



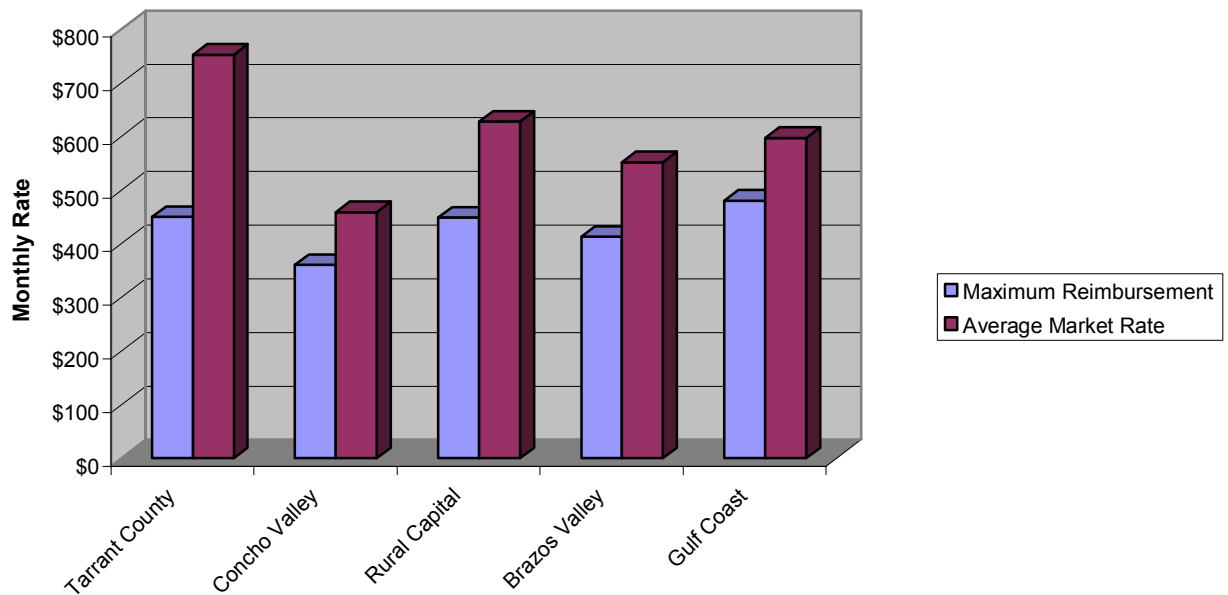
Overview of Reimbursement Rates for Child Care Providers Participating in the Child Care Subsidy Program in Texas

BACKGROUND INFORMATION:

The child care subsidy program, managed by the Texas Workforce Commission (TWC) serves the most at-risk children in Texas and is critical in supporting families making the transition from welfare to work. Unfortunately, due to state level funding decisions mandating higher levels of direct child care services, local workforce development boards have been forced to offer providers reimbursement rates that do not cover the cost of providing services, a condition that the state applies to no other industrial sector. In order to be true to our free market principles, Texas must pay child care providers a fair rate. As recent tragedies highlighted in the media have shown us, child care providers must have the resources necessary to provide safe environments. Understaffed and under resourced child care settings can lead to issues of regulation threatening the safety and well being of our youngest children.

The federal government recommends setting reimbursement rates at the 75th percentile of the local market rate or above to ensure subsidized families have access to quality care options. Currently, Texas does not set a statewide reimbursement rate paid to providers who care for children receiving subsidized child care assistance. Instead, 28 local workforce development boards (Boards) are responsible for setting rates in their respective regions. In establishing local rates, Boards must follow federal and state guidelines, consider the local market rates for child care, meet performance targets set by the Legislature, and work within the funding levels that have been appropriated. One key restriction has been a mandated freeze on raising maximum rates instituted in 2003. Although the Texas Workforce Commission lifted the freeze effective in late 2006, other policies remain in place that leave Boards struggling to meet the state benchmark of setting rates at the 65th percentile of local market rates. Given the restraints under which they must operate, the overwhelming majority of local Boards are forced to pay providers rates that are out-dated, substandard, and insufficient to cover the costs needed to provide safe and sound care for young children.

Reimbursement Versus Market Rate for Infant Care - 2006



Children in Care:

- Half of all regulated child care facilities in Texas provide care for children in the child care subsidy program
- An average of 15,413 infants are served in the child care subsidy program 76% of whom are served in center based care
- An average of 23,027 toddlers are served in the child care subsidy program 80% of whom are served in center based care
- Just under half (45%) of infants and toddlers in Texas are in full time care, spending more than 35 hours a week being cared for by someone other than their parents.

Reimbursement Rates:

- Today, no Board is paying providers of infant or toddler care at the federally recommended 75th percentile of the market rate,
- Due to state level funding decisions, as of September of 2006, 27 of the 28 boards set their maximum rates for infant and toddler care below the 50th percentile.
- As a result of low rates, Texas is shifting more and more of the costs to providing services to parents and providers. As a result:
 - Parents must settle for lower quality care for their children often in informal settings not licensed or regulated by the state, which can be less safe and lack the resources to promote school readiness
 - Providers must choose between investing in high quality—enhanced materials, expanded training, improved facilities—or keeping their doors open.