

February 13, 2023

To: The Honorable Governor Abbott, Lt. Governor Patrick, and Speaker Phelan

Copy: Texas Workforce Commission Commissioners Daniel, Demerson, and Treviño

We can all agree that a business is only as good as its employees. The Texas economy and workforce are the envy of the nation and make our state one of the most attractive to locate and operate a business. However, this reputation will diminish if businesses cannot find a skilled workforce.

Many Texas businesses are already in a hiring and employee retention crisis. That issue is particularly acute in the hourly wage sector, which the pandemic worsened. For example, the Texas Restaurant Association (TRA) estimates that 67% of TX restaurant operators don't have enough employees to support existing demand.

The U.S. Chamber of Commerce estimated in 2022 that the lack of affordable childcare costs Texas employers up to \$7.59 billion per year in terms of increased turnover, increased hiring costs, and lost productivity due to their employees missing work to care for children. The Chamber report clearly demonstrates that one of the best ways to ensure our continued momentum and economic strength is to invest in quality, affordable childcare.

During the 87th Session, recognizing the impact of a crumbling childcare system on the Texas economy and our workforce, the Texas Legislature passed HB 619 with overwhelming bipartisan support. It authorized the creation of a comprehensive early childcare strategic plan, which was delivered by a nationally recognized consulting firm to the Texas Workforce Commission last November ([*Workgroup Recommendations to Inform the 2022 Child Care Workforce Strategic Plan - Prenatal to Three Policy Impact Center*](#)).

As business leaders, we respectfully request that our State government leaders more broadly implement the recommendations in the State-commissioned report. Namely:

Add to the supply of childcare educators by making recruiting, certifying, and retaining quality professional educators easier. The consultant's report recommended expanding and simplifying educational pathways, recruitment, and certification of childcare educators. Other recommendations focused on increasing the pay and improving the retention of caregivers. The current rate structure, by which TWC funds childcare financial aid (aka 'subsidized childcare') through the 28 workforce development boards, provides little room to attract and retain quality caregivers. In many locales – urban and rural – food service, retail, and hospitality wages are higher than childcare teacher salaries.

Provide incentives for employers and childcare providers to implement their own childcare programs. Many Texas businesses need incentives to provide childcare benefits and stabilize the childcare sector. Such policies might include tax incentives to provide space or support childcare

facilities, credits for supplementing employees' tuition, or a reduction in property taxes for childcare.

Increase State funding of childcare financial aid and support. The HB619 consultant's report recommends significant increases in State investment - more than \$1 billion per year - in financial aid and payments to childcare providers. We recognize that such monetary expansion needs careful thought about the level of investment, mechanisms to invest, and the governance required to ensure the desired outcomes are realized. We expect public funding to come with increased efficiency, accountability, and transparency.

Multiple studies support these recommendations and demonstrate that quality early childcare investments have high returns and would expand the Texas economy.

If implemented:

Sales tax revenue will increase – [The U.S. Chamber report](#) also estimates that Texas loses about \$1.8 billion yearly in sales tax revenue due to the lost employer productivity.

Workforce participation will increase - States with the highest maternal labor force participation rates have a 20% higher share of children in paid childcare on average than those with [the lowest participation rates](#).

Texas will remain competitive - When compared to other States on child development metrics, with few exceptions, [Texas ranks at or near the bottom versus other peer states](#).

Educational readiness and later life outcomes will improve – Early childhood education's proven high ROI results from higher rates of grade level retention and graduation, better employment outcomes, reduced special education needs, reduced incarceration rates, and improved health.

Childcare-related issues cross all Texas geographies, employers, families, and income levels. Tuition rates are expensive, and profit margins are skinny. Salaries for childcare professionals are significantly under the market. Childcare deserts are pervasive throughout the state. [87% of Texans agree](#) the state should address the growing need for more early childhood educators to ensure working parents have access to high-quality childcare.

High-quality, affordable childcare is a business and economic imperative - and a Texas infrastructure issue - affecting both the workforce of today and the workforce of tomorrow. Strategic investments, invested with accountability and defined outcomes, and the passage of crucial legislation provide us with a real opportunity to support our current and future workforce positively so the Texas economy can remain vibrant. We have a history of bipartisan support for quality early childhood education here in Texas, and now is the time to work together to take that support to the next level.

Signed,

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