

SUBJECT: Requiring promotion of dependent care benefits for employees

COMMITTEE: Human Services — favorable, without amendment

VOTE: 5 ayes — Uresti, Naishtat, McCall, Olivo, Reyna

0 nays

4 absent — Wohlgemuth, Christian, Miller, Villarreal

WITNESSES: For — Jason Sabo, Center for Public Policy Priorities

Against — None

On — Donna Garrett, Texas Workforce Commission

BACKGROUND: The Legislature created the Child Care Resource Clearinghouse in 1987 to explore options for providing child care for private and public employees. This program, now called the Texas Work and Family Clearinghouse, is within the Texas Workforce Commission (TWC). Labor Code, sec. 81.004 requires the clearinghouse to provide public and private employers, state agencies, policymakers, and individual workers with technical assistance and information on dependent care and other assistance on job-related family issues; to conduct research on these issues; and to report annually to the governor, lieutenant governor, and House speaker.

Funding for the clearinghouse comes, in part, from a \$2 surcharge on certified copies of birth certificates issued by the state Bureau of Vital Statistics. This revenue is deposited to the credit of the work and family policies fund.

DIGEST: HB 1020 would require the clearinghouse to encourage employers to provide dependent care benefits by:

- promoting the benefits to employers that provide dependent care benefits, including decreased absenteeism and turnover rates, greater productivity, and federal and state tax incentives;

- advertising the availability of federal and state tax incentives for employee dependent care benefits;
- providing technical assistance to employers who establish employee dependent care benefit programs, including assistance in obtaining federal and state tax incentives; and
- providing technical assistance and managerial support to dependent care providers, including mentoring, establishing cooperatives to pool resources for employee benefits, and assisting with human resources and payroll functions.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

HB 1020 would contribute to Texas' economic health by requiring the Texas Work and Family Clearinghouse to promote dependent care benefits for employees. These benefits can cover an array of options, including child care, elder care, job sharing, flextime, parental leave, and telecommuting. Employers that provide dependent care benefits tend to have a more productive workforce than those who do not offer such benefits. Companies that offer these benefits experience lower levels of turnover and absenteeism compared to employers that do not offer similar benefits. Dependent care benefits also create tax advantages for employers and employees.

This bill would require the clearinghouse to promote, advertise, and provide technical assistance on federal and state tax incentives. Employers and employees benefit from pretax payroll deductions, also called Section 125 accounts. An employee can contribute a predetermined level of income into one of these accounts, up to \$5,000 per year, without paying federal withholding taxes on the amount. The employee then can buy the benefits through flexible spending, "cafeteria style." Working families may use the resulting tax savings to help pay for dependent care expenses. In addition, employers who offer pretax payroll deduction accounts do not pay payroll taxes on amounts used for dependent care. Other tax incentives for small businesses include the federal earned-income tax credit and employer-designed dependent care spending account, both of which save employees money on dependent care costs with little direct cost to the employer.

Millions of low-income and middle-class working families in Texas struggle to pay for good child care and elder care. Child-care costs can exceed the cost of sending a child to a public university. With changes in life expectancy, more and more families find themselves caring for senior family members. Expanding more employees' benefits to include dependent care could reduce significantly their dependence on similar publicly-funded services.

The clearinghouse could perform the bill's requirements with no additional employees or funding by using existing avenues of communication, such as through the TWC website and the commissioner's newsletter.

**OPPONENTS
SAY:**

HB 1020 would place additional responsibilities on the clearinghouse when TWC has eliminated its funding for the rest of fiscal 2003 to meet budget constraints and has requested no funding for the program in the upcoming biennium. Also, in the current fiscal environment, the state should not use its limited resources to give tax advice.