

# One Voice Texas

## A Collaborative for Health & Human Services



### Early Childhood Education: Texas Child Care Subsidy Program

Position Statement Approved by One Voice Texas: December 13, 2012

#### Issue/Concern:

Child care providers that participate in the Texas Child Care Subsidy Program agree to care for the children of low-income working families at a discounted rate. The rate at which the child care providers are reimbursed is below federal recommendations and has a significant impact on the stability of the system and on the quality of care children receive. The federal government recommends that the state reimburse providers at the 75<sup>th</sup> percentile of the market rate. Among the 28 different Workforce Development areas in Texas, which govern the subsidy program at a local level, none are meeting this recommendation. In fact, in some areas, the maximum reimbursement rate is less than half the recommended rate.

#### Specific Policy Recommendation(s):

- Increase quality incentives
- Create and provide specific definitions of quality
- Provide technical assistance to centers
- Create a state-wide Texas Rising Star Review Work Group.

#### Supporting Facts/Research Resources:

1. Between 2004-2009 the state minimum wage has risen 41%, while the average maximum reimbursement rate has only risen 5.75%. The cost of providing care has risen dramatically, while the reimbursement rate has remained relatively flat. There is a concern over the low subsidy rate discouraging quality providers from participating in the program.
2. The funding for this program is distributed to the Local Workforce Development boards, which determine the reimbursement rates based on the allocations they receive and the performance targets they must reach for number of children served. Though some boards may want to prioritize quality child care in their communities, they are constrained by the performance targets, and feel they are unable to make significant decisions with regards to reimbursement rates or quality programs.
3. In order to incentivize quality child care, Texas Rising Star needs to provide larger reimbursements for quality care. In addition, as the state begins to research the implementation of a QRIS system through the Texas Early Learning Council, Texas Rising Star will be well-positioned to be a key part of a future QRIS system. However, enhanced rates tend to be just a dollar or so above the normal reimbursement rate per child, thus the cost of meeting the quality requirements of these programs tends to overwhelm any incentive to increase quality the enhanced rates might provide.
4. "10 Steps to Reforming the Child Care Subsidy System," *Child Care Subsidy Workgroup of the Texas Early Childhood Education Coalition, September 2009*

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