

Mid-Year Review of BCY'25 Child Care Allocations Discussion Paper

1 **Background**

2 The Texas Workforce Commission's (TWC) three-member Commission (Commission)
3 [approved](#) the Board Contract Year 2025 (BCY'25) child care allocations on June 11, 2024 and
4 [approved](#) the BCY'25 performance targets on November 5, 2025. The approved Discussion
5 Paper noted the mid-year review of child care targets that TWC began in BCY'23 and
6 recommended that TWC again conduct a mid-year review of the Local Workforce Development
7 Board's (Board) BCY'25 child care targets in early calendar year 2025.
8

9 As TWC and the Boards implement new requirements for all Child Care Services (CCS)
10 providers to become Texas Rising Star certified, the amount TWC reimburses providers for child
11 care services will increase (based on the Texas Rising Star enhanced reimbursement rates). The
12 mid-year review process allows TWC to analyze more recent data and determine if the
13 assumptions, based on case mix changes, that were used to set BCY'25 targets have changed.
14 For example, as more providers attain Texas Rising Star certification, they are eligible under the
15 Texas Government Code [§2308.3151](#) to receive an enhanced reimbursement rate of 5, 7, or 9
16 percent based on a 2-Star, 3-Star or 4-Star certification level. As a result, the overall average
17 cost that TWC pays for child care increases.
18

19 The total approved BCY'25 performance target is 155,116 children (average served per day),
20 based upon the approved allocation of \$1,319,162,553 . TWC staff reviewed updated data to
21 determine if additional funding needs to be allocated to reach the approved target of 155,116.
22

23 **Mid-Year Review Updated Case Mix Analysis:**

24 TWC analyzed updated case-mix information, including age of children served and the provider
25 types selected by parents (including Texas Rising Star certification level). The BCY'25 initially
26 approved targets were based upon a projected average daily cost per unit of \$32.70 (this is the
27 total cost, which includes PSoC). Based upon a review of our actual recent case-mix data, the
28 average daily cost per unit is forecasted to increase to \$33.37. This increase is based solely on
29 changes to the case mix; Board maximum reimbursement rates have not changed. Based upon
30 the mid-year review of case mix changes, 19 Boards will need an additional \$27,220,126 to meet
31 their target (see Attachment 1). The remaining 9 Boards have sufficient funding to meet their
32 original target.
33

34 **Year End Reconciliation to Support Mandatory Texas Rising Star Implementation:**

35 As we did in BCY'24, staff recommends that we conduct an end of year reconciliation to
36 ascertain whether the average cost has increased above our assumptions through the mid-year
37 review process, based on updates to the case mix. We expect the average cost to continue to
38 increase as we implement mandatory Texas Rising Star. Staff recommends that the Commission
39 authorize TWC staff to review updated data throughout the remainder of BCY'25, conduct a
40 year end reconciliation, and distribute funding to Boards whose average daily rate has increased,
41 and who do not have sufficient funding to meet their approved target.

1 **Decision Point**

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

- 3 • distribute an additional \$27,220,126 to 19 Boards, whose case mix changes have resulted
- 4 in an increase to their average cost, and who require additional funding to meet their
- 5 initially approved target ;and
- 6 • authorize staff to conduct a year-end reconciliation as follows:
 - 7 ○ review updated CCS data throughout the remainder of BCY'25;
 - 8 ○ reconcile the actual average cost at the end of the year; and
 - 9 ○ distribute funding to Boards whose average daily rate increases and who do not
 - 10 have sufficient funding to meet their approved target.

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12 See Attachment 1 for Board level details.

BCY'25 Mid-Year Review of Board Child Care Targets and Allocations

	Board Name	BCY25 Base Allocation	Original Target	Additional Distribution Needed for BCY25 Mid-Year Review	Revised BCY25 Total Allocation	Approved Target
1	Panhandle	\$20,576,614	2,653	\$127,179	\$20,703,793	2,653
2	South Plains	\$20,284,137	2,705	\$0	\$20,284,137	2,705
3	North Texas	\$9,244,049	1,272	\$0	\$9,244,049	1,272
4	North Central	\$88,978,222	8,987	\$1,694,417	\$90,672,639.37	8,987
5	Tarrant	\$88,131,380	8,702	\$1,352,403	\$89,483,783.33	8,702
6	Dallas	\$132,666,856	15,248	\$4,776,126	\$137,442,981.62	15,248
7	North East	\$13,039,672	1,899	\$92,937	\$13,132,608.94	1,899
8	East Texas	\$39,314,097	5,783	\$1,052,702	\$40,366,798.65	5,783
9	West Central	\$13,728,766	1,926	\$161,373	\$13,890,138.62	1,926
10	Borderplex	\$52,678,860	8,102	\$587,253	\$53,266,112.62	8,102
11	Permian	\$22,612,014	2,956	\$536,115	\$23,148,128.62	2,956
12	Concho	\$5,773,806	797	\$0	\$5,773,806	797
13	Heart of	\$18,392,219	2,594	\$0	\$18,392,219	2,594
14	Capital Area	\$41,642,973	3,129	\$0	\$41,642,973	3,129
15	Rural Capital	\$33,805,227	3,196	\$1,040,233	\$34,845,459.84	3,196
16	Brazos	\$14,209,024	1,694	\$346,610	\$14,555,633.55	1,694
17	Deep East	\$19,204,819	2,945	\$411,203	\$19,616,022.33	2,945
18	Southeast	\$18,625,344	2,821	\$688,825	\$19,314,168.56	2,821
19	Golden	\$8,321,144	1,318	\$142,207	\$8,463,351.21	1,318
20	Alamo	\$121,144,013	14,335	\$4,840,799	\$125,984,811.88	14,335
21	South Texas	\$20,444,595	2,884	\$287,146	\$20,731,740.79	2,884
22	Coastal Bend	\$29,757,234	3,312	\$303,697	\$30,060,931.39	3,312
23	Lower Rio	\$80,050,476	10,650	\$1,436,450	\$81,486,926.40	10,650
24	Cameron	\$32,448,009	3,622	\$0	\$32,448,009	3,622
25	Texoma	\$8,384,486	1,276	\$0	\$8,384,486	1,276
26	Central Texas	\$26,833,314	3,380	\$0	\$26,833,314	3,380
27	Middle Rio	\$11,028,515	1,383	\$0	\$11,028,515	1,383
28	Gulf Coast	\$327,842,688	35,547	\$7,342,453	\$335,185,141	35,547
		\$1,319,162,553	155,116	\$27,220,126	\$1,346,382,679	155,116