David Feigen
Director of Early Learning Policy
dfeigen@txchildren.org
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# Inside Texas's $100M Child Care Investment: What Happened, and What Comes Next?

**New Funding Prevented the Loss of Thousands of Child Care Scholarships for Texas Families**

During the 2025 legislative session, Texas lawmakers made a significant $100 million investment in child care scholarships to help working families afford high-quality child care. The funding enabled Texas to avoid slashing the number of families receiving child care scholarships amid skyrocketing child care costs in the state. To meet the demand for child care and support the tens of thousands of families on a waitlist for scholarships, Texas should continue leveraging unexpended TANF funds while exploring further sources of funding.

## Lawmakers Took a Crucial Step to Support Working Families' Access to High-Quality Child Care

Under the leadership of Rep. Armando Walle, working closely with Speaker Dustin Burrows, House Appropriations Chair Greg Bonnen, and Senate Finance Chair Joan Huffman, the Legislature passed a $100 million increase over two years for the state's Child Care Services program, which provides scholarships to working parents to help them afford high-quality child care and go to work.

Approximately 150,000 children receive child care scholarships through the program, run by the Texas Workforce Commission (TWC). Unfortunately, nearly as many children are on the waiting list for child care scholarships[1] — and may remain on that list for months or even years. More funding for these scholarships is essential for the state to serve as many families as possible, supporting the entire Texas economy.

### Legislators, Parents, Providers, and Advocates Worked Together to Secure the $100 Million Investment in Child Care

For years, Texas parents have called and emailed their legislators to describe the anguish of finding affordable child care. Legislators also heard the stories of parents[2] who have benefited from these scholarships, demonstrating that this program can be a game-changer for our economy — if TWC has the funds to support it. Child care program directors and staff urgently warned that the rising costs of keeping their program open have put them constantly on the verge of closure. These directors joined a diverse coalition of supporters, including chambers of commerce, faith leaders, medical organizations, and more, who helped make the case in the final days of the legislative session.[3] Legislators also considered the promising examples of investments in child care scholarships nationwide, including in Republican-led states such as Florida, North Dakota, and Alabama.[4]

By working together with our legislative champions, advocates made the winning case that investing in the Child Care Services program is a research-based, popular, and straightforward way to help families secure high-quality child care for their children and go to work.

## Lawmakers Leveraged Unexpended TANF Funds to Support Child Care Scholarships

Although lawmakers explored using the significant state budget surplus to address the Child Care Services waitlist, they ultimately decided to utilize the substantial unspent funds Texas receives from the federal government to support its TANF (Temporary Assistance for Needy Families) program. TANF is a federally funded, state-run program that provides various supports to working families with children. Under TANF "maintenance of effort" requirements, states must keep spending a minimum amount of state funds on programs that help eligible working families.

The TANF program is designed to address basic needs like child care, food, housing, and utilities, and it aims to help parents find jobs and achieve self-sufficiency. Across the country, states use TANF funds to support child care.[5] In fiscal year 2023, for example, 27 states transferred federal TANF funds to their state's child care scholarship programs, accounting for 6.3 percent of all TANF spending nationwide.[6] Texas had not used TANF to support child care scholarships for many years – until now.

States are increasingly holding large unexpended balances of TANF dollars.[7] From fiscal year 2015 to fiscal year 2022, total federal TANF funding carried over by states as unspent funds increased from $4 billion to $9 billion. This is certainly true in Texas, which carried over hundreds of millions of dollars in unexpended TANF funds each year for the past several years.[8]

As Texas families continue to struggle with finding and affording the child care they need to go to work, unspent TANF funds should continue to be one of the resources lawmakers leverage to support more eligible families with scholarships.

## Lawmakers' Investment Prevented a Loss of Thousands of Child Care Scholarships for Texas Families

During the legislative session, TWC estimated that an additional $100 million would serve approximately 10,000 children per biennium (about 5,000 each year at $50 million per year). There was hope that the funding would allow Texas to serve more families than ever before, lifting thousands off the waitlist and into high-quality care. Unfortunately, child care costs have continued to skyrocket, resulting in an increase in the price of scholarships. TWC sets its scholarship payment rates so that they match or exceed what 75 percent of providers in a region charge — based on the latest Market Rate Survey.[9] According to the survey, those market rates increased by 9 percent statewide, meaning that the additional funds were needed just to keep up with rising payment rates.

Without the $100 million lawmakers provided, Texas would be serving thousands fewer eligible families in the coming biennium.[10] But if Texas wants to avoid backsliding — and start serving more of the tens of thousands still on the waitlist — lawmakers will need to take steps to address the rising costs of child care and find more substantial, longer-term funding solutions.

# Next Session, Lawmakers Should Continue Investing in Scholarships and Take Additional Steps to Help Working Parents Secure Affordable, High-Quality Child Care

Despite the historic nature of the investment made in child care last session, and the significant impact it will have on children and families, the following remains true:

- Parents without access to scholarships are often paying more than they can afford, or are unable to work at all, with infant care costing more than in-state tuition for a four-year public college.[11] Furthermore, a staggering 88 percent of working families with low incomes live in a Child Care Desert, where demand is three times greater than the availability of high-quality child care seats.[12]
- Child care programs are operating on barely sustainable profit margins (typically less than 1 percent), putting them at considerable risk of closure.[13]
- Child care educators are paid about $12 per hour[14] with little to no benefits, meaning programs struggle to recruit and retain the staff they need.

Lawmakers can provide parents with greater opportunities to remain in the workforce, children with access to effective early learning settings, and Texas businesses with the motivated and available workers they need. To address the remaining barriers, lawmakers should:

1. **Continue to invest in child care scholarships.** The Legislature should use unexpended TANF funds, and consider new funding and revenue options to invest further in the Child Care Services program to reach more eligible Texas parents, children, and the providers who serve them.

2. **Take additional steps to address child care challenges.** In particular, legislators should build up the capacity of child care programs that meet the most urgent community needs, including those in rural counties and low-income areas, as well as those who offer care during evenings and weekends and specialize in care for children with disabilities. Additionally, the Legislature should ensure high-quality child care programs have the resources to recruit and retain qualified and effective staff by enabling them to increase salaries.

# Endnotes


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