

**Setting Minimum Threshold for Child Care Rates
for Board Contract Year 2025 and Subsequent Years
Discussion Paper**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37

Background

Under the federal Child Care Development Fund (CCDF) regulations and program guidance ([§98.45 Equal Access](#), and [CCDF-ACF-PI-2018-04](#)), States are required to ensure equal access to child care services for children served in the Child Care Services (CCS) program. States must consider the most recent Market Rate Survey, as well as data from their “narrow cost analysis” and use this information when setting provider rates. The 2023 Cost of Quality/Price Modeling Report is TWC’s narrow cost analysis (the 2023 report focused only on licensed centers; next year’s report will focus on home-based providers).

The Texas Workforce Commission’s (TWC) child care rules, [40 TAC §809.20\(a\)](#), require Local Workforce Development Boards (Boards) to establish maximum rates at or above a level established by the TWC’s three-member Commission (Commission). TWC’s Child Care Services rules, [40 TAC §809.20\(c\)-\(d\)](#), also require that Texas Rising Star rates be set higher than the base rate by at least 5 percent for Two-Star providers, 7 percent for Three-Star providers, and 9 percent for Four-Star providers, and that there be at least a 2 percentage point difference between each star level.

Market Rate Survey

TWC has contracted with the University of Texas Ray Marshall Center to annually conduct a Market Rate Survey. Beginning in BCY’23, the Commission set the minimum threshold for base rates at the 75th percentile of the most recent Market Rate Survey. TWC will continue to use the most recent Market Rate Survey’s 75th percentile to annually set the base rates, as described in [40 TAC §809.20\(a\)](#).

Cost of Quality Report

TWC must consider how the base payment rates are sufficient for providers to meet health, safety, quality, and staffing minimum requirements, as required by CCDF regulations ([§98.45\(b\)\(3\)](#)). TWC has also contracted with the University of Texas Ray Marshall Center to conduct two Cost of Quality Reports: one child care centers, and the other for home-based child care programs. These reports are produced every other year (child care centers report was issued in 2023 and will again be issued in 2025, and home-based child care programs was issued in 2024 and will again be issued in 2026) The Cost of Quality Reports includes “baseline” rates, which are defined as “prices charged by providers of child care that at a minimum meet state licensing standards.”

TWC staff has compared the TWC base payment rate, set at the 75th percentile, against the Cost of Quality cost modeling data for the “baseline” rate at licensed child care centers and licensed and registered homes, based on the most recent reports. There were several Boards whose minimum rates should be increased to the “baseline” rate, based upon the results of the narrow cost analysis.

1 **Minimum Threshold for Child Care Rates Pending Launch of TX3C**

2 TWC is currently planning to launch the new child care case management system, the Texas
3 Child Care Connection (TX3C) in the fall of 2024. With the release of TX3C, TWC will
4 implement revisions to the age ranges:

Current Age Ranges	New Age Ranges
Infant	0-11 months
	12-17 months
Toddler	18-23 months
	2 years
Preschool	3 years
	4 years
	5 years
School-age	6-13 years

5
6 Pending the launch of TX3C:

- 7 • child care rates will continue to be based on the 4 current age range categories.
- 8 • the rate will be based upon the lowest of the rates within the 4 age ranges; this will ensure
9 that upon launch of TX3C, no rates will be lowered.

10
11 Upon launch of TX3C:

- 12 • child care rates will be based upon the new 8 age ranges.

13
14 For example: if the rate for 0-11 months is \$35.10, and the rate for 12-17 is \$35.00, the rate will
15 initially be set at \$35.00. Upon launch of TX3C, the rates will be modified, with the 0-11
16 months age range’s rate increasing from \$35.00 to \$35.10.

17 **Decision Point**

18 Staff recommends that the Commission’s annual target setting process:

- 19 • Set the minimum threshold for child care rates at the 75th percentile of the most recent
20 Market Rate Survey, unless the Cost of Quality for Centers or Homes narrow cost
21 analysis’ “baseline” rate (necessary to meet Child Care Regulation’s basic health, safety
22 quality and staffing minimum requirements) is higher.
- 23 • Ensure that no rate is reduced; if the Market Rate Survey or Cost of Quality rate is lower
24 than the current rate, TWC will retain the current rate.
- 25 • Use this for BCY’25, and future years. Any changes to this methodology will be brought
26 before the Commission for approval.

27
28 Staff also recommends that pending the launch of TX3C in BCY’25, we continue utilizing the 4
29 age ranges for child care rates as described above.