | 75% SMI |
| Lower Rio Grande | 75% SMI | 85% SMI | 80% SMI | 80% SMI |
| Cameron County | 75% SMI | 75% SMI | 85% SMI | 75% SMI |
| Texoma | 75% SMI | 75% SMI | 85% SMI (30 days) | 75% SMI |
| Central Texas | 150% FPL | 75% SMI | 75% SMI | 75% SMI |
| Middle Rio Grande | 85% SMI | 85% SMI | NA | 85% SMI |
| Gulf Coast | 150% FPL | 150% FPL | 85% SMI | 75% SMI |

* Transitional child care is an entitlement for working parents leaving TANF benefits, regardless of their income. Care is available for 12 or 18 months at the discretion of the TANF caseworker at the Texas Department of Human Services.

** Extended Year child care is a little used option allowing LWDB's to provide care to working poor families after they have reached the income eligibility ceiling.

⁴⁴ Texas CCDF Plan for FY 2002-2003, Attachment 3. Available at www.twc.state.tx.us/svcs/childcare/ccinfo.html.

Appendix 2: Local Workforce Development Board Co-Payment Schedule⁴⁵

| LWDB | Fee Scale (Based on family's gross monthly income and family size) |
|------------------|--|
| Panhandle | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| South Plains | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| North Texas | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| North Central | 9% for 1 child; 11% for 2 or more with a graduated amount of 1% per year not to exceed 15%. |
| Tarrant County | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| Dallas | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| North East | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more; 65% of calculated amount for part-day; for part-week care, fee prorated on daily basis; 65% of calculated amount for after school care if the provider's published rate is 75% or greater of the maximum rate; 45% of calculated rate if the provider's is below 75% of the maximum rate. |
| East Texas | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| West Central | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| Upper Rio Grande | 9% for 1-3 children; 10% for 4 or more children; 65% of 9% or 10% for families of 7 or more; 65% of 9% or 10% for part-day care; 65% of 9% or 10% for part-week care prorated on a daily basis; 45% of 9% or 10% for after-school care on site at a school campus. |
| Permian Basin | 11% for 1 child; 13% for 2 or more; Exceptions: <ul style="list-style-type: none"> • The fee is reduced to 55% of the 11% or 13% for families with 7 or more members and/or for families with all of the children enrolled in part-day care. • Fees may be reduced to no less than \$4.00 per month based on the extenuating circumstances detailed in the Board's policies and procedures manual. |
| Concho Valley | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| Heart of Texas | 9% for 1 child; 11% for 2 or more; 1% increase each year a child is in care; 65% of 9% or 11% for families of 7 or more. 65% of 9% or 11% if all children are school age and attending school. Fees prorated if a child attends 3 days or less. |
| Capital Area | 10% for 1 child; 12% for 2 or more; 15% for families who received services for 2 or more years and not registered with the workforce center to obtain work; 65% of 10%, 12% or 15% for families of 7 or more. |
| Rural Capital | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |

⁴⁵ Texas CCDF Plan for FY 2002-2003, Attachment 6. Available at www.twc.state.tx.us/svcs/childcare/ccinfo.html.

| | |
|-------------------|---|
| Brazos Valley | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| Deep East Texas | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. Parent fees will be reduced by 35% if all children are school-age and attending school. Fees prorated if a child attends 3 days or less. |
| South East Texas | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| Golden Crescent | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. For part-week care: 20% of fee for 1 day of care, 40% for 2 days of care, and 60% for 3 days of care and 100% for 4 or more days of care. 65% of 9% or 11% if all children utilize only part-day care. |
| Alamo | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| South Texas | 9% for 1 child; 10% for 2 or more; 65% of 9% or 10% for families of 7 or more. |
| Coastal Bend | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. 65% of 9% or 11% if all children are school age and attending school. |
| Lower Rio Grande | 9% for 1-3 children; 10% for 4 or more; 65% of 9% or 11% for families of 7 or more. |
| Cameron County | 9% for 1-2 children; 10% for 3 or more; 65% of 9% or 10% for families of 7 or more. |
| Texoma | 9% for 1 child for the 1 st year; 11% for 2 or more for the 1 st year; 11% for 1 child for the 2 nd year; 13% for 2 or more for the 2 nd year; 13% for 1 child for the 3 rd year; 15% for 2 or more for the 3 rd year; 65% of 9% or 11% for families of 7 or more and 9% or 11% for part-week care. |
| Central Texas | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more and for part-time care. |
| Middle Rio Grande | 9% for 1 child; 11% for 2 or more; 65% of 9% or 11% for families of 7 or more. |
| Gulf Coast | 9% for 1 child for 1 st 2 years; 10% for 1 child for 3 rd year; 11% for 1 child for 4 th year; 12% for 1 child 5 th year; 11% for 2 or more for 1 st 2 years; 12% for 2 or more for 3 rd year; 13% for 4 th year and 14% for 5 th year. After 5 th year, case-by-case; 65% for families of 7 or more. 2 or more; 65% of 9% or 11% for families of 7 or more; prorated if attending 3 days or less. |

Appendix 3: Local Workforce Development Board Average Daily Spending per Child (Fiscal Year 2001)⁴⁶

| LWDB | Daily Spending |
|---------------------|----------------|
| Panhandle | \$9.81 |
| South Plains | \$11.92 |
| North Texas | \$11.09 |
| North Central | \$13.23 |
| Tarrant County | \$14.26 |
| Dallas | \$12.84 |
| North East | \$8.90 |
| East Texas | \$10.11 |
| West Central | \$10.26 |
| Upper Rio Grande | \$9.61 |
| Permian Basin | \$8.61 |
| Concho Valley | \$8.29 |
| Heart of Texas | \$9.66 |
| Capital Area | \$12.54 |
| Rural Capital | \$11.65 |
| Brazos Valley | \$12.02 |
| Deep East Texas | \$10.60 |
| South East Texas | \$11.16 |
| Golden Crescent | \$9.16 |
| Alamo | \$12.10 |
| South Texas | \$9.46 |
| Coastal Bend | \$9.73 |
| Lower Rio Grande | \$8.47 |
| Cameron County | \$8.78 |
| Texoma | \$11.32 |
| Central Texas | \$10.16 |
| Middle Rio Grande | \$9.22 |
| Gulf Coast | \$13.06 |
| Average Cost | \$11.18 |

⁴⁶ Data provided by the Texas Workforce Commission.

Appendix 4: Local Workforce Development Board Average Annual Waiting List (Fiscal Year 2001)⁴⁷

| LWDB | Waiting List |
|-------------------|---------------|
| Panhandle | 145 |
| South Plains | 819 |
| North Texas | 471 |
| North Central | 646 |
| Tarrant County | 2,459 |
| Dallas | 2302 |
| North East | 326 |
| East Texas | 2,264 |
| West Central | 585 |
| Upper Rio Grande | 6,083 |
| Permian Basin | 978 |
| Concho Valley | 290 |
| Heart of Texas | 613 |
| Capital Area | 1,892 |
| Rural Capital | 736 |
| Brazos Valley | 548 |
| Deep East Texas | 190 |
| South East Texas | 582 |
| Golden Crescent | 421 |
| Alamo | 2,401 |
| South Texas | 673 |
| Coastal Bend | 628 |
| Lower Rio Grande | 2,118 |
| Cameron County | 0 |
| Texoma | 506 |
| Central Texas | 846 |
| Middle Rio Grande | 73 |
| Gulf Coast | 9,598 |
| Total | 39,193 |

⁴⁷ Data provided by the Texas Workforce Commission.

Appendix 5: Texas Pre-kindergarten Enrollment and Spending

A child is eligible for enrollment in Texas pre-kindergarten if the child is at least three years of age and is: 1) unable to speak and comprehend the English language; 2) educationally disadvantaged; or 3) homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the child, of either parent of the child, or of the child's guardian or other person having lawful control of the child. TEC §29.153 (b), page 129.

Texas Pre-kindergarten Enrollment and Spending

| School Year | Pre-kindergarten Enrollment | Pre-kindergarten Spending* |
|-------------|-----------------------------|----------------------------|
| 1995-1996 | 115,198 | \$217,976,095 |
| 1996-1997 | 120,053 | \$227,577,788 |
| 1997-1998 | 121,999 | \$232,968,457 |
| 1998-1999 | 123,859 | \$246,792,902 |
| 1999-2000 | 125,616 | \$317,247,702 |
| 2000-2001 | 132,870 | \$378,208,906 |

Source: Texas Education Agency, School Finance

* Estimated figures based on Foundation School Program spending from 1995 to 1998 and Foundation School Program and Pre-kindergarten Grants Program from 1999-2001.

