

Testimony of Eric J. Karolak, Ph.D.  
Concerning SB 50, Early Childhood Education  
Before the Senate Committee on Education  
April 3, 2007

Madam Chair and members of the Committee, thank you for the opportunity to testify in support of Senate Bill 50. I especially want to thank Senator Zaffirini for her leadership on this measure, and Senator Shapiro for directing the committee's attention to school readiness and affording an opportunity speak on SB 50.

I am Executive Director of the Early Care and Education Consortium, an alliance of America's leading national, regional, and independent operators of quality early learning programs.

The Consortium's members operate more than 7,500 centers serving nearly 800,000 children every day in almost every state. That includes some 685 quality early learning programs in Texas, ranging from the 185 centers belonging to the Learning Care Group—the largest statewide early learning provider in Texas—to the two centers belonging to the Easter Seals Child Development Network.

We are the largest organization of child care operators in the state, directly employing more than 6,300 Texans, and supporting tens of thousand of working parents. We care for and educate more than 6,400 Texas children birth to 5-years-old each day.

We are big and small, for-profit and non-profit—and we are united by a common commitment to quality early care and education for Texas' youngest children.

The Consortium is interested in SB 50 for a number of reasons. We would like to be able to continue and expand our participation in the Texas Early Education Model integration projects using our recognized curricula and qualified classroom teaching staff, subject of course, to the review of the State Center for Early Childhood Development. We support efforts to promote collaboration and integration across different early childhood programs, and to further the professional development of the early childhood field. However, I want to focus your attention in particular to Section 6 of the bill, concerning enhanced reimbursement rates for subsidized child care.

Section 6 would provide enhanced child care subsidy rates to licensed providers who participate in TEEM integration projects, who obtain certification under the school readiness certification system, and/or who meet Texas Rising Star criteria.

important part of the early childhood education financing picture.<sup>1</sup> Together with private paying parents' tuition fees, Head Start grants, and other government resources in funding early childhood education, state child care subsidies complete public prekindergarten expenditures. Through the Texas Workforce Commission's child care services program, parents of more than 118,000 children each day are able to go to work or attend job training programs knowing their children are in safe and stimulating care.<sup>2</sup>

And these subsidies undergird the budgets of many centers that serve low income and working families in Texas, the very population targeted by the TEEM integration projects. Indeed, for many centers that operate TEEM classrooms, these rates are a critical part of the operating budget.

There are three reasons why enhancing reimbursement rates is critically necessary to the success of SB 50.

First, low child care subsidy rates hurt the child care businesses that are integral to the bill's integration projects, and ultimately harm the Texas economy.

Texas' child care subsidy rates—set by Local Workforce Development Boards according to Texas Workforce Commission (TWC) guidelines—are well below market rates for private-pay care. For example, 27 of the 28 Boards set their maximum rates for infant and toddler care *below the 50<sup>th</sup> percentile* of the market rates charged throughout Texas. None of the Boards reimburses at the federally-recommended 75<sup>th</sup> percentile of the market rate.

National reports have indicated that Texas is among a handful of states that have not revised rates in the last five years.<sup>3</sup> Only late last year was a freeze lifted by the Workforce Commission, but other policies remain in place that leave Boards struggling to meet the state benchmark of setting rates at the 65<sup>th</sup> percentile of local market rates.

In effect, Texas is asking us to operate at a loss by setting such below-market reimbursements. In 2006, Consortium members conservatively estimated that their losses stemming from low rates totaled more than \$13.1 million.

The child care services program is about supporting the business community and the economy with a strong workforce; however, low reimbursement rate policies are making it difficult for high quality early learning providers to do business in Texas, to keep Texans employed in our centers, or to enable parents to go to work.

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<sup>1</sup> Anne Mitchell, Harriet Dichter, and Louise Stoney, *Financing Child Care in the United States: An Expanded Catalog of Current Strategies: 2001 Edition* (Ewing Marion Kauffman Foundation, 2001).

<sup>2</sup> Texas Workforce Commission, *Annual Report 2006*, <http://www.twc.state.tx.us/news/ar06.pdf>.

<sup>3</sup> Karen Schulman and Helen Blank, *State Child Care Assistance Policies 2006: Gaps Remain, With New Challenges* (National Women's Law Center, September 2006).

business in Texas. When, for example, 20 percent of our client base arrives seeking below-market subsidies for the care and education Texas asks us to provide for them, we have to make up the difference or close our doors. Consequently, working parents and middle-class parents must pay *more* for the care their children receive.

And, as businesses, we must choose between reinvesting in quality programming—enhanced materials, enrichment activities, expanded training, improved facilities—or simply keeping our doors open.

In some cases, Consortium members have opted to greatly restrict enrollment of children receiving subsidized care, or not serve these children at all because Texas reimburses at such low levels. Similar reactions have been recorded by the Collaborative for Children and the Texas Association of Child Care Resource and Referral Agencies.

Finally, below-market subsidy rates reduce the impact of Texas' investment in early learning and K-12 education. Below-market subsidies retard the quality of programming children receive while their parents are at work. As a result, opportunities for learning and development in younger years are missed, and it is more difficult to deliver children to school ready for success.

The dollars invested in targeted interventions for four-year-olds such as the TEEM integration projects, or even in K-3 classrooms, are maximized by sound support for child care subsidies and the operational foundation they provide for many quality early learning programs.

Unfortunately, with weak subsidies, some parents must settle for lower quality care for their children often in informal settings not licensed or regulated, which can be less safe and lack the resources to promote school readiness. As a result, the school readiness challenge is increased rather than lessened.

For these reasons, enhanced reimbursement rates must be included if Senate Bill 50 is to be successful in preparing Texas children for success in school and beyond.

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<sup>4</sup> Texas Workforce Commission. *The Economic Impact of the Child Care Industry in Texas, 2003* creates more than 145,000 jobs annually and generates in excess of \$2.3 billion in wages each year. Child care makes it possible for more than 550,000 Texas parents to go to work each year.