

## **Executive Summary**

In 1995, the Texas Legislature passed its first major welfare reform legislation, House Bill (HB) 1863. One provision of HB1863 consolidated a number of workforce programs—including child care—under a new agency, the Texas Workforce Commission (TWC), and authorized the creation of 28 local workforce development boards (LWDBs). As these boards formed and were certified to administer programs, they assumed responsibility for the management of many workforce development programs in their geographical areas of the state. TWC began devolving (transferring from a more centralized to a less centralized authority) responsibility for the management of existing contracts with child care brokers to LWDBs in September 1997. Beginning in September 1999, the local boards assumed responsibility for defining specific local goals and setting selected policies for the provision of subsidized child care. All 28 boards began setting some child care policies by January 2000.

This interim report summarizes child care policy changes that occurred from September 1997 through August 2003, discusses local board staff perceptions of these changes and summarizes information gathered from multiple sources over the six-year study period. Particular attention is focused on those areas—child care availability, funding, and quality—imbedded in the goals that LWDBs agreed to pursue when they assumed responsibility for managing subsidized child care in their local areas. This second-year project report lays the groundwork for the continuing analysis of qualitative variables and the design and implementation of an econometric analysis to be completed during the third and final year of this research project.

The Texas Legislature and TWC both contribute to the formation of the performance criteria under which the local workforce boards must operate. Such performance requirements include the number of children served, the number of child care providers meeting specific quality criteria, and the number of providers receiving training through TWC programs. However, local boards are able to set a number of policies, including income eligibility guidelines for child care services, attendance standards, maximum reimbursement rates, and parent co-payment rates. Over the four years since they have assumed policy-making authority, boards have exhibited

considerable variation in such policy areas as the income eligibility ceilings for working parents, the co-payments required of parents, and the reimbursement rates for the most common types of care. Boards also differed considerably in their perception of how much flexibility they had regarding TWC directives and their ability to manage the child care program to respond to specific conditions in their local areas. The degree of flexibility they perceived appears related to the two other issues (i.e., funding and quality) described in detail in this report.

Boards that were able to generate more funds earlier in the process were likely to experience more flexibility in two ways. First of all, they were able to contribute the required matching funds from the beginning of the process and, in some cases, take on additional funds during the year that had been “de-obligated” from other boards. Secondly, they were able to sustain at least some investment in quality initiatives even as the state entered a period of funding shortages.

The funding available to boards, as well as the restrictions on expenditures, had considerable impacts on the policy decisions the boards made. However, boards responded to funding constraints in different ways. In the early years of this study, the substantial increases in child care funding meant that more funds were available to local boards. On the other hand, changes in welfare policy and in performance criteria put greater demands on this funding over time, primarily through increasing the number of children to be served. Although funding for child care has tripled in Texas since 1996, Texas has never had sufficient funding to meet all of its demand for subsidized child care. Boards continue to deal with the tension between the increasing funds and the even more quickly increasing number of children to be served. The increasing proportion of funding that requires matching funds, coupled with the increasing demand for local boards to provide that match, has accentuated funding pressures.

Over the study period, both the total dollars of funds re-allocated among boards and the number of boards losing funds due to an inability to come up with the matching funds have decreased as boards have become better at securing matching funds. However, boards continue to vary considerably in their experience with obtaining matches; large boards in economically active areas report considerably less trouble in obtaining matching funds than do boards in smaller, more impoverished and

economically limited areas. Boards serving impoverished rural areas felt that the formula for determining fund allotment put them at a disadvantage.

In addition to raising funds and serving the requisite number of children, LWDBs have been responsible for increasing the quality of care in their local areas, a responsibility that many boards assumed enthusiastically. However, Texas state policies governing the state's investment in quality child care initiatives have changed considerably over time. During the first two years of this project, TWC maintained primary responsibility for expenditures on quality initiatives. This was followed by the devolution of this responsibility to the local boards and two years in which local areas received funds that were specifically targeted for quality activities. During the last two years of this project the state removed the dedicated quality funds and increased the number of children local boards were expected to serve. Boards responded in different ways to this move away from local quality initiatives. Their responses depended largely on the additional funding they could raise to devote to quality initiatives, the internal staff expertise they could draw upon, and services and expertise available in their local communities.