

1 **Setting Minimum Threshold for Child Care Reimbursement Rates and Increasing the**
2 **Child Care Allocation for Board Contract Year 2022**
3 **Discussion Paper**
4

5 **Background**

6 The Texas Workforce Commission’s (TWC) child care rules, 40 TAC §809.20(a), require Local
7 Workforce Development Boards (Boards) to establish maximum reimbursement rates at or above
8 a level established by the TWC’s three-member Commission (Commission). TWC’s child care
9 rules, 40 TAC §809.20(c)-(d), also require that Texas Rising Star rates be set higher than the
10 base rate by at least 5 percent for 2-Star providers, 7 percent for 3-Star providers, and 9 percent
11 for 4-Star providers, and that there be at least a 2 percentage point difference between each star
12 level.

13 The Commission set the minimum threshold for base rates at the 30th percentile of the most
14 recent Market Rate Survey for Board Contract Year 2020 (BCY’20) and BCY’21. The
15 Commission also previously established minimum thresholds for Texas Rising Star enhanced
16 reimbursement rates to be set based on 4-Star providers rates benchmarked at the 75th percentile,
17 3-Star providers receiving 90 percent of the 4-Star rate, and 2-Star providers receiving 90 percent
18 of the 3-Star rate.

19 **Issue**

20 The Commission may consider increasing the minimum thresholds for Boards’ maximum
21 reimbursement rates in BCY’22 in accordance with 40 TAC §809.20(a). Thresholds are based
22 on the most recent Market Rate Survey, which for BCY’22 is the 2021 Market Rate Survey.

23 In order to address the higher costs of infant and toddler care, and in consideration of SB1555
24 which instructs TWC to examine and implement strategies to address the increased costs that
25 Texas Rising Star 3 and 4 star providers incur to serve infants and toddlers, the Commission may
26 consider establishing a higher minimum threshold for infants and toddlers.

27 **Decision Point**

28 Staff seeks direction on:

- 29 • Setting the minimum threshold for base rates, in accordance with §809.20(a), as follows:
 - 30 ○ 60th percentile of the most recent Market Rate Survey for infants;
 - 31 ○ 55th percentile of the most recent Market Rate Survey for toddlers;
 - 32 ○ 50th percentile of the most recent Market Rate Survey for preschool and school
33 age children

- 34 • Setting the minimum threshold for Texas Rising Star rates, in accordance with 40 TAC
35 §809.20(a) as follows:
 - 36 ○ For Infants, benchmarking to the 85th percentile as follows:
 - 37 ▪ For 4-Star providers, the 85th percentile of the most recent Market Rate
38 Survey
 - 39 ▪ For 3-Star providers, at 90 percent of the 4-Star rate
 - 40 ▪ For 2-Star providers, at 90 percent of the 3-Star rate; or
 - 41 ▪ For 2-Star providers, at 90 percent of the 3-Star rate; or
 - 42

- 1 ○ For Toddlers, benchmarking to the 80th percentile as follows:
 - 2 ▪ For 4-Star providers, the 80th percentile of the most recent Market Rate
 - 3 Survey
 - 4 ▪ For 3-Star providers, at 90 percent of the 4-Star rate
 - 5 ▪ For 2-Star providers, at 90 percent of the 3-Star rate; or,
 - 6
- 7 ○ For Preschool and School Age Children, continuing to benchmark to the 75th
- 8 percentile as follows:
 - 9 ▪ For 4-Star providers, the 75th percentile of the most recent Market Rate
 - 10 Survey
 - 11 ▪ For 3-Star providers, at 90 percent of the 4-Star rate
 - 12 ▪ For 2-Star providers, at 90 percent of the 3-Star rate; or
 - 13
- 14 • Making any necessary adjustments to ensure that Texas Rising Star Rates meet the
- 15 parameters of 40 TAC §809.20(c)-(d).
- 16
- 17 • Increasing the Board’s BCY’22 child care allocation by \$87 million to support the higher
- 18 costs of care.