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SENATE FILE 305
BY COMMITTEE ON HUMAN RESOURCES

(SUCCESSOR TO SF 192)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act requiring the department of human services to develop and
2 implement a voluntary child care quality rating system.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 305

1 Section 1. Section 237A.30, Code 2005, is amended by
2 striking the section and inserting in lieu thereof the
3 following:

4 237A.30 CHILD CARE QUALITY RATING SYSTEM.

5 1. The department shall work with the community
6 empowerment office of the department of management established
7 in section 28.3 and the state child care advisory council in
8 designing and implementing a quality rating system for each
9 provider type of child care facility.

10 2. The quality rating system shall be voluntary and
11 composed of multiple ratings based upon the rating criteria
12 adopted for the system. The initial system shall provide for
13 five levels; however, the department may periodically revise
14 the system to change the number of levels and make other
15 changes to improve the system. The department shall identify
16 the period for which a rating is awarded and the means by
17 which a rating may be withdrawn or modified.

18 3. The criteria utilized for the rating system may include
19 but are not limited to any of the following: facility type;
20 provider staff experience, education, training, and
21 credentials; facility director education and training; an
22 environmental rating score or other direct assessment
23 environmental methodology; national accreditation; facility
24 history of compliance with law and rules; child-to-staff
25 ratio; curriculum, including the extent to which the
26 curriculum focuses on the stages of child development and on
27 child outcomes; business practices; staff retention rates;
28 evaluation of staff members and program practices; staff
29 compensation and benefit practices; provider and staff
30 membership in professional early childhood organizations; and
31 parental involvement with the facility.

32 4. The department may directly administer or contract for
33 the administration of the quality rating system. A facility's
34 quality rating may be included on the internet page and in the
35 consumer information provided by the department pursuant to

1 section 237A.25 and shall be identified in the child care
2 provider referrals made by child care resource and referral
3 service grantees under section 237A.26.

4 5. For reimbursement paid under the state child care
5 assistance program established in section 237A.13, the
6 department may implement a reimbursement rate methodology
7 applicable to child care facilities participating in the
8 rating system in which the reimbursement rate varies based
9 upon the rating of a facility. A reimbursement rate
10 methodology applicable to child care facilities shall not
11 cause a child care facility to receive a lower reimbursement
12 rate than was paid under the prior methodology. In addition,
13 as part of the quality rating system, the department may pay
14 an achievement bonus to providers that are awarded a quality
15 rating.

16 Sec. 2. PHASED IMPLEMENTATION.

17 1. Effective July 1, 2005, the department of human
18 services shall no longer accept applications for the gold seal
19 quality designation for child care providers under section
20 237A.30, Code 2005. However, if a child care provider has
21 been awarded the designation prior to July 1, 2005, the
22 designation may continue to be utilized for that provider
23 until the designated period of nationally recognized
24 accreditation for which the gold seal designation was awarded
25 has ended.

26 2. The department of human services shall commence
27 implementation of the child care quality rating system under
28 section 237A.30, as amended by this Act, by awarding ratings
29 beginning on or after January 1, 2006. The department may
30 modify implementation of the rating system and the rating
31 system itself as necessary to conform to the funding made
32 available for the rating system for the fiscal year beginning
33 July 1, 2005.

34 EXPLANATION

35 This bill requires the department of human services to

1 develop and implement a voluntary child care quality rating
2 system.

3 Code section 237A.30, providing for recognition of high-
4 quality child care providers with a gold seal quality child
5 care provider designation, is stricken and replaced with a new
6 child care quality rating system for child care facilities.
7 Code chapter 237A defines the term "child care facility" to
8 mean a child care center, preschool, or registered child
9 development home. The new rating system is required to be
10 voluntary and to include multiple ratings. The initial system
11 is required to have five rating levels for each provider type
12 but the system may be revised by the department to improve it.
13 The department is required to develop the rating system by
14 working with the community empowerment office of the
15 department of management and the state child care advisory
16 council. The bill lists various criteria that the department
17 may use in developing the multiple ratings to be used in the
18 quality rating system.

19 The department is authorized to implement a reimbursement
20 rate methodology for the state child care assistance program
21 for the child care facilities participating in the rating
22 system in which the rate varies based upon a facility's
23 rating. However, the methodology shall not provide for a
24 facility to receive a lower rate than was paid under the prior
25 methodology.

26 The bill requires the department to stop accepting
27 applications for the gold seal quality child care provider
28 designation effective July 1, 2005. However, the designation
29 may continue to be used until the designated period of
30 nationally recognized accreditation has ended.

31 The department is required to commence implementation of
32 the quality rating system by awarding ratings beginning on or
33 after January 1, 2006. The department is authorized to modify
34 the implementation of the rating system and the rating system
35 itself as necessary to conform to the funding available for

1 the rating system for fiscal year 2005-2006.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 305 - Quality Child Care Assistance (LSB 1325 SV)
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Fiscal Note Version - New

Description

Senate File 305 requires the Department of Human Services (DHS) to establish a voluntary Quality Rating System (QRS) for child care using a five level system, with implementation to begin on or after January 1, 2006. The Bill allows the DHS to modify implementation of the QRS based on the level of funding made available for FY 2006. In addition, the Bill allows the DHS to implement a reimbursement methodology that will vary based on the achieved ratings of participating providers; however, a provider cannot receive a lower reimbursement rate than was paid under the previous methodology. As of July 1, 2005, the Bill requires the DHS to no longer accept applications for the "Gold Seal" quality child care provider designation.

Background

In 1999, the General Assembly established a two-tier quality rating system for child care centers and homes. The first tier consisted of the registration of child development homes and the licensing of child care centers. The second tier consisted of the "Gold Seal" Program that recognized providers who achieved national accreditation and maintained compliance with regulation through the provision of monetary awards. According to the DHS, less than 1.0% of the 6,000 registered child development homes and less than 11.0% of the 1,500 licensed child care centers were "Gold Seal" recipients as of December 2004 due to the high expense required to attain accreditation and a lack of incentive or low reward for doing so.

In 2003, the General Assembly requested that the State Child Care Advisory Council convene a work group to study quality ratings from other states and make recommendations for Iowa. The work group recommended a voluntary QRS that would raise the quality of child care, increase the number of children in high-quality child care settings, and educate parents regarding quality in child care. After considering these recommendations, the 2004 General Assembly directed the DHS, in partnership with other agencies and organizations, to submit a plan by December 2004 for the implementation of a voluntary QRS in SF 2298 (FY 2005 Omnibus Appropriations Act).

Assumptions

1. Cost projections are based on the components for a QRS set forth in the required plan submitted in December 2004; however, the DHS will design the QRS within the parameters of available funds.
2. Costs associated with the development of the design of the QRS will begin on July 1, 2005, and costs associated with implementation will begin on January 1, 2006.
3. It is unknown how many of the 7,500 regulated child care providers will participate in the voluntary QRS.
4. It is estimated that there will be an increase in administrative and support costs to contract for Project Managers that will develop, review, and process rating certificates and associated data.
5. It is estimated that there will be increased costs associated with marketing the QRS, creating public awareness, and developing a communications plan that will provide information to parents, providers, and the public, which will include web-based information.
6. It is estimated that there will be increased costs associated with providing support to providers through five Child Care Center Specialists. These Specialists will be employed in

Child Care Resource and Referral or other community-based agencies to provide technical assistance and follow-up for providers who complete training, environmental ratings, or self-assessments.

7. It is estimated that there will be increased costs to support the development and completion of an Environmental Rating Scale and to observe and score providers.
8. It is estimated that there will be an increased costs for train-the-trainer and provider training on the use of Environmental Rating Scales for self-assessment.
9. It is estimated there will be increased costs to provide bonuses for providers who achieve a level two or above. This assumes that 45 providers (the equivalent of those that currently have the "Gold Seal" designation) would receive a bonus of approximately \$2,200 each in the first year.

Fiscal Impact

The estimated fiscal impact of SF 305 is a State General Fund increase of \$900,000 in FY 2006 and \$1.4 million in FY 2007. The table below provides a breakdown for the utilization of the estimated increase in expenditures:

<u>Anticipated Cost Increases</u>	<u>FY 2006</u>	<u>FY 2007</u>
Project Management & Support	\$ 150,000	\$ 300,000
Marketing & Public Awareness	50,000	100,000
Child Care Center Specialists	250,000	250,000
Environ. Rating Scale Development & Observ.	150,000	300,000
Train-the-Trainer & Provider Training	200,000	200,000
Provider Bonuses	100,000	200,000
Total	<u>\$ 900,000</u>	<u>\$ 1,350,000</u>

Source

Department of Human Services

/s/ Holly M. Lyons

March 15, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
