

**Setting Minimum Threshold for Child Care Reimbursement Rates
for Board Contract Year 2024
Discussion Paper**

1 Background

2 Under the federal Child Care Development Fund (CCDF) regulations and program guidance
3 ([§98.45 Equal Access](#), and [CCDF-ACF-PI-2018-04](#)), States are required to ensure equal access
4 to child care services for children served in the Child Care Services (CCS) program. States must
5 consider the most recent Market Rate Survey, as well as data from their “narrow cost analysis”
6 and use this information when setting provider reimbursement rates. The 2023 Cost of
7 Quality/Price Modeling Report is TWC’s narrow cost analysis (the 2023 report focused only on
8 licensed centers; next year’s report will focus on home-based providers).

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

16 The Commission set the minimum threshold for base rates at the 75th percentile of the most
17 recent Market Rate Survey for Board Contract Year 2023 (BCY’23).

18 Issue

19 In BCY’24, TWC must consider how the base payment rates are sufficient for providers to meet
20 health, safety, quality, and staffing minimum requirements, as required by CCDF regulations
21 ([§98.45\(b\)\(3\)](#)). The Cost of Quality Report includes “baseline” rates, which are defined as
22 “prices charged by providers of child care that at a minimum meet state licensing standards.”

23 TWC staff has compared the TWC base payment rate, set at the 75th percentile, against the Cost
24 of Quality cost modeling data for the “baseline” rate at licensed child care centers. There were
25 several Boards whose minimum rate for licensed child care centers should be increased to the
26 “baseline” rate, based upon the results of the narrow cost analysis. Based on preliminary
27 calculations that do not yet take into account modifications to the Parent Share of Cost, this
28 specific change (to consider both the Market Rate Survey and the Cost of Quality narrow cost
29 analysis data) will increase the average monthly reimbursement rate to providers by
30 approximately 1.25 percent. The final calculations on the overall increase to the cost of child
31 care in BCY’24 are under development, in conjunction with staff’s work on the BCY’24 Board
32 child care performance targets.

33 Decision Point

34 Staff seeks direction on setting the BCY’24 minimum threshold for child care reimbursement
35 rates at the 75th percentile of the recent Market Rate Survey, unless the Cost of Quality narrow
36 cost analysis’ “baseline” rate (necessary to meet Child Care Regulation’s basic health, safety
37 quality and staffing minimum requirements) is higher.