

Appendix A

FEDERAL AND STATE POLICY CHANGES AFFECTING THE TEXAS CHILD CARE SUBSIDY SYSTEM

Federal and State Policy Directives vs. Local Board Policy Discretion in the Management of the Child Care Subsidy Program

	Federal Laws & Regulations	State Laws & Regulations	Local Board Policy Discretion
Use of Funds 1. Direct Care 2. Quality improvement 3. Administration	<p>States must use at least 70% of the total amount of mandatory and matching funds to provide child care assistance to welfare recipients, to those in work programs and attempting to leave welfare, and those at risk of going on welfare. A substantial amount beyond the 70% required spending and the discretionary funds must be used to serve low-income working families.</p> <p>No less than 4% of CCDF expenditures must be used on activities to improve the quality of child care generally. Earmarks in federal appropriations legislation further mandate that additional CCDF funds be spent to provide comprehensive consumer education to parents and the public, to increase parental choice, and to improve quality and availability of child care, especially for infants and toddlers.</p> <p>No more than 5% of the total expenditure can be used for administrative costs.</p>	<p>Follows federal guidelines.</p> <p>Follows federal guidelines and encourages local boards to reduce group sizes, improve health and safety conditions, improve linkage to parents and community services, improve teacher training, or recognize professional accreditation.</p> <p>Requires local boards to spend an additional 4% of boards' total expenditures on quality improvement activities.</p> <p>Requires at least 5% higher reimbursement rate to TRS providers than non-TRS providers.</p> <p>Follows federal guidelines.</p>	<p>No local discretion, except that through FY 2002, local boards were required by the state to spend an additional 4% on quality improvement activities. This requirement has since been eliminated.</p> <p>Level of discretion varies but mainly focus on caretaker training and parental education.</p> <p>No local discretion. Follows federal and state rules.</p>

	Federal Laws & Regulations	State Laws & Regulations	Local Board Policy Discretion
Eligibility for Service	Children of families whose income is below 85% of SMI for a family of the same size and whose children are age 13 or under. CCDF regulation retains the state flexibility regarding the option to serve children at 13 and over who are physically or mentally incapacitated or under court supervision, up to age 19. Gives states the flexibility to include foster care as part of protective services and allows brief and occasional respite care.	Children of families with gross income not exceeding 85% of SMI, parents who require child care to participate in training, education, or employment activities, and parents who need child care for a child under age 13 unless a different age requirement is indicated by TWC rule, and parents who need support for education a limited time determined by local boards.	Varies from 85% of SMI to as low as 55% of SMI.
Priority for Service	Children of TANF recipients, families transitioning off TANF and families at risk of becoming TANF recipients receive top priority for service. Other low-income families get the second priority for service. Gives states the flexibility to define children with “special needs” which can means groups other than children with physical and mental disabilities, and allows states to serve them as a priority group.	Statewide priorities: Children of TANF recipients participating in Choices, individuals transitioning off TANF due to employment and earnings or time limits, applicants for TANF assistance who have been referred to work, who receive protective services, or families with very low income. Allows local boards to establish second-tier priority.	Follows federal and state guidelines, and establishes second-tier priorities, with some variation through the years. This includes teen parents, children with disabilities, parents who participate in Workforce Center programs, parents whose transitional benefits have ended and the parent is working, former TANF recipients who have reentered employment without returning to TANF, or who are in wrap-around child care enrolled in Head Start and Even Start.
Requirement for Providers	Compliance with state and local regulatory requirements, being subject to applicable health and safety standards that may include immunization requirements.	At a minimum, providers should be licensed or registered by TDPRS, licensed by the T D of H as a youth day camp, or operated and monitored by the United States military services.	Follows federal and state laws and regulations. Local boards determine whether general liability insurance will be required.

	Federal Laws & Regulations	State Laws & Regulations	Local Board Policy Discretion
Reimbursement to Providers	Requires states to consider adopting adequate payment rates that ensure equal access, parental choice, and affordability.	Requires local boards to establish rates based on the most recent local market rate survey and other local factors that ensure equal access to child care services and to adopt a graduated rate for TRS providers of at least 5% greater than the rate for non-TRS providers. Requires the boards to ensure a rate of up to 190% for care of children in need.	Varies based on type of care and qualification of the provider.
Parental Share of Cost	Requires states to consider affordable rates while ensuring parental choice. Requires a sliding fee scale and allows for waivers of co-payments for families under the poverty line. Also cautions states not to adopt a fee scale that is more than 10% of a family's income and to ensure that small wage increases do not trigger large increases in co-payments.	Exempts payment requirements for parents participating in Choices, in FSE&T, or whose children receive protective services unless they are paying for the protective services. Requires local boards to adopt and assess fees from all non-exempt parents or caretakers at a rate based on the family's size and gross monthly income and allowably on the number of children in care with the condition that such fees not exceed the cost of care.	Varies based on type of care and number of children in care.

State Legislation that Impacted Child Care During the 2001 and 2003 Legislative Sessions

Issues and Programs Affected	2001 State Legislation / Effective Date	2003 State Legislation / Effective Date
<p>Funding</p>	<p><i>Rider in State appropriations bill, September 1, 2001</i> TEA shall certify the maximum pre-K expenditures allowed under federal law as MOE for TANF and state match for CCDF.</p> <p><i>Rider in State appropriations bill, September 1, 2001.</i> TWC must cooperate with cities, school districts, TEA and non-profit organizations to obtain local match for federal child care funds.</p> <p><i>HB2763, June 13, 2001</i> LWDBs must use money and in-kind services* provided by a local school district or agency to obtain federal matching funds for child care services to the extent permitted by federal law. * Note that federal regulation prohibits the use of in-kind services toward a local match for federal funds and TWC has not included such to be in compliance with the federal regulation.</p>	<p><i>Rider in State appropriations bill, September 1, 2003</i> TEA shall certify the maximum pre-k expenditures allowed under federal law as MOE for TANF and state match for CCDF.</p> <p><i>Rider in State appropriations bill, September 1, 2003</i> Allows use of donated purchase agreements and other funding mechanisms to match federal child care funds.</p> <p><i>SB280, September 1, 2003</i> Requires TWC to annually evaluate formulas used for CCDF allocations based on certain criteria such as LWDBs' use of federal funds, boards' ability to meet performance measures, average cost of care, poverty level and the number on the waiting list.</p>
<p>Quality improvement activities</p>	<p><i>HB2673, September 1, 2001</i> Requires TWC to collect state and local information relating to the effectiveness of the use of four percent quality dollars by LWDBs, and to produce a report to the Legislature that highlights promising practices in expanding quality early education.</p> <p><i>HB3578, September 1, 2001</i> TWC must ensure that federal child care funds dedicated to quality improvement are used only for quality child care programs. Provides definition and parameters for a quality child care program.</p>	<p><i>SB76, September 1, 2003.</i> Allows for the development of a quality rating system demonstration project in which child care facilities, Head Start, Early Head Start or pre-K programs are assessed.</p>

Issues and Programs Affected	2001 State Legislation / Effective Date	2003 State Legislation / Effective Date
	<p><i>SB833, September 1, 2001</i> Codifies certain child-care training standards currently in the TDPRS rule and requires 20 hours of annual training in certain subjects for childcare workers. Also requires DPRS to eliminate duplication of inspection of day care centers by various state and local regulatory entities.</p> <p><i>SB1294, September 1, 2001</i> Requires TWC to establish a pilot program in at least three locations, known as Teacher Education and Compensation Helps (TEACH), to assist teachers in retaining employment in the field of child care. A teacher must have a provider agreement with a LWDB to serve families receiving subsidized child care services.</p> <p><i>SB1732, September 1, 2001</i> TWC shall select vendors in three areas of the state to operate a pilot project in which a network of at least 10 operators of eligible family home child care providers work together to serve children under age 4 in small, family child care centers. The LWDB in the selected area must administer and fund the pilot with federal child care funds according to TWC guidelines. Further defines qualifications for the selection of vendors.</p>	
<p>Resource and Referral</p>	<p><i>Rider in State appropriations bill, September 1, 2001</i> Allocates \$1 million per year to provide a network of child care consumer education services through resources and referral agencies.</p> <p><i>HB1307, September 1, 2001</i> TWC will contract through a competitive procurement system with a child care resource and referral network to provide service in the state. The network will conduct a needs assessment to determine the supply and demand for child care services and make recommendations to TWC regarding solutions. Data collected must include a comprehensive compilation of available child care services and unmet consumer needs.</p>	

Issues and Programs Affected	2001 State Legislation / Effective Date	2003 State Legislation / Effective Date
Coordination of services	<p><i>SB665, September 1, 2001</i> HHSC must establish an office of early childhood coordination. These goals are to promote community support for parents of children under age 6 through an integrated state and local decision making process and to provide seamless service to these children to ensure that they succeed in school. TEA, Head Start and TWC will identify ways of coordinating early childhood services. The HHSC commissioner will appoint an advisory committee to assist the office.</p> <p><i>SB1293, September 1 2001</i> Head Start will coordinate with TWC and LWDBs to ensure that full-day, full-year child care services are available to low-income parents who are working or participating in workforce activities. Defines collaboration activities and methods.</p>	<p><i>SB76, September 1, 2003</i> Requires pre-K programs, Head Start and after-school child care programs to coordinate with TEA, TWC and LWDBs regarding subsidized child care services. Coordination is to ensure that full-day, full-year child care services are available to meet the needs of low-income parents who are working or participating in workforce training.</p>
Expansion of Services		<p><i>Rider in State appropriations bill, September 1, 2003.</i> TWC and the LWDBs should cost-effectively expand employment and child care programs in rural areas.</p>
Impact assessment		<p><i>SB280, September 1, 2003</i> Requires TWC to compile information regarding wage and employment status of parents receiving child care subsidy and measure and evaluate the effectiveness of the program on certain specified factors.</p> <p>Requires TWC to compile certain information regarding Choices participants and report to the Legislature on the percentage of participants placed in jobs paying at least 200% of federal poverty level.</p>
Termination of services		<p><i>SB280, September 1, 2003</i> Requires TWC to direct LWDBs to provide at least 30 days notice before terminating child care unless the termination is based on client's failure to meet requirements.</p>