

Improving Efficiency at TWC Can Help Families Better Secure High-Quality Child Care

Input to the Sunset Commission regarding the Texas Workforce Commission

The Child Care Services program run by TWC successfully helps tens of thousands of parents go to work while their children attend high-quality child care. The Legislature signaled its support for the program by investing an additional \$100 million in the current state budget. However, the program is difficult for parents to navigate, and persistent challenges limit access, particularly for children with disabilities. To ensure the program meets its intended outcomes, the Sunset Commission should recommend strategies that streamline the governance of early childhood programs and remove persistent barriers that keep eligible families from enrolling.

TWC's Child Care Services (CCS) program enables Texas parents to go to work and help young children thrive

The Child Care Services (CCS) program, managed by the Texas Workforce Commission (TWC), provides financial aid — also known as scholarships or subsidies — for families who meet work and income requirements to access high-quality child care. This program promotes self-sufficiency by enabling parents to work while their children enroll in enriching early learning programs. Through CCS, eligible parents of children under 13 may receive financial assistance to cover a portion, or in some cases all, of the costs of child care so they can work, search for work, or participate in job training. Using federal funds, TWC currently serves between approximately 137,000 and 150,000 children per day.¹ About 30,000 Texas employers employ someone benefiting from CCS scholarships.

Due to insufficient funding, there is a significant waitlist for the program.

The CCS program is leaving tens of thousands of eligible families on a waitlist for months or even years. Funding for CCS programs comes primarily from the federal Child Care and Development Block Grant, but many states provide additional state dollars to reach more eligible working families. Texas does not. **In the 89th legislative session in 2025, Texas lawmakers approved a \$100 million increase over two years using unexpended funds from the Temporary Assistance for Needy Families (TANF) program.**

¹ Child Care by the Numbers (2026). Texas Workforce Commission. Retrieved at: [Assistancehttps://ccbn.twc.texas.gov/childcarenumbers/Texas_Statewide_System_monthly.html](https://ccbn.twc.texas.gov/childcarenumbers/Texas_Statewide_System_monthly.html)

Due to the limits of current funding, many eligible Texas children are left out of the scholarship program. In recent years, the waitlist for the CCS program in Texas has fluctuated from around 60,000 to over 100,000 children.

During the legislative session, TWC estimated that the 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. Using a Market Rate Survey, those rates increased by nine percent statewide from 2024 to 2025. As a result, TWC used the additional funds to simply keep up with rising payment rates. Without the \$100 million lawmakers provided, Texas would be serving thousands fewer eligible families in the coming biennium.²

Despite the program’s benefits, parents also report challenges and barriers to participating.

In 2024, the Texas Workforce Commission administered the Child Care Stakeholder Input Survey to inform the Child Care and Development Fund State Plan for fiscal years 2025-2027. Nearly 5,500 child care providers, parents, employers, and other stakeholders responded to the survey. Through a data request, Texans Care for Children reviewed and analyzed the responses, drawing out key themes.

More than 2,100 parents completed the survey, representing a range of experiences with the Child Care Services program. About half of the parent respondents had a child currently receiving a scholarship at the time of the survey. Others reported being on the waitlist, previously participating in the program, or never receiving a scholarship.

“I haven't received a response, and I've been on the waiting list for months now. I've been working over a year with no childcare, and it is very difficult, and I haven't received any updates or responses.”

– Parent testimonial, Child Care Stakeholder Input Survey

Although many parents shared their positive experiences with the program, others shared challenges that the Sunset Commission and state leaders should consider during this review. Key challenges include:

- **Administrative burden and poor communication.** Among parents surveyed, many described difficulty communicating with program staff, unclear instructions, lost paperwork, confusion about program requirements, and poor customer service.

² Inside Texas's \$100M Child Care Investment: What Happened, and What Comes Next? (2025). Texans Care for Children. Retrieved at: <https://txchildren.org/inside-texas-100m-child-care-investment-what-happened-and-what-comes-next/>

- **Waitlist length and other processing delays.** Many parents identified the waitlist as the biggest challenge in the scholarship program, citing the inherent uncertainty about how long they would remain on it and the short window to file paperwork when a spot becomes available. Parents also cited poor communication about the waitlist as a primary challenge.
- **Limited income eligibility and ongoing affordability challenges.** Some surveyed parents shared that they were unable to enroll because the eligibility was too restrictive. To be eligible for the program, families income needs to be at 85 percent of State Median Income (SMI). For families who make just too much to be eligible, they may still be unable to afford child care. For those who are eligible, surveyed families shared that even with assistance, copays remain too expensive for them.
- **Difficulty finding an eligible child care provider, particularly for children with disabilities.** Some parents reported limited availability of providers willing to accept subsidies, serve their children with special needs, or provide other types of care they need. The Child Care Services program has the potential to offer many more opportunities to strengthen supports and incentives for serving children with disabilities in high-quality child care settings alongside their non-disabled peers. Unfortunately, many parents in Texas still struggle to find a full-day, reliable child care provider who will accept their child with a disability and educate them alongside their nondisabled peers.

“No daycare in town is willing to accept the services provided to care for my disabled children.”

– Parent Testimonial, Child Care Stakeholder Input Survey

Early childhood education governance, including at TWC, is fragmented, leading to gaps, regulatory conflicts, and struggles for families and providers.

Early childhood intervention, home visiting, child care scholarships, public pre-k, and Head Start are all programs that support young Texans during the critical period of early childhood. These programs are spread across various state agencies, have different, sometimes confusing requirements for families, and involve a complex web of regulations for providers to navigate. This fragmentation can create challenges that limit the effectiveness of these programs.

Ensuring governance structures are streamlined, efficient, and easy for parents and providers to navigate is a critical way for state leaders to ensure these programs can work together to support families. Improving governance is an opportunity to tackle many of the pressing issues in the Child Care Services program and early learning broadly.

The Sunset Commission should recommend changes that improve coordination with other early learning initiatives and make the CCS program more accessible for families.

- 1. Create a coordinated intake and referral system across TWC, HHSC, and other relevant agencies so that families can access multiple programs — workforce, human services, and education — through a single entry point.** Families currently must navigate multiple agencies, eligibility systems, and application processes — often repeating documentation and retelling their circumstances. Fragmentation increases administrative costs and discourages eligible families from completing the process. For a family who may be eligible for Child Care Services, public school pre-k, and Medicaid, for example, they have to apply for each of these services separately. A single entry point would reduce duplication and improve efficiency for existing programs. It would also allow the state to better track cross-program participation and outcomes.
- 2. Develop parent-facing portals, either standalone or integrated into the existing child care availability portal, to provide real-time information on scholarship availability, eligibility, waitlists, and application processing times through a transparent public dashboard.** Developing a parent-facing portal with real-time information would make the system more transparent and easier for families to navigate. Families would no longer have to rely on word of mouth or repeated calls to providers to understand their options, reducing stress and saving time during an already high-pressure period. Clear, up-to-date information would also help parents make informed decisions more quickly.
- 3. Empower a single entity to measure, define, and improve the quality of early learning across settings.** Fragmented oversight of early learning program quality may lead to inconsistent expectations and contradictory regulations. For example, the state takes very different approaches to regulating class sizes and student-teacher ratios in early learning programs.
 - Texas pre-k programs for 3 and 4-year-olds (regulated by the Texas Education Agency) must operate at a class size of no more than 22 students (with waivers available)³, however there is no explicit limitation on student-teacher ratios.
 - Licensed child care programs (regulated by the Health and Human Services Commission) must operate a student-teacher ratio of 15:1 for 3-year-olds and 18:1 for 4-year-olds. However, there is a significantly higher group size limit of 30 for 3-year-olds and 35 for 4-year-olds.⁴
 - Licensed child care programs participating in Texas Rising Star (regulated by the TWC), receive more points towards their programs' quality rating based on lower class sizes and ratios, with the most points going to programs that operate a student-teacher ratio of 8:1 and a

³ Maximum Class Size Exceptions (2026). Texas Education Agency. Retrieved at: <https://tea.texas.gov/texas-schools/waivers/state-waivers/maximum-class-size-exceptions>

⁴ Minimum Standards for Child-Care Centers (2024). Health and Human Services Commission. Retrieved at: <https://www.hhs.texas.gov/sites/default/files/documents/doing-business-with-hhs/provider-portal/protective-services/ccl/min-standards/chapter-7-46-centers.pdf>

group size of 16 or less for 3-year-olds and 9:1 student-teacher ratio and group size limit of 18 for 4-year-olds.⁵

Providers operating multiple funding streams from different agencies may be accountable to multiple quality frameworks that are not fully aligned. A single entity focused on defining and advancing quality could streamline standards, ensure alignment of research, and link quality expectations to realistic funding levels. Importantly, this entity would need the authority not only to define quality standards but also to align financing strategies.

4. **Review whether initiatives supported by CCDF funds, particularly quality and infant and toddler initiatives, are increasing access to care, and examine whether they should redirect a portion of those funds to direct care/scholarships.** The Child Care and Development Block Grant requires the following set-asides for CCDF funding:

- Quality improvement activities, which must make up at least 9 percent of CCDF expenditures
- Administrative costs, which can make up no more than 5 percent of CCDF expenditures
- Direct Child Care Services (scholarships), which must make up at least 70 percent of the remaining CCDF funds

Reviewing the impact of these initiatives outside of direct care is essential to ensure that CCDF investments achieve their intended impact. Texas initiatives supported with federal quality dollars have supported a variety of goals, including, but not limited to:

- The expansion pre-k partnerships between public schools and child care providers,
- Licensing responsibilities at the Health and Human Services Commission,
- The Child Care Expansion Initiative, which was designed to address child care deserts, and
- The Employer Child Care Solutions (ECCS) initiative, which provides technical assistance services to help employers explore site-based child care for their employees.

The Sunset Commission, agency leaders, and lawmakers should work together to examine which quality initiatives are driving measurable improvements, which could be enhanced, and which should be sunset or supported with different funds. Given limited funding, it is important to assess whether the current balance between quality initiatives and direct care scholarships best supports families' access to affordable care. Exploring whether more funds could be directed toward scholarships may help reduce waitlists, expand access, and better meet immediate family needs while still preserving meaningful quality improvements.

5. **Improve access to child care services for families of children with disabilities.** With a greater focus, the Child Care Services program can offer a greater number of opportunities to strengthen supports and incentives for serving children with disabilities in high-quality child care settings alongside their non-disabled peers. Unfortunately, many parents in Texas still struggle to find a full-day, reliable child care provider who will accept their child with a disability and educate them alongside their nondisabled peers. To address this, TWC should:

⁵ Texas Rising Star All Ages (Birth to 12 years) Classroom Assessment Record Form (2024). Texas Workforce Commission. Retrieved at: <https://www.childcare.texas.gov/texas-rising-star/tools-and-resources>

- **Increase the use of differential reimbursement rates for children with special needs by expanding the eligibility criteria for the enhanced rate and simplifying the application process to make it easier for providers to secure the enhanced rate.** The Texas CCDF plan 2025-2027 and the Child Care Services Guide state that the higher rate for children with disabilities must take into consideration two factors: the estimated cost of the additional staff or the equipment needed by a child with disabilities. Critically, that leaves out the higher costs with operating a lower teacher-student ratio for children with special care needs, for example. They also state that the Workforce Board must ensure that a qualified professional familiar with assessing the needs of children with disabilities certifies the need for the higher reimbursement rate. These allowable uses of this higher rate are unnecessarily restrictive and this process for approval is unnecessarily onerous, leading to few providers being able to access these funds to serve children with disabilities or other special needs in their child care program.
- **Create an inclusion badge to recognize programs that go above and beyond in serving children with disabilities or developmental delays and their families, and establish and administer a grant program for providers who earn these optional certifications.** By creating an accommodation for programs that do an exemplary job integrating children with disabilities, parents will be able to navigate the child care market with more information, understanding where programs exist that could most effectively accommodate their child's needs. Additionally, the available grant funding would ensure greater capacity to serve these children in every Texas community.
- **Promote and provide deeper guidance on establishing pre-k partnerships for supporting children with disabilities.** TWC, in coordination with TEA, should provide more robust guidance on serving children with disabilities in partnerships between school districts and child care programs. That guidance should include more accessible information on how to use state preschool funding with state Early Childhood Special Education (ECSE) funding and federal IDEA funds to provide ECSE services in community-based settings.