

1 **Discussion, Consideration and Possible Action on Board Contract Year 2020 Child Care Performance**
2 **Expectations**

3 **Introduction** – The Commission initially approved BCY20 Child Care targets on September 24, 2019 based on BCY20
4 allocations. At that time, staff indicated that there would be a sizable balance of unspent BCY19 funds going into
5 BCY20 once the BCY19 yearend reporting occurred in late October. This proved to be the case with staff estimating
6 that roughly \$68M of BCY19 funds were unspent (largely because of unspent BCY18 balances and the challenge of
7 ramping up from ~100K to ~130K kids per day in care).

8 Also in the interim between September 2019 and now, staff worked on a method of making reasonable projections
9 of available costs and funds out several years in order to help the Boards manage the program by having a greater
10 sense of where their funding, costs, and affordable service levels would go over time rather than spending the
11 latter part of each contract year with uncertainty about what might come.

12 TWC Finance developed a budget that called for spending down the agency’s unallocated reserve balances over the
13 next 4 years and Operational Insight developed a set of very preliminary projections thru BCY23 based on TWC
14 Finance’s initial budget protections and assuming administration/operational costs would grow at 2% year and
15 Reimbursement Rates would increase by 3% per year.

16 Armed with these budget and cost projections we set out several goals on how to address spending down
17 carryforward funds:

- 18 1) We wanted to support more kids in care.
- 19 2) We didn’t want Boards with significant one-time balances to have to rapidly ramp way up, spend all their
20 excess funding in one year, and then rapidly ramp down into the next year – as it is, with costs presumed to
21 go up, we would be able to support fewer kids per day even if funding remains flat.
- 22 3) We wanted to develop a mechanism to help Boards transition from one year to the next (whether up or
23 down) – which we did by presuming that a certain amount of funding may go unspent from one year to the
24 next and that this should be considered “normal” if it falls within a certain range (which we set at 13 days’
25 worth of cost, i.e. 5% - which was roughly \$36.6M).
- 26 4) We wanted to work with Boards to negotiate spending plans (and thus targets) across several years to
27 create smoother transitions in caseloads/care.

28 **BCY20 Performance Expectations** – We will be going back to the pre-BCY19 methodology of determining whether a
29 given was “meeting” their performance expectations or not using the entire performance period rather than
30 discrete months that were necessary during the long ramp-up in enrollment in BCY19. <95% of target will be
31 considered “-P”, >=105% will be considered “+P”, and performance in between will be considered “MP.” DOI will
32 use the lower of the original or final target for measuring Board performance until the February MPR.

33 As to individual targets, as noted, the Commission approved the BCY20 target setting methodology for BCY20
34 childcare allocations on September 24, 2019. Staff used the exact same methodology and set of cost assumptions
35 (Discretionary Case Mix, Parent’s Share of Cost, and Variable Admin/Ops costs) to set final targets including
36 consideration of:

- 37 1) \$35M in supplemental allocations the Commission added to BCY20 allocations;
- 38 2) \$12.4M in remaining carryforward after accounting for the \$36.6M buffer and Commission approved Board
39 requests to transfer the remaining carryforward funds to BCY21 or beyond to allow an increased but more
40 stable caseload; and
- 41 3) The \$10.8M funding adjustment to the North Central Texas and Dallas boards.

42 Boards will be held responsible for meeting the combined targets that account for all these funds/allocation
43 actions. Pages 2 & 3 provided Board-level details on BCY20 targets and cost assumptions.

44 **Commission Request** – Staff request the Commission approve staff recommendations regarding BCY20 childcare
45 performance expectations as detailed above.

BCY20 Targets - Determination of Funds Available for BCY20 Target Setting

Board Name	#	Base BCY20 Allocation	BCY19 Money Moved to BCY20 on 9/24/19	Supplemental Allocation	Total Allocation	2% Quality	nonQ BCY20 Allocation	Unspent BCY19 CCF	BCY20 Buffer (13 days worth of cost) ****	BCY19 Carryforward Amounts	Amounts to Move Forward to BCY21*	Remaining BCY19 Carryforward to Allocate to BCY20 Targets	Additional Funding Changes impacting BCY20	Total Available for BCY20 Target Setting
Panhandle	1	\$11,554,394		\$569,698	\$12,124,092	\$242,482	\$11,881,610	\$1,466,282	\$567,813	\$898,468	-\$681,360	\$217,108		\$12,098,718
South Plains	2	\$11,184,239		\$549,874	\$11,734,113	\$234,683	\$11,499,430	\$1,686,585	\$552,810	\$1,133,775	-\$667,962	\$465,813		\$11,965,243
North Texas	3	\$5,121,865		\$252,982	\$5,374,847	\$107,497	\$5,267,350	\$885,683	\$249,968	\$635,715	-\$530,353	\$105,362		\$5,372,712
North Central **	4	\$48,954,223	\$3,360,000	\$1,862,774	\$54,176,997	\$1,083,540	\$53,093,457	\$6,492,152	\$2,559,957	\$3,932,195	-\$1,532,195	\$0	-\$3,360,000	\$49,733,457
Tarrant County	5	\$49,570,639		\$2,337,840	\$51,908,479	\$1,038,170	\$50,870,309	\$8,447,945	\$2,460,828	\$5,987,117	-\$5,457,018	\$530,099		\$51,400,408
Dallas County ***	6	\$79,004,946	\$12,000,000	\$4,144,956	\$95,149,902	\$1,902,999	\$93,246,903	\$4,475,626	\$4,692,269	\$0	\$0	\$0	\$2,500,000	\$95,746,903
North East	7	\$7,586,522		\$393,172	\$7,979,694	\$159,594	\$7,820,100	\$336,995	\$374,949	\$0	\$0	\$0		\$7,820,100
East Texas	8	\$21,111,992		\$1,061,537	\$22,173,529	\$443,471	\$21,730,058	\$3,606,705	\$1,047,501	\$2,559,204	-\$2,276,727	\$282,477		\$22,012,535
West Central	9	\$7,617,013		\$370,878	\$7,987,891	\$159,758	\$7,828,133	\$1,624,556	\$372,166	\$1,252,390	-\$827,668	\$424,722		\$8,252,855
Borderplex	10	\$27,259,843		\$1,429,117	\$28,688,960	\$573,780	\$28,115,180	\$3,276,615	\$1,352,995	\$1,923,620	-\$1,300,964	\$622,656		\$28,737,836
Permian Basin	11	\$11,281,757		\$489,284	\$11,771,041	\$235,421	\$11,535,620	\$2,191,527	\$552,932	\$1,638,596	-\$1,547,181	\$91,415		\$11,627,035
Concho Valley	12	\$3,227,885		\$141,651	\$3,369,536	\$67,391	\$3,302,145	\$593,477	\$156,692	\$436,785	-\$299,478	\$137,307		\$3,439,452
Heart of Texas	13	\$9,705,432		\$497,043	\$10,202,475	\$204,050	\$9,998,425	\$1,611,374	\$476,529	\$1,134,845	-\$892,268	\$242,577		\$10,241,002
Capital Area	14	\$24,320,342		\$1,130,987	\$25,451,329	\$509,027	\$24,942,302	\$4,444,604	\$1,186,065	\$3,258,539	-\$1,422,401	\$1,836,138		\$26,778,440
Rural Capital	15	\$17,461,267		\$675,732	\$18,136,999	\$362,740	\$17,774,259	\$1,336,338	\$837,415	\$498,923	\$0	\$498,923		\$18,273,182
Brazos Valley	16	\$8,090,836		\$388,978	\$8,479,814	\$169,597	\$8,310,217	\$728,095	\$393,572	\$334,523	-\$235,482	\$99,041		\$8,409,258
Deep East	17	\$10,050,037		\$522,738	\$10,572,775	\$211,456	\$10,361,319	\$982,729	\$497,952	\$484,777	-\$485,224	-\$447		\$10,360,872
Southeast	18	\$10,021,722		\$495,356	\$10,517,078	\$210,342	\$10,306,736	\$682,960	\$493,536	\$189,424	\$0	\$189,424		\$10,496,160
Golden Crescent	19	\$4,817,573		\$234,620	\$5,052,193	\$101,044	\$4,951,149	\$1,120,947	\$235,790	\$885,157	-\$739,662	\$145,495		\$5,096,644
Alamo	20	\$62,708,843		\$3,028,686	\$65,737,529	\$1,314,751	\$64,422,778	\$5,523,271	\$3,116,593	\$2,406,677	\$0	\$2,406,677		\$66,829,455
South Texas	21	\$13,307,382		\$743,407	\$14,050,789	\$281,016	\$13,769,773	\$2,228,622	\$665,290	\$1,563,333	-\$1,563,995	-\$662		\$13,769,111
Coastal Bend	22	\$15,567,489		\$781,098	\$16,348,587	\$326,972	\$16,021,615	\$1,692,703	\$769,258	\$923,445	\$0	\$923,445		\$16,945,060
Lower Rio	23	\$42,495,730		\$2,384,210	\$44,879,940	\$897,599	\$43,982,341	\$5,717,893	\$2,134,392	\$3,583,501	-\$1,749,067	\$1,834,434		\$45,816,775
Cameron	24	\$17,694,953		\$990,117	\$18,685,070	\$373,702	\$18,311,368	\$1,591,320	\$884,047	\$707,273	\$0	\$707,273		\$19,018,641
Texoma	25	\$4,708,554		\$230,828	\$4,939,382	\$98,788	\$4,840,594	\$179,695	\$233,473	\$0	\$0	\$0		\$4,840,594
Central Texas	26	\$12,660,304		\$607,584	\$13,267,888	\$265,358	\$13,002,530	\$1,224,173	\$615,509	\$608,664	-\$33,254	\$575,410		\$13,577,940
Middle Rio	27	\$5,988,565		\$320,233	\$6,308,798	\$126,176	\$6,182,622	\$924,771	\$295,873	\$628,898	-\$573,734	\$55,164		\$6,237,786
Gulf Coast	28	\$176,227,521		\$8,364,620	\$184,592,141	\$3,691,843	\$180,900,298	\$3,093,432	\$8,816,816	\$0	\$0	\$0		\$180,900,298
Sum of Boards	99	\$719,301,868	\$15,360,000	\$35,000,000	\$769,661,868	\$15,393,247	\$754,268,621	\$68,167,076	\$36,592,990	\$37,605,844	-\$22,815,993	\$12,389,852	-\$860,000	\$765,798,473

*North Central Texas (NCT) is moving \$1.5M to BCY22, not BCY21

**In Sept 2019, NCT had moved \$3.36M of BCY19 funding to BCY20 and \$5.04M to BCY21. NCT is now voluntarily deobligating these amounts along with \$2.4M of their remaining \$3.9M BCY19 Carryforward.

These actions by NCT are to ensure they rightsize the program to provide for a more sustainable caseload while continuing to support the regional economy, particularly CC providers and low income families

*** Dallas will receive \$2.5M in BCY20, \$5.5M in BCY21, and \$2.8M in BCY22.

**** The BCY20 Buffer column shows the theoretical buffer. Some Boards (Dallas, North East, Texoma, Gulf Coast) do not have sufficient unspent BCY19 to fully "fund" their theoretical buffer

BCY20 Targets Calculation

Board Name	#	Total Available for BCY20 Target Setting	Semi-Fixed Admin/Ops Set Aside	Available for Direct Care and Variable Admin/Ops	Admin/Ops per Unit (Variable Admin/Ops)	Projected Avg Direct Care Cost: Mandatory	Projected Avg Reimbursement Rate: Discretionary	Presumed PSOC	Projected Avg Direct Care Cost: Discretionary	Projected Mandatory Kids Per Day	Total Cost of Projected Mandatory Kids	Available for Discretionary Care	Discretionary Target	Final BCY20 Combined Target
Panhandle	1	\$12,098,718	\$438,009	\$11,660,709	\$2.04	\$21.10	\$20.76	\$3.92	\$16.84	137	\$830,735	\$10,829,974	2,190	2,327
South Plains	2	\$11,965,243	\$359,106	\$11,606,137	\$1.59	\$19.83	\$19.31	\$3.27	\$16.03	215	\$1,206,446	\$10,399,691	2,253	2,468
North Texas	3	\$5,372,712	\$230,353	\$5,142,359	\$2.58	\$19.47	\$19.06	\$4.12	\$14.94	156	\$901,458	\$4,240,900	924	1,080
North Central	4	\$49,733,457	\$1,826,192	\$47,907,265	\$2.67	\$26.17	\$25.43	\$4.85	\$20.57	971	\$7,338,134	\$40,569,131	6,662	7,633
Tarrant County	5	\$51,400,408	\$1,277,083	\$50,123,325	\$2.13	\$28.97	\$27.40	\$4.77	\$22.64	1,383	\$11,269,417	\$38,853,909	5,988	7,371
Dallas County	6	\$95,746,903	\$1,181,974	\$94,564,929	\$1.24	\$25.56	\$24.14	\$4.32	\$19.82	2,609	\$18,316,669	\$76,248,260	13,818	16,427
North East	7	\$7,820,100	\$263,227	\$7,556,873	\$1.81	\$19.65	\$18.79	\$2.97	\$15.82	125	\$702,632	\$6,854,241	1,484	1,609
East Texas	8	\$22,012,535	\$616,822	\$21,395,713	\$2.10	\$20.54	\$20.12	\$3.90	\$16.22	417	\$2,473,337	\$18,922,376	3,942	4,359
West Central	9	\$8,252,855	\$329,321	\$7,923,534	\$1.95	\$18.67	\$18.89	\$3.39	\$15.50	86	\$464,593	\$7,458,941	1,632	1,718
Borderplex	10	\$28,737,836	\$845,506	\$27,892,330	\$1.75	\$18.70	\$18.26	\$3.25	\$15.02	427	\$2,287,472	\$25,604,858	5,829	6,256
Permian Basin	11	\$11,627,035	\$390,381	\$11,236,654	\$2.48	\$21.64	\$20.83	\$2.72	\$18.10	60	\$379,108	\$10,857,545	2,013	2,073
Concho Valley	12	\$3,439,452	\$155,039	\$3,284,413	\$2.28	\$18.60	\$19.09	\$4.46	\$14.63	102	\$557,987	\$2,726,425	616	718
Heart of Texas	13	\$10,241,002	\$395,478	\$9,845,524	\$1.69	\$19.39	\$18.74	\$3.57	\$15.17	238	\$1,314,855	\$8,530,669	1,931	2,169
Capital Area	14	\$26,778,440	\$1,089,727	\$25,688,713	\$3.23	\$32.69	\$30.57	\$4.23	\$26.34	356	\$3,349,867	\$22,338,846	2,883	3,239
Rural Capital	15	\$18,273,182	\$996,653	\$17,276,529	\$2.34	\$27.42	\$25.84	\$4.81	\$21.03	337	\$2,627,743	\$14,648,786	2,393	2,730
Brazos Valley	16	\$8,409,258	\$380,236	\$8,029,022	\$3.06	\$24.38	\$23.84	\$3.20	\$20.64	136	\$977,610	\$7,051,411	1,136	1,272
Deep East	17	\$10,360,872	\$326,483	\$10,034,389	\$1.87	\$19.70	\$18.32	\$2.99	\$15.33	151	\$853,172	\$9,181,217	2,038	2,189
Southeast	18	\$10,496,160	\$359,808	\$10,136,352	\$1.63	\$19.57	\$18.56	\$1.92	\$16.64	147	\$816,512	\$9,319,840	1,947	2,094
Golden Crescent	19	\$5,096,644	\$197,230	\$4,899,414	\$2.44	\$20.72	\$19.50	\$3.42	\$16.08	83	\$503,596	\$4,395,819	906	989
Alamo	20	\$66,829,455	\$1,609,543	\$65,219,912	\$1.40	\$26.00	\$24.57	\$3.01	\$21.57	1,923	\$13,804,057	\$51,415,855	8,546	10,469
South Texas	21	\$13,769,111	\$363,167	\$13,405,944	\$1.28	\$20.07	\$19.43	\$3.74	\$15.69	132	\$738,468	\$12,667,476	2,849	2,981
Coastal Bend	22	\$16,945,060	\$520,461	\$16,424,599	\$2.22	\$23.34	\$22.56	\$4.07	\$18.48	261	\$1,748,072	\$14,676,527	2,706	2,967
Lower Rio	23	\$45,816,775	\$968,066	\$44,848,709	\$1.34	\$18.21	\$17.80	\$3.77	\$14.03	468	\$2,397,230	\$42,451,478	10,541	11,009
Cameron	24	\$19,018,641	\$495,807	\$18,522,834	\$1.10	\$18.00	\$17.61	\$3.32	\$14.29	312	\$1,561,495	\$16,961,339	4,205	4,517
Texoma	25	\$4,840,594	\$134,529	\$4,706,065	\$1.51	\$21.96	\$21.61	\$3.53	\$18.08	119	\$732,021	\$3,974,044	774	893
Central Texas	26	\$13,577,940	\$597,811	\$12,980,129	\$2.16	\$20.27	\$19.72	\$4.51	\$15.21	553	\$3,250,266	\$9,729,863	2,137	2,690
Middle Rio	27	\$6,237,786	\$218,291	\$6,019,495	\$1.46	\$16.54	\$15.75	\$4.00	\$11.74	105	\$495,035	\$5,524,460	1,597	1,702
Gulf Coast	28	\$180,900,298	\$3,209,956	\$177,690,342	\$1.19	\$26.20	\$24.85	\$4.33	\$20.52	3,771	\$27,058,714	\$150,631,628	26,478	30,249
Sum of Boards	99	\$765,798,473	\$19,776,259	\$746,022,214	\$1.66	\$24.70	\$22.50	\$3.95	\$18.56	15,780	\$108,956,707	\$637,065,507	120,418	136,198