

1 **Discussion, Consideration and Possible Action Regarding Local Workforce Development Area**  
2 **Performance Expectations for Board Contract Year 2022**

3 **Introduction**

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

- 8 1) The Commission approves Board Child Care Fund (CCF) and Child Care Match (CCM) allocations developed by  
9 TWC Finance – For this year, the Commission approved base allocations of \$823.6M and supplemental  
10 allocations of \$87M. In addition, Dallas had previously moved \$2.8M in BCY19 allocation funds forward to  
11 BCY22. That is \$913.4M in total allocations for BCY22.
- 12 2) 2% of Board Allocations are reserved for Quality Activities as required by Texas Education Code 2308.317(c).  
13 For BCY22, that totals \$18.3M and leaves \$895.2M available to be spent on subsidized childcare (Direct Care  
14 Costs) and administrative and operational costs (Admin/Ops Costs)<sup>1</sup>.
- 15 3) In addition, 25 Boards moved \$67.2M in BCY21 CCF funding forward to BCY22 and North Central had  
16 previously moved \$1.5M in BCY19 CCF funding forward to BCY22. Because this funding was all from the CCF  
17 contracts and the 2% CC Quality funding was retained in the original contract years, this adds another  
18 \$68.7M in funding to be “distributed to target” based on Direct Care and Admin/Ops modeling assumptions.  
19 This brings the total available to Operate the Subsidized Childcare Program to \$963.8M.
- 20 4) Admin/Ops data reported by local Boards in the prior year end cost survey are analyzed and a model is built  
21 to determine how much of the amount should be considered “Semi-Fixed” costs (essentially base costs of  
22 operating the program that might increase over time with inflation but which should generally not scale with  
23 changes in allocations or other available funding). These Presumed Semi-Fixed Admin/Ops Costs are  
24 subtracted from the Amount Available to Operate the Subsidized Childcare Program (from Step 3) and the  
25 remainder is presumed to be the Amount Available to pay for Direct Care and Variable Admin/Ops Costs  
26 associated with care. For BCY22, we assume Semi-Fixed Costs of \$35M which leaves \$928.8M for Variable  
27 and Direct Care Costs.
- 28 5) We develop a presumed Variable Admin/Ops Cost per Kid per Day by analyzing Admin/Ops data reported by  
29 local Boards deemed to be associated with Variable Costs and dividing by the amount of care purchased and  
30 then projecting for BCY22 (which we put at \$1.57 per unit).
- 31 6) Board casemixes are estimated based on recent trends and projections.
  - 32 a. Casemixes are estimated for each type of care:
    - 33 i. Mandatory Care (Choices, Ex-General Protection, Other Mandatory Care) (12.5K)
    - 34 ii. Discretionary (other low income, At Risk/Transitional family) Care
  - 35 b. Each Board casemix requires estimating 165 combinations of
    - 36 i. Provider Type (Licensed CC Center, Licensed CC Home, Registered CC Home, & Relative Care);
    - 37 ii. Certification Type (Regular, TRS, or Texas School Ready);
    - 38 iii. Age of Child (infant, toddler, preschool, school age); and
    - 39 iv. Duration (full-time, part-time, blended).
- 40 7) Average Direct Care Costs per Unit are estimated based on the Maximum Reimbursement Rates and recent  
41 Parent Share of Cost (PSOC) trends so that we end up with a projected:
  - 42 a. Average Direct Care Cost per Kid per Day for Mandatory Care (\$33.15); and
  - 43 b. Average Direct Care Cost per Kid per Day for Discretionary Care (\$28.29).
- 44 8) Total Amount Needed for Mandatory Care is estimated by multiplying the Projected Mandatory Kids per Day  
45 (from Step 6a) by the Projected Total Mandatory Cost per Day [the sum of the Projected Mandatory Cost per

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<sup>1</sup> Boards are also permitted to spend CCF money on quality efforts as long as they meet their targets.

- 1 Day (from step 7a) and the Presumed Variable Admin/Ops Cost per Kid per Day (from step 5)] and then again  
2 by 262 childcare days (\$118.3M).
- 3 9) Total Amount Available for Discretionary Care is determined by subtracting Total Amount Needed for  
4 Mandatory Care (from step 8) from the Amount Available to pay for Direct Care and Variable Admin/Ops  
5 (from step 4) (\$928.8M – \$118.3M = \$810.5M).
- 6 10) Affordable Number of Discretionary Kids per Day is calculated by dividing the Total Amount Available for  
7 Discretionary Care (from step 9) by the Projected Total Discretionary Cost per Day [the sum of the Projected  
8 Discretionary Cost per Day (from Step 7b) and the Presumed Variable Admin/Ops Cost per Day (from step 5)]  
9 and then again by 262 childcare days (104K).
- 10 11) The Total Target is the sum of the Projected Mandatory Kids per Day (step 6a) and the Affordable Number of  
11 Discretionary Kids per Day (Step 10) (116,637).

12 The remainder of this document lays out key challenges/assumptions with the above-described methodology for  
13 BCY22 Child Care Target Setting and the shows the data used to set specific Board target recommendations.

#### 14 **Additional Details regarding BCY22 Child Care Target Setting**

15 **Admin/Ops:** In BCY19 TWC moved to a new model whereby Administrative, Information System, and Operational  
16 (Admin/IS/Ops or just Admin/Ops) cost assumptions had two components: 1) semi-fixed costs to operate a program  
17 (e.g. infrastructure, program oversight) which generally stay stable as the service volume scales and variable costs  
18 (e.g. contractor operations staff) that rise and fall based on service volume. Staff continued this approach in BCY20  
19 and BCY21 and is using it again in BCY22. The model examines BCY20 Admin/Ops costs and service levels to establish  
20 presumed numbers from BCY20 and an “inflation factor” of 5% to set numbers of BCY22. The following outlines the  
21 basic approach to developing the Admin/Ops model for BCY22:

##### 22 • **Presumed Semi-Fixed Costs**

- 23 ○ One change from prior years is that we simplified what we considered semi-fixed costs (anything but  
24 contractor salary/benefits, contractor material, and contractor indirect/profit).
- 25 ○ The second change involved how we established the Presumed Semi-Fixed Cost. In prior years, we  
26 created a statewide presumed semi-fixed cost percentage to try to avoid inconsistencies in the way  
27 Boards reported Admin/Ops costs in the annual cost survey. For BCY22, we established a more  
28 nuanced method to normalize numbers in a manner which was more consistent with each Board’s  
29 individual expenditures. The method still allowed us to account for inconsistencies but also to adjust  
30 outliers by pushing them halfway between where they were and where we expected them to be.  
31 This is largely what we did for Variable Admin/Ops in prior years.
- 32 ○ We then increased that amount by the inflation factor (5%).

##### 33 • **Presumed Variable Admin/Ops Costs**

- 34 ○ We subtracted the amount of BCY20 money that was presumed to be Semi-Fixed Admin/Ops costs  
35 from the Total Admin/Ops reported for the year to determine how much of the Admin/Ops should  
36 be presumed to be Variable Admin/Ops and divided that by the number of units of care purchased in  
37 BCY20 to establish the BCY20 presumed Variable Admin/Ops Cost per Unit.
- 38 ○ Once again, we normalized the numbers and adjusted outliers by setting them halfway between  
39 where they were and where we expected them to be – this is largely the same as what we did in  
40 prior years.
- 41 ○ We then increased that amount by the inflation factor (5%).

42 **Commission Request:** Staff seek Commission approval to apply the above-described childcare target setting  
43 methodology and assumptions to set the BCY22 and Service Industry Recovery Child Care Targets for Local Workforce  
44 Development Boards. The Board by Board details and resulting targets are shown on pages 3-5.

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**Determination of Amounts Available for to Operate the Subsidized Childcare Program**

Board Name	#	BCY22 Total Allocation <sup>1</sup>	BCY2022 2% Quality Allocation	BCY22 Program Allocation	CCF Modification from BCY19 <sup>2</sup>	BCY21 CCF Moved to BCY22 CCF <sup>2</sup>	BCY22 Amount Available to Operate the Subsidized CC Program	Semi-Fixed Admin/Ops	Available for Direct Care & Variable Admin/Ops
Panhandle	1	\$14,083,576	\$281,672	\$13,801,904		\$791,196	\$14,593,100	\$921,618	\$13,671,482
South Plains	2	\$14,168,706	\$283,375	\$13,885,331		\$1,076,254	\$14,961,585	\$507,386	\$14,454,199
North Texas	3	\$6,484,106	\$129,683	\$6,354,423		\$584,969	\$6,939,392	\$310,869	\$6,628,523
North Central	4	\$60,846,267	\$1,216,926	\$59,629,341	\$1,532,195	\$7,531,195	\$67,161,536	\$4,285,474	\$62,876,062
Tarrant County	5	\$60,914,326	\$1,218,287	\$59,696,039		\$14,691,024	\$74,387,063	\$2,611,412	\$71,775,651
Dallas County	6	\$102,727,405	\$2,054,549	\$100,672,856		\$12,500,000	\$113,172,856	\$1,724,555	\$111,448,301
North East	7	\$9,330,661	\$186,614	\$9,144,047		\$186,900	\$9,330,947	\$564,895	\$8,766,052
East Texas	8	\$26,956,046	\$539,121	\$26,416,925		\$2,531,578	\$28,948,503	\$1,536,508	\$27,411,995
West Central	9	\$9,550,921	\$191,019	\$9,359,902		\$150,536	\$9,510,438	\$558,216	\$8,952,222
Borderplex	10	\$35,849,616	\$716,993	\$35,132,623		\$7,000,000	\$42,132,623	\$1,703,879	\$40,428,744
Permian Basin	11	\$14,536,603	\$290,733	\$14,245,870		\$2,370,000	\$16,615,870	\$840,630	\$15,775,240
Concho Valley	12	\$4,101,772	\$82,036	\$4,019,736		\$503,798	\$4,523,534	\$165,500	\$4,358,034
Heart of Texas	13	\$12,513,694	\$250,274	\$12,263,420		\$1,500,000	\$13,763,420	\$809,275	\$12,954,145
Capital Area	14	\$31,110,542	\$622,211	\$30,488,331		\$900,000	\$31,388,331	\$2,253,841	\$29,134,490
Rural Capital	15	\$22,302,620	\$446,053	\$21,856,567		\$0	\$21,856,567	\$1,081,223	\$20,775,344
Brazos Valley	16	\$10,304,470	\$206,090	\$10,098,380		\$90,000	\$10,188,380	\$878,360	\$9,310,020
Deep East	17	\$12,861,706	\$257,235	\$12,604,471		\$474,085	\$13,078,556	\$345,612	\$12,732,944
Southeast	18	\$12,294,452	\$245,890	\$12,048,562		\$605,000	\$12,653,562	\$553,964	\$12,099,598
Golden Crescent	19	\$6,028,975	\$120,580	\$5,908,395		\$400,000	\$6,308,395	\$377,688	\$5,930,707
Alamo	20	\$81,157,548	\$1,623,151	\$79,534,397		\$0	\$79,534,397	\$2,243,446	\$77,290,951
South Texas	21	\$16,006,240	\$320,125	\$15,686,115		\$1,500,000	\$17,186,115	\$943,968	\$16,242,147
Coastal Bend	22	\$20,295,949	\$405,919	\$19,890,030		\$403,632	\$20,293,662	\$1,518,262	\$18,775,400
Lower Rio	23	\$52,436,960	\$1,048,740	\$51,388,220		\$1,883,102	\$53,271,322	\$1,603,247	\$51,668,075
Cameron	24	\$22,328,718	\$446,575	\$21,882,143		\$1,407,536	\$23,289,679	\$793,791	\$22,495,888
Texoma	25	\$5,874,842	\$117,497	\$5,757,345		\$0	\$5,757,345	\$297,072	\$5,460,273
Central Texas	26	\$16,773,435	\$335,469	\$16,437,966		\$2,000,000	\$18,437,966	\$1,083,737	\$17,354,229
Middle Rio	27	\$7,765,490	\$155,310	\$7,610,180		\$220,838	\$7,831,018	\$652,679	\$7,178,339
Gulf Coast	28	\$223,815,939	\$4,476,319	\$219,339,620		\$7,380,722	\$226,720,342	\$3,863,890	\$222,856,452
<b>Sum of Boards</b>	<b>99</b>	<b>\$913,421,585</b>	<b>\$18,268,446</b>	<b>\$895,153,139</b>	<b>\$1,532,195</b>	<b>\$67,151,170</b>	<b>\$963,836,504</b>	<b>\$35,030,997</b>	<b>\$928,805,507</b>

1 – Includes base BCY22 allocations totaling \$823.6M, Supplemental Allocations totaling \$87M, & \$2.8M in CCF and CCQ Dallas moved from BCY19 to BCY22.

2 – North Central moved \$1.5M in CCF from BCY19 to BCY22 and 25 Boards moved \$67.15M in CCF from BCY21 to BCY22.

**Distributing Funding to BCY22 Targets**

<b>Board Name</b>	<b>#</b>	<b>Variable Admin/Ops per Unit</b>	<b>Average Direct Care Cost per Day: Mandatory</b>	<b>Average Direct Care Cost Per Day: Discretionary</b>	<b>Projected Mandatory Kids per Day</b>	<b>Total Cost of Projected Mandatory Kids</b>	<b>Available for Discretionary Care</b>	<b>Affordable Discretionary Kids per Day</b>	<b>Total BCY22 Target</b>
Panhandle	1	\$2.01	\$30.83	\$26.16	120	\$1,032,300	\$12,639,182	1,713	1,833
South Plains	2	\$1.59	\$29.19	\$24.45	330	\$2,661,770	\$11,792,429	1,728	2,058
North Texas	3	\$1.97	\$26.76	\$22.14	130	\$978,536	\$5,649,987	894	1,024
North Central	4	\$1.88	\$37.79	\$31.32	752	\$7,816,743	\$55,059,319	6,329	7,081
Tarrant County	5	\$1.92	\$40.53	\$34.83	1,238	\$13,769,198	\$58,006,453	6,023	7,261
Dallas County	6	\$1.12	\$37.29	\$31.52	1,803	\$18,143,281	\$93,305,020	10,911	12,714
North East	7	\$1.34	\$25.43	\$21.85	151	\$1,058,953	\$7,707,099	1,269	1,420
East Texas	8	\$2.05	\$25.89	\$21.62	285	\$2,085,866	\$25,326,129	4,085	4,370
West Central	9	\$2.27	\$25.62	\$21.93	95	\$694,089	\$8,258,133	1,302	1,397
Borderplex	10	\$1.29	\$25.84	\$21.35	503	\$3,575,960	\$36,852,784	6,211	6,714
Permian Basin	11	\$1.84	\$30.17	\$26.81	80	\$670,984	\$15,104,256	2,012	2,092
Concho Valley	12	\$1.51	\$23.77	\$19.91	40	\$264,889	\$4,093,145	729	769
Heart of Texas	13	\$1.38	\$26.90	\$22.56	185	\$1,370,987	\$11,583,158	1,847	2,032
Capital Area	14	\$2.40	\$46.88	\$41.85	358	\$4,622,571	\$24,511,919	2,115	2,473
Rural Capital	15	\$2.95	\$38.76	\$32.78	266	\$2,906,505	\$17,868,839	1,909	2,175
Brazos Valley	16	\$2.55	\$33.05	\$28.94	105	\$979,414	\$8,330,606	1,010	1,115
Deep East	17	\$1.80	\$28.51	\$23.99	95	\$754,471	\$11,978,473	1,772	1,867
Southeast	18	\$1.47	\$27.53	\$24.61	166	\$1,261,215	\$10,838,383	1,587	1,753
Golden Crescent	19	\$1.72	\$25.91	\$21.92	56	\$405,423	\$5,525,284	892	948
Alamo	20	\$1.55	\$34.80	\$30.89	1,352	\$12,877,478	\$64,413,473	7,579	8,931
South Texas	21	\$1.64	\$27.19	\$22.59	100	\$755,140	\$15,487,007	2,440	2,540
Coastal Bend	22	\$1.76	\$31.27	\$26.57	240	\$2,077,295	\$16,698,105	2,249	2,489
Lower Rio	23	\$1.25	\$27.67	\$23.64	301	\$2,280,888	\$49,387,187	7,575	7,876
Cameron	24	\$1.07	\$27.78	\$24.28	276	\$2,086,153	\$20,409,735	3,073	3,349
Texoma	25	\$1.21	\$26.61	\$22.85	94	\$685,130	\$4,775,143	758	852
Central Texas	26	\$1.68	\$25.89	\$20.88	411	\$2,968,358	\$14,385,871	2,434	2,845
Middle Rio	27	\$1.16	\$24.14	\$19.76	49	\$324,858	\$6,853,481	1,250	1,299
Gulf Coast	28	\$1.42	\$36.78	\$31.51	2,918	\$29,209,966	\$193,646,486	22,442	25,360
<b>Sum of Boards</b>	<b>99</b>	<b>\$1.57</b>	<b>\$33.15</b>	<b>\$28.29</b>	<b>12,499</b>	<b>\$118,318,422</b>	<b>\$810,487,085</b>	<b>104,138</b>	<b>116,637</b>

### Service Industry Recovery (SIR) Targets

Board Name	#	SIR Allocation	Semi-Fixed Admin/Ops	Available for Direct Care and Variable Admin/Ops	Variable Admin/Ops	Projected Avg DC Cost: Mandatory	SIR Target
Panhandle	1	\$7,864,473	NA	\$7,864,473	\$2.01	\$30.83	914
South Plains	2	\$7,848,596	NA	\$7,848,596	\$1.59	\$29.19	973
North Texas	3	\$3,595,981	NA	\$3,595,981	\$1.97	\$26.76	478
North Central	4	\$33,512,478	NA	\$33,512,478	\$1.88	\$37.79	3,224
Tarrant County	5	\$34,055,543	NA	\$34,055,543	\$1.92	\$40.53	3,062
Dallas County	6	\$55,146,077	NA	\$55,146,077	\$1.12	\$37.29	5,480
North East	7	\$5,244,432	NA	\$5,244,432	\$1.34	\$25.43	748
East Texas	8	\$14,726,176	NA	\$14,726,176	\$2.05	\$25.89	2,012
West Central	9	\$5,369,447	NA	\$5,369,447	\$2.27	\$25.62	735
Borderplex	10	\$19,447,957	NA	\$19,447,957	\$1.29	\$25.84	2,736
Permian Basin	11	\$7,761,393	NA	\$7,761,393	\$1.84	\$30.17	925
Concho Valley	12	\$2,272,433	NA	\$2,272,433	\$1.51	\$23.77	343
Heart of Texas	13	\$6,799,971	NA	\$6,799,971	\$1.38	\$26.90	918
Capital Area	14	\$17,288,916	NA	\$17,288,916	\$2.40	\$46.88	1,339
Rural Capital	15	\$12,086,935	NA	\$12,086,935	\$2.95	\$38.76	1,106
Brazos Valley	16	\$5,628,949	NA	\$5,628,949	\$2.55	\$33.05	603
Deep East	17	\$6,980,264	NA	\$6,980,264	\$1.80	\$28.51	879
Southeast	18	\$6,867,451	NA	\$6,867,451	\$1.47	\$27.53	904
Golden Crescent	19	\$3,342,207	NA	\$3,342,207	\$1.72	\$25.91	462
Alamo	20	\$43,797,123	NA	\$43,797,123	\$1.55	\$34.80	4,598
South Texas	21	\$9,079,677	NA	\$9,079,677	\$1.64	\$27.19	1,202
Coastal Bend	22	\$10,885,330	NA	\$10,885,330	\$1.76	\$31.27	1,258
Lower Rio	23	\$29,207,177	NA	\$29,207,177	\$1.25	\$27.67	3,854
Cameron	24	\$12,424,359	NA	\$12,424,359	\$1.07	\$27.78	1,644
Texoma	25	\$3,243,822	NA	\$3,243,822	\$1.21	\$26.61	445
Central Texas	26	\$8,945,804	NA	\$8,945,804	\$1.68	\$25.89	1,239
Middle Rio	27	\$4,210,492	NA	\$4,210,492	\$1.16	\$24.14	635
Gulf Coast	28	\$122,366,537	NA	\$122,366,537	\$1.42	\$36.78	12,224
<b>Sum of Boards</b>	<b>99</b>	<b>\$500,000,000</b>	<b>NA</b>	<b>\$500,000,000</b>	<b>\$1.58</b>	<b>\$33.16</b>	<b>54,940</b>