

Mid-Year Review of BCY'24 Child Care Allocations and Targets Discussion Paper

1 **Background**

2 The Texas Workforce Commission's (TWC) three-member Commission (Commission) [approved](#) the
3 Board Contract Year 2024 (BCY'24) child care allocations and performance targets on September 19,
4 2023. The approved Discussion Paper noted the mid-year review of child care targets that TWC began in
5 BCY'23 and recommended that TWC again conduct a mid-year review of the Local Workforce
6 Development Board's (Board) BCY'24 child care targets in early calendar year 2025.
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8 As TWC and the Boards implement new requirements for all Child Care Services (CCS) providers to
9 become Texas Rising Star certified, the amount TWC reimburses providers for child care services will
10 increase (based on the Texas Rising Star enhanced reimbursement rates). The mid-year review process
11 allows TWC to analyze more recent data and determine if the cost assumptions that were used to set
12 BCY'24 targets have changed.
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14 Additionally, in BCY'24, TWC will launch the new child care case management system, the Texas Child
15 Care Connection (TX3C). With the launch of the new system, the Commission-approved policy change to
16 pay providers based upon the provider's Board area rather than the Board area where the child resides will
17 go into effect. In addition, the new Parent's Share of Cost (PSoC) will go into effect; this change will be
18 implemented gradually over time as families' 12-month redeterminations are processed, and for newly
19 CCS enrolled families.
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21 The total approved BCY'24 performance target is 144,807 children (average served per day), based upon
22 the approved allocation of \$1,191,167,812. TWC staff reviewed updated data to determine if additional
23 funding needs to be allocated to reach the approved target of 144,807.
24

25 **Mid-Year Review Updates:**

26 *Updated Case-mix Analysis*

27 TWC analyzed updated case-mix information, including age of children served and the provider types
28 selected by parents (including Texas Rising Star certification level). The BCY'24 initially approved
29 targets were based upon an average daily cost per unit of \$31.48 (this is the total cost, which includes
30 PSoC). This cost included a projection that we would see a 25 percent increase in the number of
31 children enrolled in a Texas Rising Star certified child care program. Based upon a review of more
32 recent case-mix data, the average daily cost per unit increased to \$31.67.
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34 *TX3C Policy Change Analysis*

35 TWC also analyzed the impact of the TX3C related policy change to pay providers based upon their
36 location (rather than the location of the child) that will go into effect when the new system is launched
37 (scheduled for July 1, 2024). TWC found that this policy change will have a very small impact,
38 increasing the cost of care by only \$0.02 above the mid-year review cost of care based on updated
39 case-mix data (from \$31.67 to \$31.71).
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41 The impact of paying providers based on location varies by Board area. Those most impacted are
42 Board areas that have a large number of referrals to providers located in other Board areas, for
43 example referrals between Capital Area and Rural Capital, and referrals between Dallas, Tarrant and
44 North Central Texas.
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1 TWC also examined the impact of the policy change in PSoC. This change will not go into effect for
2 all families immediately on July 1, 2024. This change will be implemented gradually over time, as
3 new children are enrolled, and as current cases come up for their 12-month redetermination. As such,
4 the fiscal impact in the last three months of BCY'24 is minimal. TWC will review the impact of this
5 change when new targets are set for BCY'25.
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7 Based upon the mid-year review of both case mix changes, and of the change in policy to pay providers
8 based upon the provider location, 21 Boards will need an additional \$20,986,281 to meet their target (see
9 Attachment 1). The remaining 7 Boards have sufficient funding to not only meet their target, but to serve
10 an additional 329 average children per day, bringing the total average number of children served per day
11 in BCY'24 from 144,807 to 145,136.
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13 **Year End Reconciliation to Support Mandatory Texas Rising Star Implementation:**

14 As noted above, when the BCY'24 targets were initially determined, TWC assumed a 25 percent increase
15 in the number of children enrolled in Texas Rising Star certified programs. This was based on TWC's
16 optimistic assumption that the Texas Rising Star Centralized Assessment Entity (CAE) would have the
17 capacity to conduct assessments for a higher number of programs. The actual increase has been lower.
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19 In BCY'23, there were an average of 63,211 children (or 44.4 percent of all CCS children) enrolled in
20 Texas Rising Star certified programs. Increasing this by 25 percent equates to just under an additional
21 15,800 children, or approximately 79,000 average CCS children per day being enrolled in Texas Rising
22 Star certified programs. The CCS Average Number of Children Per Day Enrolled in a Texas Rising Star-
23 certified program for the beginning of BCY'24 was:

- 24 • October 2023 – 69,825
- 25 • November – 2023 – 71,062
- 26 • December 2023 – 71,212

27
28 In total through December, our BCY'24 year to date average number of CCS children enrolled in Texas
29 Rising Star programs is 70,677, lower than our initially predicted number of approximately 79,000.
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31 While the projected increase to Texas Rising Star did not occur at the rate initially anticipated, the Texas
32 Rising Star CAE has been increasing the rate of assessments conducted each month. The following
33 reflects the number of Assessments conducted/planned:

- 34 • October 2023 – 37 initial assessments completed (out of a total of 50 assessments)
- 35 • November 2023 – 14 initial assessments completed (out of a total of 43 assessments)
- 36 • December 2023 – 16 initial assessments completed (out of a total of 42 assessments)
- 37 • January 2024 – 112 initial assessments completed (out of a total of 120 assessments)
- 38 • February 2024 – 130 initial assessments completed (out of a total of 145 assessments)
- 39 • March 2024 – 250 initial assessments projected (out of a total of 256 assessments projected)

40
41 The average cost of care will increase as more programs become Texas Rising Star certified. These
42 increases will occur at a higher rate in the last half of BCY'24 than they did in the first half of BCY'24. In
43 order to ensure that Boards have sufficient funds to achieve their targets for the average number of
44 children served per day, staff recommends that the Commission authorize TWC staff to review updated
45 data throughout the remainder of BCY'24, conduct a year end reconciliation, and distribute funding to
46 Boards whose average daily rate has increased, and who do not have sufficient funding to meet their
47 approved target.
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1 **Decision Point**

2 Staff recommends that, based upon the mid-year review of child care data, the Commission:

- 3 • distribute an additional \$20,986,281 to 21 Boards, whose average cost increased, and who require
4 additional funding to meet their initially approved target;
- 5 • increase the targets for 7 Boards, whose average cost is lower than initially projected, and who can
6 serve additional 329 children within their currently allocated amount; and
- 7 • authorize staff to conduct a year-end reconciliation as follows:
- 8 ○ review updated CCS data throughout the remainder of BCY'24;
 - 9 ○ reconcile the actual average cost at the end of the year; and
 - 10 ○ distribute funding to Boards whose average daily rate increases and who do not have
11 sufficient funding to meet their approved target.
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13 See Attachment 1 for Board level details.

BCY'24 Mid-Year Review of Board Child Care Targets and Allocations

	Board Name	BCY24 Base Allocation	Original Target	Additional Distribution Needed for BCY24 Mid-Year Review	Revised BCY Total Allocation	Revised Target
1	Panhandle	\$18,477,964	2,481	\$327,703	\$18,805,667	2,481
2	South Plains	\$18,628,841	2,420	\$785,183	\$19,414,024	2,420
3	North Texas	\$8,427,328	1,216	\$0	\$8,427,328	1,243
4	North	\$77,584,101	7,923	\$1,948,660	\$79,532,761	7,923
5	Tarrant	\$78,588,364	8,158	\$0	\$78,588,364	8,332
6	Dallas	\$124,697,065	15,945	\$2,048,958	\$126,746,023	15,945
7	North East	\$11,917,366	1,939	\$528,568	\$12,445,934	1,939
8	East Texas	\$35,805,916	5,639	\$1,282,638	\$37,088,554	5,639
9	West	\$12,371,308	1,742	\$163,341	\$12,534,649	1,742
10	Borderplex	\$48,401,588	6,609	\$1,838,220	\$50,239,808	6,609
11	Permian	\$19,778,843	2,639	\$0	\$19,778,843	2,700
12	Concho	\$5,236,480	768	\$0	\$5,236,480	786
13	Heart of	\$16,762,176	2,358	\$646,886	\$17,409,062	2,358
14	Capital Area	\$38,136,037	3,036	\$565,257	\$38,701,294	3,036
15	Rural	\$29,386,558	2,967	\$1,941,276	\$31,327,833	2,967
16	Brazos	\$13,133,133	1,424	\$138,341	\$13,271,473	1,424
17	Deep East	\$17,508,692	2,683	\$580,795	\$18,089,488	2,683
18	Southeast	\$16,404,530	2,462	\$0	\$16,404,530	2,471
19	Golden	\$7,567,266	1,263	\$0	\$7,567,266	1,275
20	Alamo	\$109,230,675	12,378	\$1,747,267	\$110,977,942	12,378
21	South Texas	\$19,341,186	2,975	\$552,605	\$19,893,791	2,975
22	Coastal	\$27,326,747	3,214	\$0	\$27,326,747	3,242
23	Lower Rio	\$71,181,866	9,661	\$559,965	\$71,741,831	9,661
24	Cameron	\$29,800,551	3,452	\$1,018,675	\$30,819,225	3,452
25	Texoma	\$7,572,012	1,118	\$243,821	\$7,815,833	1,118
26	Central	\$23,584,754	3,352	\$408,089	\$23,992,843	3,352
27	Middle Rio	\$10,224,477	1,365	\$187,261	\$10,411,738	1,365
28	Gulf Coast	\$294,091,989	33,620	\$3,472,770	\$297,564,759	33,620
		\$1,191,167,812	144,807	\$20,986,281	\$1,212,154,092	145,136

Blue highlighting reflects the 21 Boards who will receive a BCY'24 supplemental distribution in order to meet their initially approved target (their Average Cost is higher than initially projected).

Yellow highlighting reflects the 7 Boards whose initial target is being modified/increased (their Average Cost is lower than initially projected).