Discussion, Consideration and Possible Action Regarding Local Workforce Development Area Performance Expectations for Board Contract Year 2020

# Introduction

Today, staff present BCY20 performance expectation recommendations; that is target and target methodology recommendations for eight measures:

* 4 WIOA-based Measures:
	+ Employed/Enrolled Q2 Post-Exit – All Participants
	+ Employed/Enrolled Q2-4 Post-Exit – All Participants
	+ Credential Rate – All Participants
	+ Median Earnings Q2 Post-Exit – All Participants
* Choices Full Work Rate
* # of Employers Receiving Workforce Assistance
* Claimant Reemployment within 10 Weeks
* Average Kids Served Per Day

# BCY20 Targets for WIOA-Based All Participant Measures

The first three WIOA-based measures are now included in TWC’s official measures in the General Appropriations Act (GAA) and we recommend that targets be set at the levels prescribed in the GAA for each Board. The 4th measure, Median Earnings Q2 Post-Exit does not have a statewide target and so we recommend using the methodology from the last two years in which we developed targets based on the average level of performance over the last several years, slightly weighted towards more recent performance. The table on Page 3 shows the data used to set these targets.

Note that the program-specific WIOA measures were set last fall thru the WIOA-required negotiation process and require no further action at this time.

# BCY20 Targets for Choices Full-Work Rate

This is the Commission’s 8th year using this measure with the expectation that targets would escalate over time, until all Boards would eventually have targets of 50%. At this point, all Boards have demonstrated the ability to meet the 50% target and thus staff recommend all Boards be set at 50% for BCY20. The table on Page 4 of this material shows each Board’s recent rolling 12-month performance data, as well as both BCY18 and proposed BCY19 targets.

# BCY20 Target Methodology for # of Employers Receiving Workforce Assistance

For the last several years, we’ve set targets for this measure by setting two subtargets:

1. Number of employers in each area that we expect TWC to serve (primarily through the Work Opportunity Tax Credit and Skills Development programs); and
2. Number of employers we expect to be served locally (either by local staff or self-service by the employers).

What this means, however, is that if TWC’s contribution is less than expected, it could set a Board up to fail to meet their target. Conversely, if TWC’s contribution is greater than expected, a Board could have failed to meet their local target and yet be shown as passing. Therefore, beginning last year, staff recommended and the Commission approved a modification to the methodology to allow staff to adjust the targets by updating the subtarget for “TWC Only” served employers from what was expected to what happened. This ensures that final accountability will only based on the “Local Target” and local performance.

In terms of setting the Local Target, staff recommend that the BCY19 Local Targets go up or down by the percent change in the number of employer establishments in each Board area and accounting for changes as we did last year. Statewide, there was a 2.4% increase in employer establishments identified by LMCI using the last 2 years of data. Page 5 shows the material used to set these targets and the final targets themselves.

# BCY20 Target Methodology for Claimant Reemployment within 10 Weeks

For the past few years, TWC has used a “blended target” approach to set performance targets on this measure. The blend was based on setting subtargets for each of five unique types of claims that we found generally have different levels of performance:

1. UCX claims
2. Federal Employment Claims
3. Oil/Gas Texas Regular Claims
4. Non-Oil/Gas Texas Regular Claims
5. Texas Regular Claims where Industry was Unknown (not in any of the other 4 categories)

What we found in developing that methodology was that UCX, Oil/Gas, and Unknown Industry claims tended to run lower than the overall level, while Federal claims tended to run above the overall average and the Non-Oil/Gas claims trended most closely to the overall performance (which is not surprising considering they make up the overwhelming majority of claims). In addition, we found a lot of variance from Board to Board:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Breakouts/Analysis** | **UCX** | **Fed** | **Oil-Gas** | **Non-Oil-Gas** | **Unknown** | **Overall** |
| **Performance** | 54.64% | 61.48% | 65.42% | 58.84% | 53.30% | 59.14% |
| **% of Overall Performance** | 92.39% | 103.96% | 110.62% | 99.49% | 90.13% | 100.00% |
| **% of State Denominator** | 1.08% | 1.05% | 5.65% | 89.32% | 2.90% | 100.00% |
| **Low % of Board Denominator** | 0.35% | 0.26% | 0.54% | 68.88% | 1.51% | NA |
| **High % of Board Denominator** | 13.20% | 3.41% | 27.20% | 95.38% | 7.54% | NA |
| **Std Dev of % of Board Denominator** | 2.43% | 0.76% | 5.70% | 5.97% | 1.53% | NA |

As was the case last year, we applied a target methodology that takes a base target (60% for BCY20) and then sets subtargets based on the “% of Overall Performance” data listed above and applied to each Board based on their individual casemix:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Breakouts/Analysis1** | **UCX** | **Fed** | **Oil-Gas** | **Non-Oil-Gas** | **Unknown** | **Overall** |
| **Performance** | 54.64% | 61.48% | 65.42% | 58.84% | 53.30% | 59.14% |
| **% of Overall Performance** | 92.39% | 103.96% | 110.62% | 99.49% | 90.13% | 100.00% |
| **Subtarget** | 55.44% | 62.37% | 66.37% | 59.69% | 54.08% | 60.00% |

However, as was the case last year, we found that there were Boards whose overall performance was largely in line with these expectations, but who might be lagging in one of the various subtargets. So, the methodology applies a graduated approach, setting each Board’s subtarget the lesser of:

1. Half the distance between their current performance in that category and the state subtarget; or
2. The state subtarget.

We also set the maximum Blended Target at 60%.

Detailed data used in the application of these target concepts is presented on Page 6 of this material.

# BCY20 Target Methodology for Average Kids Served Per Day

Child Care targets are generally set using the same basic process:

1. Allocate Funds for Child Care (CC);
2. Reserve 2% of the money for Quality activities as required by Texas Education Code 2308.317(c);
3. Set aside a portion of the remainder for administrative and operational expenses (Admin/Ops);
4. Project the number of “Mandatory Kids per Day” (Mandatory care is more expensive because the children tend to be younger and families do not have to pay the Parent Share of Cost (PSOC);
5. Determine the casemix for each Board for their Mandatory and Discretionary Caseloads, including the cost per day to provide that care;
6. Project the Average Cost Per Day for Mandatory Care using each Board’s unique casemix, Maximum Reimbursement Rates (Max Rates), and providers’ published rates;
7. Determine the Cost of Paying for Mandatory Care;
8. Subtract the Mandatory Care Cost from 98% of the Allocation (accounting for Admin/Ops) to determine the amount available to pay for Discretionary Care;
9. Project the Average PSOC and Direct Care Cost Per Day using each Board’s unique casemix, Max Rates, and providers’ published rates;
10. Divide the amount available for Discretionary Care by the projected Average Direct Care Cost Per Day per Unit of Care to get the affordable number of units of Discretionary Care and then divide by the number of child care days in the year (a simple count of weekdays in the year – 262 for BCY20); and
11. Add Projected Mandatory Kids per Day to the Affordable Discretionary Kids per Day to get the Target.

While individual steps in the process evolve from year to year as we improve analytic work and account for new concepts not previously considered (or improve that which was previously considered), the basic process remains the same and is discussed in greater detail on pages 8 - 12.

# Commission Request

Staff request the Commission approve the target methodologies outlined above and detailed on the following pages and authorize staff to apply these methodologies to set BCY20 targets and subtargets for the following measures:

* Employed/Enrolled Q2 Post-Exit – All Participants
* Employed/Enrolled Q2-4 Post-Exit – All Participants
* Credential Rate – All Participants
* Median Earnings Q2 Post-Exit – All Participants
* Choices Full Work Rate
* # of Employers Receiving Workforce Assistance
* Claimant Reemployment within 10 Weeks
* Average Kids Served Per Day

Integrated WIOA-Based Measure Targets

**Employed/Enrolled Q2 Target** = 69%

**Employed/Enrolled Q2-Q4 Target** = 84%

**Credential Rate** = 60%

**Median Earnings** as listed in the following table showing performance from BCY17 thru the first quarter of BCY20:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Board** | **BCY17** | **BCY18** | **BCY19** | **BCY20- 1st Quarter Preview** | **BCY20 Targets** |
| **1 Panhandle** | $4,941 | $5,663 | $5,968 | $5,692 | $5,524 |
| **2 South Plains** | $4,828 | $4,461 | $4,752 | $4,806 | $4,680 |
| **3 North Texas** | $4,901 | $4,943 | $5,210 | $4,824 | $5,018 |
| **4 North Central** | $5,025 | $6,340 | $6,583 | $6,443 | $5,983 |
| **5 Tarrant County** | $5,096 | $5,415 | $5,847 | $5,792 | $5,452 |
| **6 Dallas** | $5,420 | $5,360 | $5,496 | $5,307 | $5,425 |
| **7 North East Texas** | $4,619 | $4,239 | $4,446 | $4,402 | $4,435 |
| **8 East Texas** | $4,407 | $5,059 | $5,129 | $4,979 | $4,865 |
| **9 West Central Texas** | $4,876 | $4,606 | $4,893 | $4,734 | $4,791 |
| **10 Borderplex** | $3,882 | $4,245 | $4,393 | $4,336 | $4,174 |
| **11 Permian Basin** | $7,207 | $7,552 | $7,857 | $7,557 | $7,539 |
| **12 Concho Valley** | $5,707 | $4,899 | $5,574 | $4,986 | $5,394 |
| **13 Heart of Texas** | $4,262 | $4,214 | $4,467 | $4,268 | $4,314 |
| **14 Capital Area** | $6,619 | $7,073 | $7,499 | $7,113 | $7,064 |
| **15 Rural Capital** | $6,016 | $7,284 | $7,638 | $7,350 | $6,979 |
| **16 Brazos Valley** | $4,242 | $4,646 | $4,824 | $4,512 | $4,571 |
| **17 Deep East Texas** | $3,961 | $4,444 | $4,836 | $4,602 | $4,414 |
| **18 Southeast Texas** | $5,215 | $4,921 | $5,225 | $4,982 | $5,120 |
| **19 Golden Crescent** | $5,964 | $6,050 | $7,144 | $7,576 | $6,386 |
| **20 Alamo Area** | $5,295 | $5,527 | $5,860 | $6,079 | $5,561 |
| **21 South Texas** | $4,805 | $4,038 | $4,785 | $4,201 | $4,543 |
| **22 Coastal Bend** | $5,117 | $5,516 | $5,667 | $5,685 | $5,433 |
| **23 Lower Rio Grande** | $4,659 | $4,948 | $5,449 | $5,411 | $5,019 |
| **24 Cameron County** | $4,734 | $4,404 | $5,042 | $5,580 | $4,727 |
| **25 Texoma** | $5,642 | $5,685 | $6,015 | $6,236 | $5,781 |
| **26 Central Texas** | $4,842 | $5,116 | $5,053 | $5,308 | $5,003 |
| **27 Middle Rio Grande** | $5,113 | $4,543 | $4,654 | $4,495 | $4,770 |
| **28 Gulf Coast** | $4,557 | $4,744 | $4,991 | $4,908 | $4,764 |
| **Statewide** | $4,955 | $5,138 | $5,452 | $5,351 | NA |

Choices Full-Work Rate

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Board** | **PerformanceR12-June16** | **PerformanceR12-June17** | **PerformanceR12-June18** | **PerformanceR12-June19** | **BCY17 Target** | **BCY18 Target** | **BCY19****Target** | **BCY20****Target** |
| **1 Panhandle** | 56.64% | 59.08% | 61.43% | 66.68% | 50.0% | 50.0% | 50.0% | 50.0% |
| **2 South Plains** | 44.82% | 51.41% | 47.28% | 57.89% | 49.4% | 50.0% | 50.0% | 50.0% |
| **3 North Texas** | 63.44% | 56.16% | 58.54% | 48.41% | 50.0% | 50.0% | 50.0% | 50.0% |
| **4 North Central** | 54.29% | 59.85% | 55.72% | 57.39% | 50.0% | 50.0% | 50.0% | 50.0% |
| **5 Tarrant County** | 56.46% | 55.42% | 51.63% | 50.50% | 50.0% | 50.0% | 50.0% | 50.0% |
| **6 Dallas** | 43.80% | 48.13% | 47.35% | 48.52% | 48.1% | 50.0% | 50.0% | 50.0% |
| **7 North East Texas** | 53.33% | 55.60% | 55.23% | 51.57% | 50.0% | 50.0% | 50.0% | 50.0% |
| **8 East Texas** | 58.14% | 53.61% | 46.04% | 52.39% | 50.0% | 50.0% | 50.0% | 50.0% |
| **9 West Central Texas** | 34.12% | 39.83% | 46.89% | 47.65% | 40.0% | 43.8% | 50.0% | 50.0% |
| **10 Borderplex** | 46.91% | 52.82% | 56.81% | 57.13% | 50.0% | 50.0% | 50.0% | 50.0% |
| **11 Permian Basin** | 58.26% | 51.80% | 52.90% | 50.57% | 50.0% | 50.0% | 50.0% | 50.0% |
| **12 Concho Valley** | 63.54% | 57.32% | 57.74% | 52.23% | 50.0% | 50.0% | 50.0% | 50.0% |
| **13 Heart of Texas** | 40.21% | 36.64% | 43.47% | 47.16% | 44.3% | 44.3% | 47.8% | 50.0% |
| **14 Capital Area** | 57.50% | 54.36% | 57.35% | 48.10% | 50.0% | 50.0% | 50.0% | 50.0% |
| **15 Rural Capital** | 54.62% | 58.58% | 56.47% | 52.07% | 50.0% | 50.0% | 50.0% | 50.0% |
| **16 Brazos Valley** | 37.28% | 47.54% | 48.64% | 42.26% | 41.6% | 50.0% | 50.0% | 50.0% |
| **17 Deep East Texas** | 56.32% | 52.38% | 40.57% | 50.99% | 50.0% | 46.2% | 50.0% | 50.0% |
| **18 Southeast Texas** | 51.72% | 50.04% | 44.81% | 52.50% | 50.0% | 46.5% | 50.0% | 50.0% |
| **19 Golden Crescent** | 71.39% | 63.83% | 67.68% | 64.60% | 50.0% | 50.0% | 50.0% | 50.0% |
| **20 Alamo Area** | 60.82% | 63.13% | 62.31% | 65.15% | 50.0% | 50.0% | 50.0% | 50.0% |
| **21 South Texas** | 51.76% | 55.41% | 52.70% | 57.53% | 50.0% | 50.0% | 50.0% | 50.0% |
| **22 Coastal Bend** | 56.33% | 51.46% | 53.80% | 60.84% | 50.0% | 50.0% | 50.0% | 50.0% |
| **23 Lower Rio Grande** | 67.27% | 62.91% | 64.78% | 58.13% | 50.0% | 50.0% | 50.0% | 50.0% |
| **24 Cameron County** | 47.35% | 51.59% | 48.22% | 49.66% | 50.0% | 50.0% | 50.0% | 50.0% |
| **25 Texoma** | 53.47% | 67.66% | 66.71% | 58.04% | 50.0% | 50.0% | 50.0% | 50.0% |
| **26 Central Texas** | 60.75% | 56.33% | 60.95% | 60.40% | 50.0% | 50.0% | 50.0% | 50.0% |
| **27 Middle Rio Grande** | 50.22% | 54.06% | 54.12% | 52.69% | 50.0% | 50.0% | 50.0% | 50.0% |
| **28 Gulf Coast** | 47.07% | 49.85% | 43.35% | 50.42% | 50.0% | 46.2% | 50.0% | 50.0% |
| **29 System** | 51.40% | 52.98% | 51.48% | 53.35% | 50.0% | 50.0% | 50.0% | 50.0% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Targets** | **BCY17** | **BCY18** | **BCY19** | **BCY20** |
| Min (40%) | 1 | 0 | 0 | 0 |
| Max (50%) | 23 | 23 | 27 | 28 |

Initial BCY20 Targets for # of Employers Receiving Workforce Assistance produced with the Target Methodology

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Board** | **# Served by TWC Only: July-June** | **# of Employers BCY19** | **# of Employers BCY20** | **% Change in Employers** | **BCY20 Local Target** | **BCY20 TWC Target** | **BCY20 Initial Total Target** | **Change in Local/Total Target** |
| **1 Panhandle** | 486 | 12,207 | 12,189 | -0.15% | 1,762 | 486 | 2,248 | -3 |
| **2 South Plains** | 557 | 11,622 | 11,685 | 0.54% | 1,709 | 557 | 2,266 | 9 |
| **3 North Texas** | 346 | 5,746 | 5,784 | 0.66% | 975 | 346 | 1,321 | 6 |
| **4 North Central** | 1,804 | 60,918 | 63,567 | 4.35% | 7,750 | 1,804 | 9,554 | 323 |
| **5 Tarrant County** | 1,654 | 43,593 | 44,692 | 2.52% | 5,634 | 1,654 | 7,288 | 139 |
| **6 Dallas** | 1,896 | 76,445 | 77,437 | 1.30% | 9,855 | 1,896 | 11,751 | 126 |
| **7 North East Texas** | 446 | 6,535 | 6,698 | 2.49% | 1,428 | 446 | 1,874 | 35 |
| **8 East Texas** | 877 | 20,227 | 20,419 | 0.95% | 2,838 | 877 | 3,715 | 27 |
| **9 West Central Texas** | 563 | 8,708 | 8,744 | 0.41% | 1,611 | 563 | 2,174 | 7 |
| **10 Borderplex** | 839 | 15,963 | 16,207 | 1.53% | 3,491 | 839 | 4,330 | 53 |
| **11 Permian Basin** | 618 | 14,065 | 14,845 | 5.55% | 1,834 | 618 | 2,452 | 96 |
| **12 Concho Valley** | 315 | 4,592 | 4,594 | 0.04% | 1,071 | 315 | 1,386 | 0 |
| **13 Heart of Texas** | 525 | 7,437 | 7,597 | 2.15% | 1,123 | 525 | 1,648 | 24 |
| **14 Capital Area** | 1,014 | 40,880 | 42,376 | 3.66% | 4,427 | 1,014 | 5,441 | 156 |
| **15 Rural Capital** | 1,025 | 20,965 | 21,754 | 3.76% | 2,818 | 1,025 | 3,843 | 102 |
| **16 Brazos Valley** | 431 | 7,484 | 7,619 | 1.80% | 1,058 | 431 | 1,489 | 19 |
| **17 Deep East Texas** | 495 | 7,338 | 7,487 | 2.03% | 1,586 | 495 | 2,081 | 32 |
| **18 Southeast Texas** | 563 | 8,080 | 8,161 | 1.00% | 1,596 | 563 | 2,159 | 16 |
| **19 Golden Crescent** | 320 | 5,313 | 5,338 | 0.47% | 1,308 | 320 | 1,628 | 6 |
| **20 Alamo Area** | 2,037 | 55,013 | 56,483 | 2.67% | 7,646 | 2,037 | 9,683 | 199 |
| **21 South Texas** | 309 | 5,747 | 5,822 | 1.31% | 1,690 | 309 | 1,999 | 22 |
| **22 Coastal Bend** | 698 | 12,984 | 12,957 | -0.21% | 2,436 | 698 | 3,134 | -5 |
| **23 Lower Rio Grande** | 734 | 13,271 | 13,399 | 0.96% | 3,688 | 734 | 4,422 | 35 |
| **24 Cameron County** | 516 | 6,478 | 6,529 | 0.79% | 1,411 | 516 | 1,927 | 11 |
| **25 Texoma** | 372 | 4,606 | 4,664 | 1.26% | 1,109 | 372 | 1,481 | 14 |
| **26 Central Texas** | 819 | 8,185 | 8,306 | 1.48% | 1,461 | 819 | 2,280 | 21 |
| **27 Middle Rio Grande** | 366 | 3,434 | 3,430 | -0.12% | 1,165 | 366 | 1,531 | -1 |
| **28 Gulf Coast** | 2,532 | 158,441 | 161,725 | 2.07% | 25,382 | 2,532 | 27,914 | 515 |
| **29 System** | **8,073** | **676,103** | **692,321** | **2.40%** | **84,216** | **8,073** | **92,289** | **3,098** |

Claimant Reemployment within 10 Weeks

May 2018 to April 2019 Performance (Perf) for Each Claim Type & New Subtargets (SubTgt)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Board** | UCX Perf | Fed Perf | Oil-Gas Perf | Non-Oil-Gas Perf | Unknown Industry Perf | Total Perf | UCX SubTgt | Fed SubTgt | Oil-Gas SubTgt | Non-Oil-Gas SubTgt | Unknown Industry SubTgt | Blended Target |
| **1 Panhandle** | 100.00% | 75.00% | 83.33% | 67.13% | 60.00% | 68.44% | 55.44% | 62.37% | 66.37% | 59.69% | 54.08% | 60.00% |
| **2 South Plains** | NA | 66.67% | 70.37% | 60.40% | 50.00% | 60.99% | 55.44% | 62.37% | 66.37% | 59.69% | 52.04% | 60.00% |
| **3 North Texas** | 50.00% | 100.00% | 61.54% | 58.70% | 75.00% | 59.75% | 52.72% | 62.37% | 63.95% | 59.19% | 54.08% | 59.41% |
| **4 North Central** | 68.75% | 44.00% | 65.38% | 56.12% | 68.97% | 56.47% | 55.44% | 53.19% | 65.88% | 57.90% | 54.08% | 57.91% |
| **5 Tarrant County** | 57.14% | 51.16% | 72.50% | 59.63% | 66.67% | 59.82% | 55.44% | 56.77% | 66.37% | 59.66% | 54.08% | 59.57% |
| **6 Dallas** | 50.00% | 52.81% | 72.41% | 56.68% | 58.67% | 56.72% | 52.72% | 57.59% | 66.37% | 58.18% | 54.08% | 58.12% |
| **7 North East Texas** | 0.00% | 0.00% | 60.00% | 65.01% | 54.55% | 63.97% | 27.72% | 31.19% | 63.19% | 59.69% | 54.08% | 59.34% |
| **8 East Texas** | 66.67% | 66.67% | 73.13% | 61.55% | 62.50% | 62.54% | 55.44% | 62.37% | 66.37% | 59.69% | 54.08% | 60.00% |
| **9 West Central Texas** | NA | 100.00% | 75.68% | 60.73% | 100.00% | 63.64% | 55.44% | 62.37% | 66.37% | 59.69% | 54.08% | 60.00% |
| **10 Borderplex** | 57.14% | 72.73% | 70.73% | 57.00% | 47.06% | 57.39% | 55.44% | 62.37% | 66.37% | 58.34% | 50.57% | 58.33% |
| **11 Permian Basin** | NA | 100.00% | 68.50% | 66.24% | 0.00% | 66.39% | 55.44% | 62.37% | 66.37% | 59.69% | 27.04% | 60.00% |
| **12 Concho Valley** | 0.00% | NA | 61.11% | 63.83% | 75.00% | 63.25% | 27.72% | 62.37% | 63.74% | 59.69% | 54.08% | 59.85% |
| **13 Heart of Texas** | 100.00% | 62.50% | 60.00% | 60.40% | 66.67% | 60.62% | 55.44% | 62.37% | 63.19% | 59.69% | 54.08% | 59.80% |
| **14 Capital Area** | 33.33% | 93.33% | 62.50% | 61.99% | 60.00% | 62.61% | 44.39% | 62.37% | 64.44% | 59.69% | 54.08% | 59.62% |
| **15 Rural Capital** | 50.00% | 78.57% | 60.00% | 60.86% | 56.52% | 60.91% | 52.72% | 62.37% | 63.19% | 59.69% | 54.08% | 59.61% |
| **16 Brazos Valley** | 66.67% | NA | 86.67% | 71.83% | 100.00% | 72.84% | 55.44% | 62.37% | 66.37% | 59.69% | 54.08% | 60.00% |
| **17 Deep East Texas** | 50.00% | 100.00% | 70.67% | 62.89% | 42.11% | 63.33% | 52.72% | 62.37% | 66.37% | 59.69% | 48.09% | 60.00% |
| **18 Southeast Texas** | 0.00% | 50.00% | 66.42% | 62.65% | 61.29% | 63.01% | 27.72% | 56.19% | 66.37% | 59.69% | 54.08% | 60.00% |
| **19 Golden Crescent** | 50.00% | 100.00% | 55.00% | 59.62% | 33.33% | 58.79% | 52.72% | 62.37% | 60.69% | 59.65% | 43.71% | 59.44% |
| **20 Alamo Area** | 63.04% | 87.50% | 59.04% | 60.96% | 58.70% | 61.07% | 55.44% | 62.37% | 62.70% | 59.69% | 54.08% | 59.62% |
| **21 South Texas** | NA | 50.00% | 64.18% | 56.56% | 53.85% | 57.98% | 55.44% | 56.19% | 65.27% | 58.12% | 53.96% | 59.41% |
| **22 Coastal Bend** | 25.00% | 66.67% | 58.06% | 68.14% | 46.94% | 65.91% | 40.22% | 62.37% | 62.22% | 59.69% | 50.51% | 59.41% |
| **23 Lower Rio Grande** | 71.43% | 50.00% | 71.66% | 60.22% | 42.86% | 60.52% | 55.44% | 56.19% | 66.37% | 59.69% | 48.47% | 59.73% |
| **24 Cameron County** | 60.00% | 0.00% | 73.53% | 61.97% | 41.51% | 60.93% | 55.44% | 31.19% | 66.37% | 59.69% | 47.79% | 59.07% |
| **25 Texoma** | 100.00% | 50.00% | 77.78% | 69.13% | 66.67% | 69.51% | 55.44% | 56.19% | 66.37% | 59.69% | 54.08% | 59.89% |
| **26 Central Texas** | 43.75% | 60.00% | 100.00% | 62.70% | 50.00% | 60.71% | 49.60% | 61.19% | 66.37% | 59.69% | 52.04% | 58.51% |
| **27 Middle Rio Grande** | NA | 0.00% | 61.29% | 56.94% | 55.56% | 57.58% | 55.44% | 31.19% | 63.83% | 58.32% | 54.08% | 59.12% |
| **28 Gulf Coast** | 57.50% | 63.64% | 61.51% | 55.65% | 52.82% | 56.23% | 55.44% | 62.37% | 63.94% | 57.67% | 53.45% | 58.22% |
| **29 System** | 54.64% | 61.48% | 65.42% | 58.84% | 53.30% | 59.14% | 55.44% | 62.37% | 66.37% | 59.69% | 54.08% | 60.00% |

**Child Care Target Methodology Details**

# Introduction

Child Care Target Setting is essentially a Zero-Sum algebra problem. There is a fixed amount of money available to the program to spend on direct care, admin/ops, and quality. More of one requires less of one or both of the others. Target setting involves taking allocations and “distributing” it to these three cost areas.

1. Commission approves Board CCF and CCM Allocations developed by TWC Finance using a variety of factors
2. 2% of Board Allocations are reserved for Quality Activities as required by Texas Education Code 2308.317(c).
3. Presumed Semi-Fixed Admin/Ops Costs are subtracted from 98% of Board Allocations to determine the amount presumed available to pay for Direct Care and Variable Admin/Ops Costs associated with care.
4. Variable Admin/Ops Costs are developed.
5. Board casemixes are estimated based on recent trends and projections.
	1. Casemixes are estimated for each type of care:
		1. Mandatory Care (which also includes the number to be served per day)
			1. Choices
			2. Ex-General Protection/Former DFPS General Projection
			3. Other Mandatory Care
		2. Discretionary Care
	2. Each Board casemix requires estimating 165 combinations of
		1. Provider Type (Licensed CC Center, Licensed CC Home, Registered CC Home, and Relative Care);
		2. Certification Type (Regular, TRS, or Texas School Ready);
		3. Age of Child (infant, toddler, preschool, school age); and
		4. Duration (full-time, part-time, blended).
6. Average Direct Care Costs per Unit are estimated based on the Maximum Reimbursement Rates, providers’ published rates, and recent PSOC trends so that we end up with a projected:
	1. Average Direct Care Cost for Mandatory Care; and
	2. Average Direct Care Cost for Discretionary Care.
7. Total Amount Needed for Mandatory Care is estimated based on both the Projected Mandatory Cost per Day at the Max Rate (from step 6a) and the presumed variable Admin/Ops costs per day (from step 4) and the number of CC days in the year (262 in BCY20).
8. Total Amount Available for Discretionary Care is determined by subtracting Total Amount Needed for Mandatory Care (from step 7) from the Amount Available for Direct Care and Variable Admin/Ops (from step 3).
9. Affordable Number of Discretionary Kids per Day is calculated by dividing the Total Amount Available for Discretionary Care (from step 8) by the number of CC days and then by the cost per day (using Direct Care Cost from step 6b and Variable Admin/Ops Cost from step 4).
10. The Total Target is the sum of the Projected Mandatory Kids Per Day and the affordable Discretionary Kids Per Day.

For BCY20 we made 2 changes in the basic Child Care target setting methodology:

1. We assumed an “inflation factor” in our cost assumptions for Admin/Ops and in our analysis of providers’ published rates; and
2. We accounted for the differences between Published Rates and Board Max Rates in determining how much care we could afford in setting targets.

**Admin/Ops and Inflation:**

TWC doesn’t have a hard cap or one-size-fits-all approach to Admin/Ops. While we set assumptions for how much will be needed to pay for Admin/Ops, these assumptions are not actual limits or targets. Normally, we try to control these costs by simply assigning all other funds to targets. However, the reality is that there is some “play” in the cost model and casemixes do change over time. In many instances it is possible for a Board to meet its target and spend more than the amounts we originally assumed would be needed for Admin/Ops.

There has long been significant variance from Board to Board in terms of Admin/Ops spending. Some of this is easily explainable:

1. Some Boards have free or discounted government-owned space while others have to pay market rates;
2. There are differences in utility costs;
3. The amounts paid to CC staff differ across the state just as they do for other occupations; and
4. Bigger Boards have economies of scale that smaller Boards generally can’t achieve.

Historically, TWC had set Admin/Ops assumption based on a percentage of the non-Quality Allocation (98% of the total CCF/CCM Allocation). Generally, we would use each Board’s Admin/Ops % from the contract from the prior year (because the current year wouldn’t be complete/available) but subject to a floor for the smallest Boards.

During a period of relative funding stability, this model worked well enough. However, late in BCY18, we were faced with a new situation. Recent Congressional action had resulted in an increase in $229M per year to the CC budget. While we certainly knew that Admin/Ops costs would increase, it didn’t make sense that they would increase proportionately. Boards might need to hire some more staff but surely there would be some semi-fixed costs that shouldn’t change as a result of the increase in funding.

For BCY19 we developed our first major change in Admin/Ops assumptions in a decade. We calculated a semi-fixed cost for each Board at roughly 24.34% of their total Admin/Ops costs from BCY16 and BCY17 (we typically use yearend values to align better with the way Boards budget, so BCY17 was the most recent complete set of data when BCY19 targets were being set). We then calculated a variable cost by dividing the remaining amounts by the number of units of care purchased.

When we shared early versions of the BCY20 numbers, several Boards were concerned about the Admin/Ops assumptions as being too low. In one instance a Board had outgrown their existing business space and would be spending more on rent (and have significant one-time moving & build out costs). In addition, there are general inflationary concerns, over time utilities, rent, and staffing cost more.

In addition, there was a concern that while we’re very ramped-up on enrollment those amounts will begin to come down as Boards spend down carryforward balances. While Admin/Ops will therefore drop in the outyears, changes to Admin/Ops expenditures tend to lag changes in enrollment levels (slower to rise and slower to fall).

We accounted for this input when we finalized Admin/Ops assumptions two ways:

1. We revaluated the historic data and what we counted as variable vs semi-fixed costs which resulted in an assumption that 28.71% of their total Admin/Ops for the last 2 years should be considered “semi-fixed” (which increased the amount set aside for Admin/Ops as a “base” amount); and
2. We added a 2% inflation factor based on the Federal Reserve’s inflation target.

**Accounting for Differences between Maximum Reimbursement Rates and Providers’ Published Rates**

Historically, TWC has set targets by assuming that we would be paying the MAX RATE in all instances. However, by rule, we pay the LOWER of the MAX RATE or the provider’s PUBLISHED RATE (PUB RATE). While many providers are reimbursed at the MAX RATE, the reality is that many are not.

From July 2018 to June 2019, 23.36% of all care was paid for at the provider’s PUB RATE. Here is what the savings looks like in the Mandatory Population (easier to show since there is no PSOC):

|  |  |  |
| --- | --- | --- |
|  **Amount Paid for Mandatory** | **Amount if Paid at Max** | **% Difference** |
| $102.6M | $108.9M | 6.05% |

By not recognizing this difference, TWC’s historic targets have been assuming we could afford less care than we really could – We knew there was this potential but only recently discovered how big the gap was and developed a way to estimate the impact of rate actions on what we will likely pay in direct care costs.

A $5 increase in a $25 MAX RATE doesn’t necessarily mean we will always pay $30. If a PUB RATE was $30, we would pay $30 and thus $5 more. However, if the PUB RATE was $27, we would only pay $2 more. Even if we assume that this provider who was originally charging $27, raised their PUB RATE to $28, we would still not be paying $5 more to go from a $25 to $30 MAX Rate.

|  |  |  |
| --- | --- | --- |
| Measure | Assume Direct Care Cost at MAX RATE | Assume Direct Care Cost at LESSER of MAX RATE or PUBLISHED RATE |
| BCY20 Average Kids Per Day | 118,848 | 126,707 |

This is more than just an accounting issue. If we want to maximize opportunities for the system to keep up with market changes and spend down carryforward balances (and minimize them in the future), the target methodology needs to better reflect the realities of system costs. If targets were set at 118,848 instead of 126,707 and Boards hit that target exactly, we would generate another $42.9M in carryforward and serve 7,859 fewer kids per day.

**Methodology vs Target Approach to Setting Child Care Performance Expectations**

One of the key elements to setting CC targets is accounting for the casemix. Staff have limited ability to influence the mix of care. Parents get to choose their providers (licensed center, licensed home, registered home, relative care, quality vs regular). In addition, families come in and out of the program every day and those who replace families who leave might involve spending more or less money. It is also likely that the casemix will change based on recent pre-K legislation and this could impact costs.

By authorizing staff to apply the approved methodology to updated data during the year, TWC will be able to more easily and quickly make and communicate adjustments so Boards will have better information to manage their programs with.

**Determination of Amounts Available for Direct Care and Variable Admin/Ops**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Board Name | # | Total Allocation | 2% Quality | nonQ Allocation | Semi-Fixed Admin/Ops Set Aside | Available for Direct Care and Variable Admin/Ops |
| Panhandle | 1 | $11,554,394 | $231,088 | $11,323,306 | $438,009 | $10,885,297 |
| South Plains | 2 | $11,184,239 | $223,685 | $10,960,554 | $359,106 | $10,601,448 |
| North Texas | 3 | $5,121,865 | $102,438 | $5,019,427 | $230,353 | $4,789,074 |
| North Central | 4 | $52,314,223 | $1,046,284 | $51,267,939 | $1,826,192 | $49,441,747 |
| Tarrant County | 5 | $49,570,639 | $991,413 | $48,579,226 | $1,277,083 | $47,302,143 |
| Dallas County | 6 | $91,004,946 | $1,820,099 | $89,184,847 | $1,181,974 | $88,002,873 |
| North East | 7 | $7,586,522 | $151,731 | $7,434,791 | $263,227 | $7,171,564 |
| East Texas | 8 | $21,111,992 | $422,240 | $20,689,752 | $616,822 | $20,072,930 |
| West Central | 9 | $7,617,013 | $152,341 | $7,464,672 | $329,321 | $7,135,351 |
| Borderplex | 10 | $27,259,843 | $545,197 | $26,714,646 | $845,506 | $25,869,140 |
| Permian Basin | 11 | $11,281,757 | $225,636 | $11,056,121 | $390,381 | $10,665,740 |
| Concho Valley | 12 | $3,227,885 | $64,558 | $3,163,327 | $155,039 | $3,008,288 |
| Heart of Texas | 13 | $9,705,432 | $194,109 | $9,511,323 | $395,478 | $9,115,845 |
| Capital Area | 14 | $24,320,342 | $486,407 | $23,833,935 | $1,089,727 | $22,744,208 |
| Rural Capital | 15 | $17,461,267 | $349,226 | $17,112,041 | $996,653 | $16,115,388 |
| Brazos Valley | 16 | $8,090,836 | $161,817 | $7,929,019 | $380,236 | $7,548,783 |
| Deep East | 17 | $10,050,037 | $201,001 | $9,849,036 | $326,483 | $9,522,553 |
| Southeast | 18 | $10,021,722 | $200,435 | $9,821,287 | $359,808 | $9,461,479 |
| Golden Crescent | 19 | $4,817,573 | $96,352 | $4,721,221 | $197,230 | $4,523,991 |
| Alamo | 20 | $62,708,843 | $1,254,177 | $61,454,666 | $1,609,543 | $59,845,123 |
| South Texas | 21 | $13,307,382 | $266,148 | $13,041,234 | $363,167 | $12,678,067 |
| Coastal Bend | 22 | $15,567,489 | $311,350 | $15,256,139 | $520,461 | $14,735,678 |
| Lower Rio | 23 | $42,495,730 | $849,915 | $41,645,815 | $968,066 | $40,677,749 |
| Cameron | 24 | $17,694,953 | $353,900 | $17,341,053 | $495,807 | $16,845,246 |
| Texoma | 25 | $4,708,554 | $94,172 | $4,614,382 | $134,529 | $4,479,853 |
| Central Texas | 26 | $12,660,304 | $253,207 | $12,407,097 | $597,811 | $11,809,286 |
| Middle Rio | 27 | $5,988,565 | $119,772 | $5,868,793 | $218,291 | $5,650,502 |
| Gulf Coast | 28 | $176,227,521 | $3,524,551 | $172,702,970 | $3,209,956 | $169,493,014 |
| **Sum of Boards** | **99** | **$734,661,868** | **$14,693,249** | **$719,968,619** | **$19,776,259** | **$700,192,360** |

**Distributing Funding to Targets**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Board Name | # | Variable Admin/Ops per Unit | Projected Avg Direct Care at LESSER Rate: Mandatory | Projected Avg Direct Care at LESSER Rate: Discretionary | Projected Mandatory Kids Per Day | Total Cost of Projected Mandatory Kids | Available for Discretionary Care | Affordable Discretionary Kids per Day | Total Target (Est Affordable under LESSER Rate) |
| Panhandle | 1 | $2.04 | $21.13 | $16.87 | 137 | $831,653 | $10,053,644 | 2,029 | 2,166 |
| South Plains | 2 | $1.59 | $19.99 | $16.27 | 215 | $1,215,558 | $9,385,890 | 2,006 | 2,221 |
| North Texas | 3 | $2.58 | $19.49 | $14.94 | 156 | $902,013 | $3,887,061 | 846 | 1,002 |
| North Central | 4 | $2.67 | $26.36 | $20.82 | 971 | $7,384,618 | $42,057,128 | 6,833 | 7,804 |
| Tarrant County | 5 | $2.13 | $29.13 | $22.76 | 1,383 | $11,326,255 | $35,975,888 | 5,517 | 6,900 |
| Dallas County | 6 | $1.24 | $25.60 | $19.86 | 2,609 | $18,346,678 | $69,656,195 | 12,600 | 15,209 |
| North East | 7 | $1.81 | $19.71 | $15.84 | 125 | $704,852 | $6,466,712 | 1,399 | 1,524 |
| East Texas | 8 | $2.10 | $20.60 | $16.27 | 417 | $2,479,270 | $17,593,660 | 3,656 | 4,073 |
| West Central | 9 | $1.95 | $18.78 | $15.60 | 86 | $466,994 | $6,668,357 | 1,451 | 1,537 |
| Borderplex | 10 | $1.75 | $18.71 | $15.04 | 427 | $2,288,517 | $23,580,623 | 5,360 | 5,787 |
| Permian Basin | 11 | $2.48 | $21.64 | $18.11 | 60 | $379,108 | $10,286,632 | 1,906 | 1,966 |
| Concho Valley | 12 | $2.28 | $18.68 | $14.66 | 102 | $560,170 | $2,448,118 | 552 | 654 |
| Heart of Texas | 13 | $1.69 | $19.40 | $15.29 | 238 | $1,315,114 | $7,800,731 | 1,753 | 1,991 |
| Capital Area | 14 | $3.23 | $32.87 | $26.49 | 356 | $3,366,759 | $19,377,449 | 2,489 | 2,845 |
| Rural Capital | 15 | $2.34 | $28.18 | $21.71 | 337 | $2,694,665 | $13,420,723 | 2,130 | 2,467 |
| Brazos Valley | 16 | $3.06 | $24.45 | $20.76 | 136 | $980,004 | $6,568,779 | 1,053 | 1,189 |
| Deep East | 17 | $1.87 | $19.89 | $15.43 | 151 | $860,634 | $8,661,919 | 1,912 | 2,063 |
| Southeast | 18 | $1.63 | $19.58 | $16.66 | 147 | $816,846 | $8,644,633 | 1,803 | 1,950 |
| Golden Crescent | 19 | $2.44 | $20.78 | $16.19 | 83 | $504,949 | $4,019,042 | 824 | 907 |
| Alamo | 20 | $1.40 | $26.11 | $21.67 | 1,923 | $13,856,918 | $45,988,205 | 7,609 | 9,532 |
| South Texas | 21 | $1.28 | $20.11 | $15.74 | 132 | $739,621 | $11,938,446 | 2,677 | 2,809 |
| Coastal Bend | 22 | $2.22 | $23.56 | $18.58 | 261 | $1,762,776 | $12,972,902 | 2,380 | 2,641 |
| Lower Rio | 23 | $1.34 | $18.22 | $14.04 | 468 | $2,398,176 | $38,279,573 | 9,502 | 9,970 |
| Cameron | 24 | $1.10 | $18.06 | $14.36 | 312 | $1,566,407 | $15,278,839 | 3,771 | 4,083 |
| Texoma | 25 | $1.51 | $21.96 | $18.08 | 119 | $732,021 | $3,747,832 | 730 | 849 |
| Central Texas | 26 | $2.16 | $20.28 | $15.22 | 553 | $3,251,656 | $8,557,630 | 1,879 | 2,432 |
| Middle Rio | 27 | $1.46 | $16.70 | $11.84 | 105 | $499,505 | $5,150,997 | 1,479 | 1,584 |
| Gulf Coast | 28 | $1.19 | $26.38 | $20.72 | 3,771 | $27,244,922 | $142,248,092 | 24,781 | 28,552 |
| **Sum of Boards** | **99** | **$1.66** | **$24.83** | **$18.66** | **15,780** | **$109,476,661** | **$590,715,699** | **110,927** | **126,707** |