TEXANS CARE for CHILDREN

Child Care Must Be a Priority this Legislative Session

The Legislature should ensure that child care stays open so parents can continue to work — especially during the current workforce shortages.

Over the past two years, the child care situation has gone from bad to worse. As more child care providers close, some parents are unable to work, and businesses throughout the economy are unable to hire and retain employees.

- **A challenge for working families:** Parents often have very few choices for high-quality child care — and the available options pose a huge financial burden. In Texas, the average family with two children spends nearly $18,000 a year on child care.[1] Families who qualify for child care subsidies to reduce their costs typically face long wait lists to receive assistance and difficulty finding openings with participating child care providers. More than half of Texas children under age six in low-income working families live in a child care desert, where there is inadequate access to child care that accepts children receiving subsidies.[2]
- **A challenge for children's future success in school:** Many children — especially from families with fewer resources — end up in lower quality child care during the critical early years of brain development and miss the opportunity to develop the social and learning skills they will need to succeed in school.[3]
- **A challenge for underpaid child care educators:** In Texas, the median wage of a child care educator is only $12 per hour and with few benefits. This has created a staffing crisis, with educators leaving the profession in droves.[4]
- **A challenge for the child care providers:** Due to insufficient public financing, providers are in an untenable position, with parents paying more than they can afford, staff who are severely underpaid, and programs barely able to stay afloat. Since 2020, the number of home-based providers in Texas has plummeted by more than 15 percent, and the total number of licensed programs in the state has decreased by eight percent.[5]
- **A challenge for businesses in all sectors of the Texas economy:** Texas businesses lose an average of $4.9 billion annually due to insufficient child care.[6]

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As federal relief funding expires, the child care crisis will get even worse if the Legislature does not take bold action.

- The Texas Workforce Commission (TWC) has effectively used $6 billion in pandemic relief funding to help keep child care open, in particular through higher reimbursement rates for child care providers accepting subsidies and through direct stabilization grants.
- The federal funding expires in 2024.

State policymakers and voters have increasingly recognized the need for the Legislature to address the child care crisis.

- During the 2021 Legislative Session, the Legislature passed bills authored by Chair Button, Chair Thompson, Rep. Talarico, Rep. Raney, Sen. Lucio, Sen. Zaffirini, Sen. Alvarado, and other legislators to take important steps forward on child care.
- The recent interim report from the Texas House Committee on International Relations and Economic Development noted,

  "Childcare educators are paramount to ensuring quality childcare is available to families, yet centers struggle to maintain adequate staffing to meet demand. Without enough qualified providers, centers cannot operate at full capacity, further reducing an already limited childcare supply. To meet the growing demand for skilled workers in the industry, Texas should support legislative, regulatory, and funding efforts to attract and retain childcare educators and strengthen the childcare workforce ecosystem, including educational partnerships and partnerships with local industries."
- In 2021, through House Bill 619, the Legislature directed TWC to prepare a child care workforce strategic plan to address the child care crisis in Texas.[7] The plan outlines steps the agency will take to better support the child care workforce, including boosting professional development for early educators and improving administration and oversight of the child care subsidy program.

  In addition, TWC contracted with the Prenatal-to-3 Policy Impact Center to draft the recommendations of the state's appointed HB 619 workgroup,[8] which provide a roadmap for sustainable state funding to address the worsening child care crisis. Workgroup recommendations include increasing educator pay, reimbursing child care subsidy providers for the true cost of care, strengthening program supports from Local Workforce Development Boards, and much more.
- According to a 2022 poll from Philanthropy Advocates, 87% of Texans agree the state should address the growing need for more early childhood educators to ensure working parents have access to child care and pre-k.[9]

Texas House Committee on International Relations and Economic Development interim report:

"Texas should support legislative, regulatory, and funding efforts to attract and retain childcare educators and strengthen the childcare workforce ecosystem."

Recommendations to the Legislature

This session, lawmakers should empower parents to have diverse options and make informed choices on the early education program that works for them — whether that be their neighborhood school, a faith-based program, Head Start, or a child care program at a center or home.

Provide bedrock state funding for child care.

Even before the federal relief efforts during the pandemic, Texas has primarily relied on federal funds to pay for child care supports. Each year, the federal government provides funding to Texas to offer child care subsidies to low-income, working families through the Child Care and Development Block Grant (CCDBG). Many other states, including Louisiana and New Mexico, supplement CCDBG funding with additional state funding (beyond required match spending).[10]

The November 2022 report commissioned by the Texas Legislature via HB 619 found, "Over the last four years, Texas has provided an average of approximately 120,000 subsidies per year, but there is a long waitlist of eligible children waiting to receive subsidies, and children receiving subsidies make up only 13 percent of total licensed child care capacity in Texas."

To sustain and strengthen Texas child care, state leaders should invest in:

1. Recruitment and retention stipends to early childhood educators to address the child care staffing crisis;
2. Sustainability grants to help offset child care programs' fixed costs, such as educator wages and property taxes, with higher funding amounts going to the state's priority programs, including those that participate in Texas Rising Star (TRS), serve infants and toddlers, or operate in a child care desert; and
3. Increased reimbursement rates for child care subsidy providers to align with the true cost of care, rather than an outdated market rate survey that represents what families are able to afford. According to TWC's Child Care Workforce Strategic Plan, *"market rate surveys often underestimate the true cost of providing child care services, particularly for younger children because child-to-early childhood educator ratios are lower."*[11] Moving to a cost of care methodology would ensure programs are reimbursed sufficiently to meet the costs of providing the safe, quality care that families need and to recruit and retain a qualified workforce.

Update regulations for Local Workforce Development Boards, which are charged with overseeing and implementing regional child care strategies, with the standards and supports needed to maximize funding, improve transparency, and enroll as many families as possible in high-quality child care.

Standards for Local Workforce Boards have not been meaningfully updated since the TWC was initially created by the Legislature in 1995. These 28 boards, appointed by County Judges and Mayors in their service areas, have critical responsibilities in outreach, allocating and overseeing the expenditures of federal funds, setting important policies, and monitoring the administration of child care programs in their service areas. As Congress has continued to invest more in child care, federal child care funding now makes up a majority of Local Workforce Boards' budgets.

Updated standards that ensure there is meaningful child care expertise among board members, basic transparency in data, and needed flexibility in state-mandated performance targets will better position communities to support families' child care needs.

Ensure that child care funding for lower income neighborhoods, including in rural communities, matches the funding the state provides to higher income neighborhoods.

Texas uses federal funding to provide subsidies to reduce the cost of child care for some families with lower incomes. The subsidies are provided directly to child care providers.

Currently, TWC reimburses providers based on their TRS quality level unless their tuition prices are less than the amount their TRS rating amount would generate. For example, a child care provider with a rating of the highest quality rating, TRS 4, qualifies for a reimbursement of $40/day to care for an infant. However, this child care provider, with a TRS 4 rating, can only charge families in the community $25/day because the families can't afford anything higher. TWC will only reimburse them $25/day even though they are providing the highest quality program, with more stringent requirements and standards.

Therefore, the reimbursement rates in high-poverty communities, where parents cannot pay as high of tuition, are lower than a similar provider's reimbursement in a wealthier community with higher tuition costs.

Lawmakers should pass legislation to equitably pay programs based on the costs and quality of care they are providing rather than inadvertently penalizing lower-income communities with lower reimbursements. This will allow programs to serve more subsidy-eligible families and increase the quality and sustainability of their programs.

Incentivize partnerships between public schools and high-quality child care providers to increase enrollment in effective early learning programs and offer parents more options.

Policymakers have taken initial steps to bolster pre-k partnerships between school districts and community-based child care programs, including by passing HB 3 (the 2019 school finance bill). The state has supported several initiatives to strengthen pre-k partnerships because of their many documented benefits for families, child care programs, and school districts.[12] These partnerships can take different forms, including shared funding, learning spaces, teachers, and training opportunities.

However, despite the state's endorsement of these partnerships, there remain structural barriers that make partnerships difficult to sustain. For example, differences in eligibility requirements between state pre-k, Head Start, and child care subsidies, combined with a lack of sufficient administrative staff in smaller school districts, make implementing partnerships a bureaucratic challenge for many communities. Lawmakers should approve policies that provide increased technical assistance and break down bureaucratic barriers to make these partnerships more effective and easier to sustain.

Endnotes

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