

Board Contract Year 2025 Child Care Targets Discussion Paper

1 **Background**

2 The Texas Workforce Commission’s three-member Commission sets performance standards and
3 targets for the Local Workforce Development Boards (Boards). For Board Contract Year 2025
4 (BCY’25), the Child Care Services performance measures will be:

- 5 • Average Number of Children Served Per Day
- 6 • Initial Job Search Success Rate

7

8 **Issue 1 – Average Number of Children Served Per Day Performance Target**

9 On June 11, 2024, the Texas Workforce Commission’s (TWC) three-Commissioners
10 (Commission) [approved](#) the Board Contract Year 2025 (BCY’25) child care allocations. Based
11 on the BCY’25 allocation, totaling \$1.319 billion, TWC staff have developed recommendations
12 for the BCY’25 child care target for the Average Number of Children Served per Day
13 performance measure totaling **155,194**. The allocation is available to support (1) Direct Care, (2)
14 Quality Activities, and (3) Admin/Ops. To set targets, we must consider amounts attributable to
15 each of these areas.

16 Process Overview

- 17 1) Child Care Allocations are approved by the Commission.
- 18 2) 2% of amount approved for Board Allocations are reserved for Quality Activities (as
19 required by Texas Government Code [§2308.317\(c\)](#).
 - 20 a. The remainder is available for Admin/Ops (administrative and operational
21 expenses) and Direct Care costs. The Direct Care amount is said to be “distributed
22 to target.”

23 Note: The Commission also [approved](#) 4% of the total amount available for Child Care
24 Allocations for quality improvement at the May 28, 2024 Commission meeting. These
25 funds are distributed and available for specified quality improvement activities, as
26 described in the Discussion Paper. These funds increase the total BCY’25 amount for
27 quality to 6%.

- 28 3) The costs for operating the program, both Administrative and Operational (Admin/Ops)
29 costs are estimated, using recent available Rolling 12-month (R12) data. TWC analyzed
30 the Admin/Ops costs reported in the Agency’s Cash Draw and Expenditure Report
31 (CDER) system for three recent R12 periods and averaged across these three periods:
 - 32 a. R12 data from March 2023 through April 2024
 - 33 b. R12 data from April 2023 through May 2024
 - 34 c. R12 data from May 2023 through June 2024
- 35 4) Each Board case mix requires estimating 320 combinations of:
 - 36 a. Provider Type (Licensed Center, Licensed Home, Registered Home, & Relative
37 Care);
 - 38 b. Certification Type (Regular, Texas Rising Star 2, 3, or 4-Star, or Texas School
39 Ready);
 - 40 c. Age of Child; and
 - 41 d. Duration (full-time or part-time).

1 Because the 87th Texas Legislature passed legislation that requires all TWC CCS
2 providers to become Texas Rising Star certified, our current case mix model assumes a
3 60% reduction in regular care (non-Texas Rising Star) in BCY'25.
4

5 5) We estimate the average cost per day for a unit of child care for each Board using each
6 Board's maximum reimbursement rates, parent share of cost (PSOC) estimates based
7 upon the new statewide policy which will be in effect in BCY'25 (with the rollout of the
8 new TX3C case management system) and the average proportional difference between
9 maximum reimbursement rates and providers' published rates (because TWC pays the
10 lesser of the maximum reimbursement rate or the provider's published rate). We also
11 factor quality of care and anticipated inflation into this estimate.
12

13 6) The affordable number of kids per day (Allocation Target) is calculated by dividing the
14 total amount available for variable costs and direct care costs by the average system cost
15 per unit and then again by the number of child care days in the year (261 days for
16 BCY'25).

17 In BCY'23, TWC began a mid-year review of the Board's child care target. This mid-year
18 review process continued in BCY'24. During the [BCY'24 mid-year review](#), based on a review of
19 more recent data, the analysis indicated that:

- 20 • the average cost of care had increased in 21 Boards, and the Commission approved a
21 total increase of \$20,986,281 to ensure that these 21 Boards had sufficient resources to
22 reach their performance target.
- 23 • The average cost of care decreased in 7 Boards, and the Commission increased targets
24 by a total of 328 children.

25 TWC staff again recommend that we conduct a mid-year review of the BCY'25 child care
26 targets, analyzing more recent data, and presenting recommendations to the Commission in early
27 calendar year 2025.

28 In BCY'24, TWC began a year-end reconciliation process, to determine if the average cost of
29 care continued to increase in the months following the mid-year review. Based on TWC's initial
30 review of BCY'24 data, there are 19 Boards whose average cost has increased; these numbers
31 will be reviewed and updated as BCY'24 data is updated in subsequent months. Staff
32 recommends that we replicate this process in BCY'25.
33

34 **Issue 2: Initial Job Search Success Rate Performance Target**

35 On April 16, 2024, the Commission approved [Changes to Board Contract Years 2024 and 2025](#)
36 [Performance Measures](#), which included a new BCY'25 performance measure for Initial Job
37 Search Success Rate. The Initial Job Search Success Rate is defined as the percentage of parents
38 who were enrolled in Initial Job Search Child Care and who became employed at a sufficient
39 level to qualify them to extend access to subsidized child care, as evidenced the continuation of
40 child care after the Initial Job Search period. See attachment 2 for staff recommendations on
41 BCY'25 Board Targets.

42 Because Initial Job Search Success Rate performance measure is a new measure, insufficient
43 data exists for traditional forecasting methods. Instead, to obtain targets, the most recent rolling-
44 four-quarter (R4Q) averages were calculated for each Board and bounded above and below,
45 respectively, by the 7th largest and 7th smallest Board R4Q averages. The 7th largest and 7th

1 smallest averages were selected as bounds in accordance with a longstanding target-setting
2 convention.

3 Initial Job Search Success Rate targets were set as follows:

- 4 • Boards whose R4Q average is above the 7th largest averages will receive a target based
5 on the 7th largest average.
- 6 • Boards whose R4Q average is below the 7th smallest averages will receive a target based
7 on the 7th smallest average
- 8 • Boards whose R4Q average is between the 7th largest and 7th smallest averages will
9 receive a target based on their R4Q average.

10

11 **Decision Point:**

12 Staff recommends the following:

- 13 • For the Average Number of Children Per Day Target:
 - 14 ○ Set BCY'25 targets, totaling 155,194 average children per day as described in the
15 above methodology, and as outlined in Attachment 1.
 - 16 ○ Conduct a mid-year review and year end reconciliation, to ascertain if the average
17 cost of care in each Board has changed and make appropriate adjustments to the
18 allocation and/or target.
- 19 • For the Initial Job Search Success Rate Target, setting targets as outlined in
20 Attachment 2.

BCY25 Child Care Targets

Attachment 1

		1	2	3	4	5	6	7	8	9
#	LWDA	BCY25 Base Allocation	BCY25 2% Quality Allocation	Amount Available to Operate Sub Child Care	BCY 24 Admin/ Ops Averaged R12	Forecasted Amount Minus Admin Ops Cost	Forecasted Avg Provider Reimbursement Rate	Forecasted PSOC Per Unit	Forecasted System Cost Per Unit	BCY25 Allocation Target
1	Panhandle	\$20,576,614	\$428,679	\$20,147,935	\$1,951,531	\$18,196,403	\$30.09	\$4.62	\$25.47	2,738
2	South Plains	\$20,284,137	\$422,586	\$19,861,551	\$1,721,751	\$18,139,800	\$29.71	\$4.07	\$25.64	2,711
3	North Texas	\$9,244,049	\$192,584	\$9,051,465	\$1,130,861	\$7,920,604	\$27.48	\$4.02	\$23.46	1,294
4	North Central	\$88,978,222	\$1,853,713	\$87,124,509	\$10,336,607	\$76,787,902	\$37.00	\$4.60	\$32.40	9,080
5	Tarrant County	\$88,131,380	\$1,836,070	\$86,295,310	\$7,966,486	\$78,328,824	\$38.83	\$4.42	\$34.42	8,720
6	Dallas County	\$132,666,856	\$2,763,893	\$129,902,963	\$8,743,239	\$121,159,724	\$34.85	\$4.34	\$30.52	15,213
7	North East	\$13,039,672	\$271,660	\$12,768,012	\$1,673,736	\$11,094,277	\$26.17	\$4.10	\$22.06	1,926
8	East Texas	\$39,314,097	\$819,044	\$38,495,053	\$5,975,933	\$32,519,120	\$25.54	\$4.08	\$21.47	5,804
9	West Central	\$13,728,766	\$286,016	\$13,442,750	\$1,986,935	\$11,455,815	\$26.42	\$3.84	\$22.58	1,944
10	Borderplex	\$52,678,860	\$1,097,476	\$51,581,384	\$6,128,085	\$45,453,298	\$25.27	\$3.48	\$21.78	7,995
11	Permian Basin	\$22,612,014	\$471,084	\$22,140,930	\$2,016,508	\$20,124,423	\$29.68	\$4.04	\$25.64	3,008
12	Concho Valley	\$5,773,806	\$120,288	\$5,653,518	\$1,420,644	\$4,232,874	\$26.30	\$4.63	\$21.67	749
13	Heart of Texas	\$18,392,219	\$383,171	\$18,009,048	\$1,870,617	\$16,138,430	\$27.53	\$4.04	\$23.49	2,633
14	Capital Area	\$41,642,973	\$867,562	\$40,775,411	\$6,117,217	\$34,658,194	\$47.18	\$4.83	\$42.35	3,136
15	Rural Capital	\$33,805,227	\$704,276	\$33,100,951	\$6,208,704	\$26,892,248	\$37.12	\$5.43	\$31.69	3,251
16	Brazos Valley	\$14,209,024	\$296,021	\$13,913,003	\$2,427,549	\$11,485,453	\$30.85	\$3.96	\$26.89	1,637
17	Deep East	\$19,204,819	\$400,100	\$18,804,719	\$1,559,739	\$17,244,980	\$25.88	\$3.58	\$22.30	2,963
18	Southeast	\$18,625,344	\$388,028	\$18,237,316	\$1,896,537	\$16,340,779	\$25.25	\$3.04	\$22.21	2,819
19	Golden Crescent	\$8,321,144	\$173,357	\$8,147,787	\$938,689	\$7,209,098	\$24.05	\$3.51	\$20.55	1,344
20	Alamo	\$121,144,013	\$2,523,834	\$118,620,179	\$5,810,192	\$112,809,988	\$33.93	\$4.25	\$29.67	14,568
21	South Texas	\$20,444,595	\$425,929	\$20,018,666	\$2,690,616	\$17,328,050	\$26.34	\$2.80	\$23.54	2,821
22	Coastal Bend	\$29,757,234	\$619,942	\$29,137,292	\$5,871,483	\$23,265,809	\$33.00	\$4.26	\$28.74	3,102
23	Lower Rio	\$80,050,476	\$1,667,718	\$78,382,758	\$6,266,602	\$72,116,156	\$29.27	\$3.45	\$25.82	10,703
24	Cameron	\$32,448,009	\$676,000	\$31,772,009	\$2,720,256	\$29,051,752	\$34.54	\$3.61	\$30.92	3,599
25	Texoma	\$8,384,486	\$174,677	\$8,209,809	\$783,273	\$7,426,536	\$26.92	\$4.62	\$22.30	1,276
26	Central Texas	\$26,833,314	\$559,027	\$26,274,287	\$3,933,948	\$22,340,339	\$29.05	\$3.73	\$25.32	3,381
27	Middle Rio	\$11,028,515	\$229,761	\$10,798,754	\$1,125,676	\$9,673,078	\$29.36	\$3.34	\$26.03	1,424
28	Gulf Coast	\$327,842,688	\$6,830,056	\$321,012,632	\$26,458,851	\$294,553,781	\$35.52	\$3.60	\$31.92	35,355

	1	2	3	4	5	6	7	8	9
	BCY25 Base Allocation	BCY25 2% Quality Allocation	Amount Available to Operate Subsidized Child Care	BCY 24 Admin/ Ops Averaged R12	Forecasted Amount Minus Admin Ops Cost	Forecasted Avg Provider Reimbursement Rate	Forecasted PSOC Per Unit	Forecasted System Cost Per Unit	BCY25 Allocation Target
Total	\$1,319,162,553	\$27,482,553	\$1,291,680,000	\$127,732,264	\$1,163,947,736	\$32.70	\$3.96	\$28.74	155,194
	Seeking Approval	2% of Col1	Col1 - Col2	CC Admin Ops Costs Col4 * Inflation Factor	Col3 - Col4	See Note below	Based on Historic Trends	Col6 - Col7	Col5 ÷ Col8 ÷ CC Days

Child Care Initial Job Search Success Rate

#	LWDA	R4Q Average	7 th Largest	7 th Smallest	BCY'25 IJS Target
1	Panhandle	56.91%	69.20%	56.91%	56.91%
2	South Plains	73.13%	69.20%	56.91%	69.20%
3	North Texas	62.20%	69.20%	56.91%	62.20%
4	North Central	57.09%	69.20%	56.91%	57.09%
5	Tarrant County	57.17%	69.20%	56.91%	57.17%
6	Dallas County	64.98%	69.20%	56.91%	64.98%
7	North East	47.92%	69.20%	56.91%	56.91%
8	East Texas	58.36%	69.20%	56.91%	58.36%
9	West Central	62.91%	69.20%	56.91%	62.91%
10	Borderplex	55.38%	69.20%	56.91%	56.91%
11	Permian Basin	65.78%	69.20%	56.91%	65.78%
12	Concho Valley	52.52%	69.20%	56.91%	56.91%
13	Heart of Texas	60.91%	69.20%	56.91%	60.91%
14	Capital Area	78.52%	69.20%	56.91%	69.20%
15	Rural Capital	79.29%	69.20%	56.91%	69.20%
16	Brazos Valley	73.31%	69.20%	56.91%	69.20%
17	Deep East	62.25%	69.20%	56.91%	62.25%
18	Southeast	62.59%	69.20%	56.91%	62.59%
19	Golden Crescent	63.16%	69.20%	56.91%	63.16%
20	Alamo	69.81%	69.20%	56.91%	69.20%
21	South Texas	74.35%	69.20%	56.91%	69.20%
22	Coastal Bend	64.09%	69.20%	56.91%	64.09%
23	Lower Rio	0%	69.20%	56.91%	56.91%
24	Cameron	69.20%	69.20%	56.91%	69.20%
25	Texoma	59.30%	69.20%	56.91%	59.30%
26	Central Texas	47.44%	69.20%	56.91%	56.91%
27	Middle Rio	0%	69.20%	56.91%	56.91%
28	Gulf Coast	62.40%	69.20%	56.91%	62.40%