TX 2036

August 11, 2026

*When the system is out of balance, **Texas families feel it.***

The State of

Childcare In Texas

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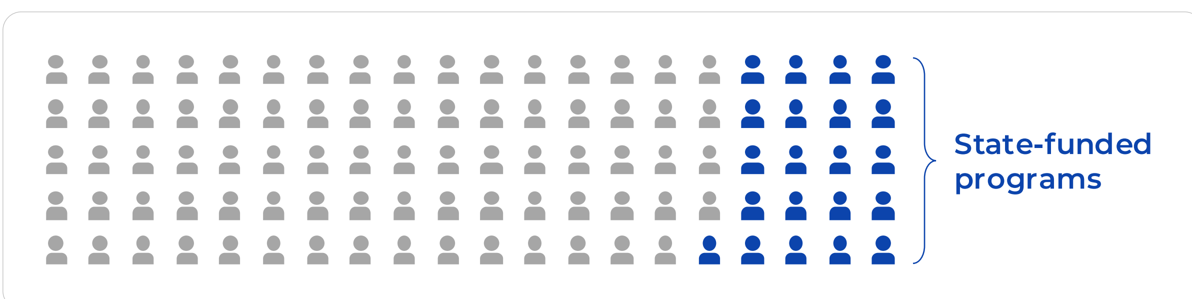
Executive Summary

- Texas' childcare oversight is fragmented and siloed — at least five state agencies and a federal overlay touch the system, and none is accountable for whether it works.
- Texas has never clearly defined its role. A unified vision can expand access to the range of care families need while ensuring public dollars deliver the outcomes taxpayers expect.
- A coherent plan needs a single accountable lead — one entity to coordinate regulation, funding, and outcome measurement, designed around the needs of Texas parents.
- The problem is bigger than the subsidy system: most young children are reached by no state program at all, yet the same fragmented regulation and capacity strain affect every provider.
- Families' needs change as their children grow, with parents' priorities increasingly anchored on educational outcomes as kindergarten nears.

DIAGNOSING THE PROBLEM

Basic Facts

Texas has about 2.4 million children under age 6.[1] Roughly one in six is reached by state- or federally funded early-childhood programs — subsidized childcare, Head Start, public Pre-K, and Texas Education Freedom Account–funded Pre-K. The other five in six rely on private pay, family and neighbor care, or a parent at home.[2]



Six Authorities, No Owner

TWC | HHSC | TEA | DFPS | Comptroller | Head Start (federal)

1. U.S. Census Bureau, Population Estimates Program, Vintage 2025. | 2. Composite figure encompassing TEA Enrollment in Texas Public Schools 2024-25, Office of Head Start, and Childcare by the Numbers, BCY2024 (subsidy, restricted to under-6 age band).

Five state agencies touch childcare — the Texas Workforce Commission (subsidies and the Texas Rising Star quality rating system), the Health and Human Services Commission (licensing), the Texas Education Agency (public Pre-K and kindergarten readiness), the Department of Family and Protective Services (abuse and neglect investigations), and the Comptroller (Texas Education Freedom Accounts). The federal Head Start program adds a sixth layer. Each agency carries its own mission, and none is accountable for the system as a whole.

The report traces this problem in sequence — who the system serves and who provides care, what the status quo costs, why the structure produces those costs, and what families themselves want — before setting out a path forward.

Texas Voters Speak

89% of Texas likely voters say early childhood programs are important — including 84% of Republicans and 97% of Democrats. Asked to choose between an education-anchored and a workforce-anchored framing, voters prefer education 56% to 38%, across regions, ages, and both parties.[3]

Texas voters have already settled whether early childhood programs matter. The debate has shifted from whether to act to how.

What the Status Quo Costs

Families: Families report difficulty affording care at every income level. Households earning under $35,000 a year spend about 19 percent of their income on childcare[4], and subsidy eligibility ends abruptly at $92,041 for a family of four, with no phase-out for the working families just above the line.[5] Cost pressures extend to family planning itself:

More than half of Texas parents say childcare costs have affected their decisions about whether to have more children.[6]

> Childcare costs are honestly a huge strain. We're paying out of our pocket which has meant making some tough tradeoffs in our budget.
>
> **- Parent focus group participant**

3. Texas 2036 Statewide Voter Poll, n = 702, fielded February 2026. | 4. Texas 2036 Statewide Childcare Survey. | 5. Texas Workforce Commission, Income Eligibility Limits and Maximum Parent Share of Cost, Board Contract Year 2026. | 6.Texas 2036 Statewide Childcare Survey.

Children: Roughly half of Texas children arrive at kindergarten not ready on TEA's beginning-of-year assessment.[7] Because subsidy records sit at TWC and readiness data at TEA, the state cannot tell whether the dollars it spends on a subsidized care improve that child's kinder readiness.

Employers: Instability shows up in absenteeism, turnover, and time to fill openings. This is concentrated where childcare supply is thinnest, including rural industries central to the economy. In the past year, 11 percent of working parents left a job over childcare and 62 percent missed at least one workday.[8]

Economic modelling estimates the total cost to employers at $7.9 billion annually.[9]

I'm losing dairy workers because there is no childcare here. I can pay them, but I can't make care exist for them.

- Amarillo employer focus group participant

Childcare Providers: Childcare center owners describe forgoing salaries for years and drawing down personal savings to remain open. Statewide, roughly 65 percent of licensed seats are in use.[10] Workforce attrition is also high, and wages trail comparable retail and service work.[11] No aggregate data exists to track these trends over time.

The Structural Diagnosis

These challenges are structural and emerge not because any agency is failing to perform its assigned task, but rather because no agency has been assigned the task of ensuring overall coherence. Each agency tracks its own metrics, while none measures the entire system.

Fragmented governance. Each of the agencies above operates under a separate mission, joined by a local tier of school districts, health departments, and 28 Local Workforce Development Boards. None is responsible for how the pieces fit together or whether the result serves families. States including Florida and Arkansas have addressed the same fragmentation by consolidating early-childhood functions under a single lead agency.

No shared definition of success. The state has never defined what a working childcare system should achieve, so each agency measures its own activity, and none measures whether the system works. The misalignment runs within agencies and among them: TWC's strategic plan commits to quality while its budget rewards serving more children at lower cost, and HHSC is reviewing its own minimum standards without consulting the agencies those standards affect. Absent a shared yardstick, the state treats the existence of measurement as evidence of accountability.

7. Texas Public Education Information Resource (TPEIR), Kindergarten Readiness, Reporting Year 2024–25. | 8. Texas 2036 Statewide Childcare Survey. | 9. DARO economic modeling for Texas 2036. See Methodology for approach and data sources. | 10. Empty-seat estimate applies the vacancy rate reported by providers in the Texas 2036 Statewide Childcare Survey (provider n = 286) to total licensed capacity reported by the Texas Health and Human Services Commission, Childcare Regulation. Because representative data on Texas providers is limited, the provider sample could not be weighted; the estimate assumes surveyed providers' vacancy rate approximates the statewide rate and should be read as approximate. | 11. Insights from Childcare Providers from Texas 2036 Focus Groups and Interviews (2025-2026)

The same pattern repeats down the system.

On the regulatory side

The state's rules are not aimed at a common set of targets with a unified vision, creating a web of inefficiency that can add costs to the system without promoting value for parents and children. Its quality rating sits in a workforce agency and goes largely unused by the parents it is meant to inform, while safety licensing carries developmental judgment calls that turn a pedagogical preference into a citable violation and a higher insurance premium. Because those standards are enforced by more than one agency, providers report passing one inspection only to be cited another for areas of overlap.

On the funding side

The state moves money without a clear goal for what it is seeking to buy. The state has no agency-level mechanism to balance public Pre-K investments with the financial viability of private care settings as child populations fluctuate. When the Legislature added $100 million for subsidies, the reimbursement formula absorbed it into higher rates and served slightly fewer children than before.[12] And the dollars already out the door often go under-protected: delegated fraud oversight left what Sunset Commission staff have called 28 different standards, with 60 of 80 reviewed cases found deficient.[13]

At the end of both sits the family, facing four programs, four sets of eligibility rules, and no one responsible for helping them see what they qualify for.

Building a System for Texas Parents

Parents describe what they want in plain terms: care that is safe, close to home or work, affordable, and available during the hours they work.[14] The right arrangement also shifts as a child grows and differs from one family and region to the next.[15] A parent in San Antonio may lean on nearby relatives; a parent in Amarillo with no family close by may depend entirely on the formal market. No single model serves them all.

Texas families bear the cost of state governance structures that are not organized to meet their diverse needs. Among parents paying market rate, more than four in ten report accepting lower quality to afford care, and a similar share give up quality to access the hours they actually need.[16] Families who recently arrived in Texas may lack the relatives and neighbors other families fall back on, potentially pushing them into a formal market that is difficult to navigate. Fragmentation becomes a private burden, absorbed one household at a time.

That is why the answer is not another program but a system built around parents. Where families spend their own money, the state should keep options wide and a safety floor intact. Where the state spends public money, it should define the outcomes it intends to buy and measure whether it gets them. And one entity should be accountable for whether either is working. The recommendations that follow describe how to build a system around Texas parents.

12. Ray Marshall Center and Texas Institute for Family and Child Wellbeing, 2025 Market Rate Survey. Texas Workforce Commission Childcare and Early Learning newsletter, August 2025. | 13. Texas Workforce Commission Staff Report, June 2026. | 14. Texas 2036 Statewide Childcare Survey. | 15. Ibid. | 16. Teas 2036 Statewide Childcare Survey.

Primary Recommendations — Governance redesign with a parent-centric focus

Structural design fixes that make everything else possible.

Unify State Agency Governance and Accountability

1

Unify state agency governance and accountability under a single lead entity.

Establish Clear State Goals for Childcare

2

Establish clear, parent-first state goals for childcare: a safety baseline for all providers, and education-anchored quality expectations for those receiving public funds.

Use Data to Monitor Achievement of State Childcare Goals

3

Build the data infrastructure to monitor whether those goals are being met.

Implement Sunset Commission Staff Recommendations for Greater Workforce Board Transparency and Accountability

4

Implement the Sunset Commission's recommendations for greater Local Workforce Development Board transparency and accountability.

Secondary Recommendations — Pragmatic approaches to persistent challenges

Separate Safety Regulation from Quality/Educational Standards

5

Separate safety regulation from quality and educational standards so parents can weigh educational approaches themselves, enabling a possible reduction of citation-induced insurance premium hikes.

Innovate New Pathways to Stabilize the Childcare Workforce Pipeline

6

Create earn-while-you-learn workforce pipeline pathways, modeled on the 89th Legislature's PREP teacher-pipeline program's Grow Your Own component.

Implement Cross-Agency Data Integration Strategies

7

Fund and implement cross-agency data integration strategies, building on HB 3963 (89-R) and SB 1786 (89-R).

Activate Regional Employer Partnerships

8

Activate regional employer partnerships by simplifying the system employers are being asked to connect to.

The structural reforms in the primary recommendations are essential — not a bureaucratic preference. They are the enabling condition for every other improvement to hold, and are necessary for future system improvements.

The Path Forward

Texans already agree that reform is needed; what Texas lacks is a single institution accountable for delivering it. This report does not prescribe which agency should lead, nor does it rest on any one venue to act. Three entities are positioned to improve this reality: the Governor's Task Force and the Sunset Commission's reviews of the Texas Workforce Commission and Health and Human Services Commission can each recommend change, and the 90th Legislature can enact it. The report's recommendations form a coherent plan to ensure positive change for families.

> **Texas already invests billions in early childhood.**
>
> **The question is no longer whether to act — it is whether the state wants clarity on what it is buying, and whether it is willing to put a single accountable entity in charge of answering that question.**

INTRODUCTION

A Childcare System Not Built For Families

Texas prides itself on a mission to be the best place to live, work, and raise a family. Its childcare system, however, impedes success at that mission: harming families, wasting resources, and slowing economic growth.

Texas has approximately 2.4 million children under the age of six.[17] Ninety-one percent of them have at least one parent in the labor force.[18] Sixty-four percent live in households where all available parents are working — roughly 1.4 million children for whom childcare is not optional. It is what makes work possible. It is what makes the family's finances hold together. And in a growing number of households, it is what determines whether parents have the next child they otherwise would have wanted.

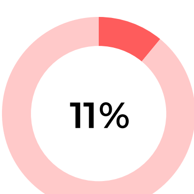
That last point deserves more attention than it typically receives in policy conversations.

In Texas 2036's statewide survey, more than half of Texas parents — 56.7 percent — say childcare costs have affected their family-planning decisions.[19]

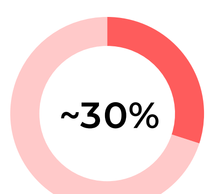
This is not a fringe finding. It is a majority of parents, across income levels and regions, reporting that the cost and availability of care has shaped one of the most personal decisions a family can make.

The costs that lead to those decisions are documented in this report. For families earning less than $35,000 a year, childcare consumes roughly 19 percent of household income.[20] For families earning just above the subsidy eligibility threshold — a family of four with income above $92,041 in 2026 — there is no public help at all, not even a graduated taper.[21] One dollar above the line means full market price, with no transition. Families at all income levels report paying more than they can comfortably afford according to our survey. And even with significant monthly costs allocated to care, 46.6 percent of parents surveyed reported having to sacrifice quality to find affordable care. Another 43.7 percent report sacrificing quality to access the care hours they needed.

These numbers cascade into the workforce:



Eleven percent of working Texas **parents left a job** in the past 12 months because of childcare.[22]



Nearly 30 percent **turned down a promotion.**

17. U.S. Census Bureau, Population Estimates Program, Vintage 2025 | 18. U.S. Census Bureau, American Community Survey, 2020–2024 5-Year Estimates, Table B23008. | 19. Texas 2036 Statewide Childcare Survey (parent n = 975), weighted. Individual figures may reflect smaller subgroups or questions with partial response; see Methodology. | 20. Texas 2036 Statewide Childcare Survey | 21. Texas Workforce Commission, Income Eligibility Limits and Maximum Parent Share of Cost, Board Contract Year 2026. | 22. Texas 2036 Statewide Childcare Survey

Almost 30 percent say their **career growth was stifled.**

These are not abstract costs — **they are choices parents make when the system forces a tradeoff between caring for a child and building a career,** and they aggregate across millions of families into a $7.9 billion annual drag on Texas employers due to workforce participation impacts.[23]

The hardest thing about these numbers is what they imply about the system's design.

Texas is not failing its families because agencies are incompetent or administrators are indifferent. The Texas Workforce Commission administers subsidies. The Health and Human Services Commission enforces licensing for centers. The Texas Education Agency measures kindergarten readiness. The Department of Family and Protective Services investigates abuse and neglect. Each agency is executing the mission the Legislature gave it. The problem is that no one was given the mission of making those pieces function as a system. In the absence of that assignment, what has emerged is not a system at all. It is a chaotic web that families are expected to navigate on their own.

What parents actually need when they look for care is not complicated to describe, as highlighted throughout this report. They need a provider that is safe. They need it to be close to where they live or work. They need it to be within their budget. They need it to be open during the hours they work. And their child's care evolves as their child ages: children's needs look different at 6 months than they do at two years, and different again at four, as their child grows into a learner preparing for kindergarten.

None of those needs is extreme. The challenge is a governance design that is not built to address the needs of Texas parents. Regulation, funding, quality measurement, and outcome accountability are each housed in separate agencies with separate missions and no structural requirement to coordinate with each other. A provider can satisfy one agency's licensing standards while running afoul of another's quality requirements while caring for the same children on the same day. A parent can qualify for a subsidy in one county but not in a neighboring one, because Texas' 28 local workforce development boards manage wait lists independently. The state can spend billions on subsidized childcare and cannot tell whether the children it subsidizes arrive at kindergarten any better prepared than their peers who received no subsidy at all.

That last fact — that Texas cannot link its own childcare investment to kindergarten readiness outcomes — is, in some ways, a defining failure of the current architecture.

23. DARO economic modeling for Texas 2036. See Methodology for approach and data sources.

Not because kindergarten readiness is the only thing that matters, but because it is the most concrete expression of what Texas voters say they are trying to buy. In statewide polling, Texas voters prefer educational outcomes, with majority support across regions and both parties.[24] Workforce enablement is a legitimate aim as well, and the two need not conflict. But where the state spends public dollars, its responsibility is to define what it intends to buy and to measure whether it is getting it. When asked what they want the state to deliver with public dollars, Texans are clear. The state has simply never been organized to effectively deliver it.

This report is organized around the premise that the system can be redesigned — not by creating new programs for their own sake, but by fixing the structural failures that make the existing investment less effective than it can be. The design principle throughout is a parent-first orientation: where families spend their own money on care, the state's role is to keep options wide and the safety floor clear. Where the state spends taxpayer money, its role is to define what it is trying to achieve and to measure whether it is getting there.

Both roles require a single accountable entity with a clear mandate and a comprehensive view of the system. Everything in this report follows from that. The families navigating an impossible system every day deserve nothing less.

The moment to settle these questions is unusually well defined. The Governor's Task Force on Early Childhood Care and Education is convened; the Texas Workforce Commission and the Health and Human Services Commission are under concurrent Sunset review, with the Sunset Commission's June 2026 staff evaluation of TWC already pointing to the fragmentation this report describes; and the 90th Legislature is ahead. That alignment is what makes the coming legislative cycle a moment for decisive action rather than another year of documented strain.

24. Texas 2036 Statewide Voter Poll, n = 702, fielded February 2026

Who It Serves and Who Provides It

Texas approaches childcare through two different lenses: its safety and regulatory role applies to all care, but its public investments reach only a small slice. That distinction matters, because the whole system isn't just the subsidy program — it's every Texas child from birth to age five, the families who depend on care, and the workforce and providers who deliver it. This section introduces these Texans — who the system serves and who provides care — to ground the analysis that follows.

1.1 Texas Children, Aged 0-5

Texas is home to approximately 2.4 million children under age 6.[25] They are concentrated in the major metros of the Texas Triangle — Houston, Dallas–Fort Worth, Austin, and San Antonio — but substantial numbers live in smaller cities and rural areas. Demand for care spans very different community types.

Figure 1: Number of Children Ages 0-5 by County

Texas' youngest children are diverse and skew lower-income than the population as a whole: 42.5 percent (compared 31.5 percent of the population as a whole) live in households below 200 percent of the poverty line, where the cost of care weighs heavily, while many others fall in middle- and higher-income brackets.[26]

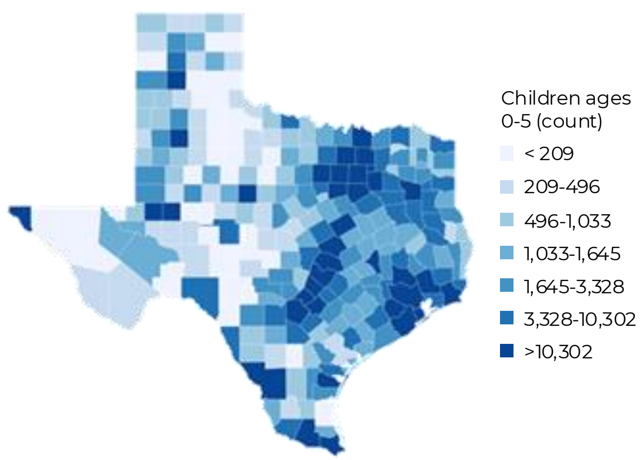


Figure 2: Percentage of Children Ages 0-5 by Race/Ethnicity

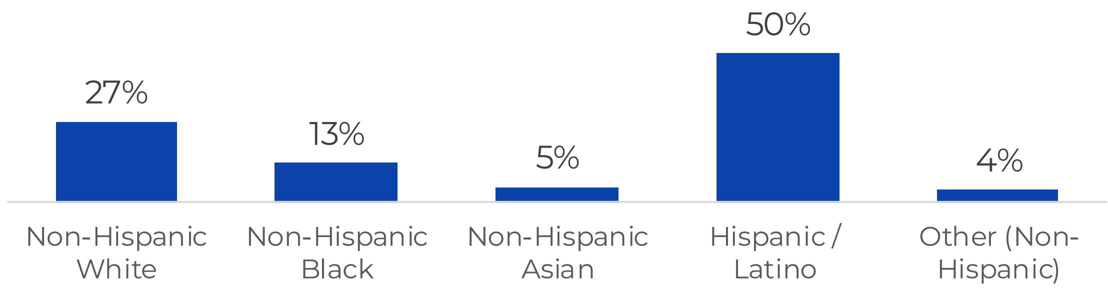
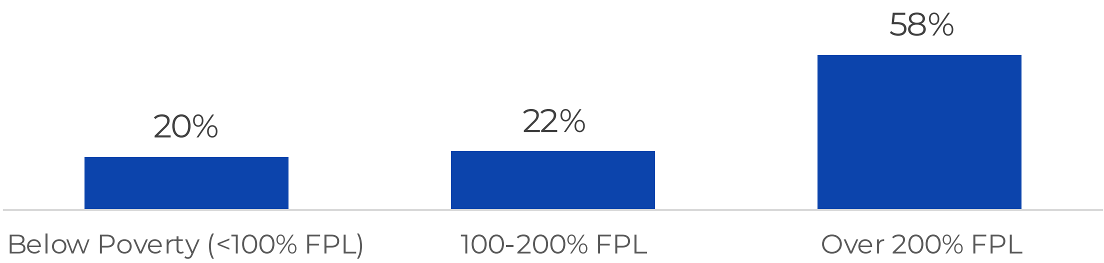


Fig 1. Data Source: U.S. Census Bureau, Population Estimates Program, Vintage 2025 County Population Estimates by Age, July 1, 2025. Ages 0–5 estimated as ages 0–4 plus one-fifth of ages 5–9. | Fig 2. Data Source: U.S. Census Bureau, Population Estimates Program, Vintage 2025, July 1, 2025. Ages 0–5 estimated as ages 0–4 plus one-fifth of ages 5–9. | 25. U.S. Census Bureau, Population Estimates Program, Vintage 2025 | 26. U.S. Census Bureau, American Community Survey, 2020–2024 5-Year Estimates, Table B17024.

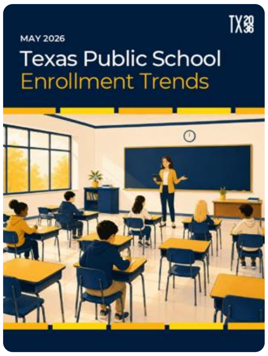
Figure 3: Percentage of Children Ages 0-5 by Income
(as a Percent of the Federal Poverty Level)



Under age 6 is reached by publicly funded early-childhood programs — subsidized childcare, Head Start, public Pre-K, and Texas Education Freedom Account–funded Pre-K.[27] The remaining unsubsidized families are not outside the childcare system; they are the bulk of the system in every numerical sense.

The population of Texas children under age six is also lower than it has been in the recent past. Texas births peaked in 2015 at 403,439 and declined over the second half of the decade, reaching 368,317 in 2020 — an 8.7 percent decline.[28] Births recovered partially in 2021 and 2022 before dipping again in 2023, and they remain roughly 4 percent below the 2015 peak. While net migration has continued to be positive, the overall numbers of children aged 0-5 in Texas are lower now than at its recent peak in 2017. The total number hit a recent low in 2021, and has increased each year since.[29]

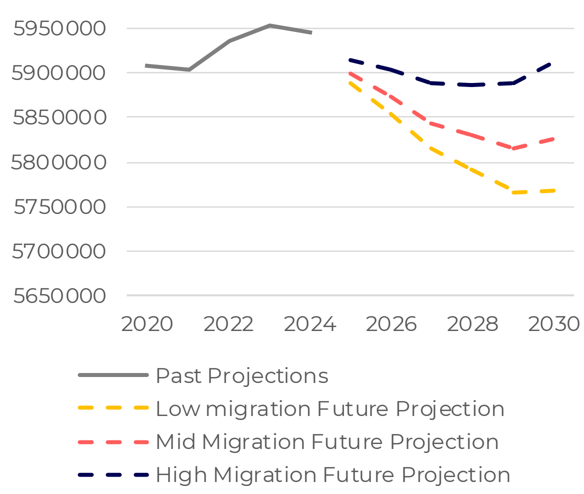
Texas Public Schools Are Experiencing Enrollment Declines



In May 2026, Texas 2036 released a report documenting how Texas public schools had experienced just their second enrollment decline – and first non-pandemic decline – since the state began recording enrollment data in the 1980s. In school year 2025–26, Texas public school enrollment fell by roughly 76,600 students. The report concludes this decline structural rather than cyclical, and driven by many of the same factors impacting the state's childcare system: declining birth rates, shifting migration, and shifting family preferences for their children's educational setting.

Fig 3. Data Source: American Community Survey 2020-2024 5-year estimates, Table B17024 | 27. Composite figure encompassing TEA Enrollment in Texas Public Schools 2024-25, Office of Head Start, and Childcare by the Numbers, BCY2024 (subsidy, restricted to under-6 age band). | 28. Texas Department of State Health Services, Center for Health Statistics, Live Births (Data Table Builder, 2016–2023 and 2005–2015). | 29. U.S. Census Bureau, Population Estimates Program, Vintage 2019 (state civilian population by single year of age, 2010–2019) and Vintage 2025 (2020–2025).

Figure 4: Texas Demographic Center 2024 Ages 5 to 18 Population Projections (2020-2030)



Texas 2036's projections show K–12 public school enrollment remaining below current levels through 2030–31 under every migration scenario the Texas Demographic Center models — low, mid, and high. For a childcare system whose demand is set by the number of young children in each community, many of the same demographic challenges that are reshaping Texas public schools may reshape where, and how much, childcare is needed in years ahead.

1.2 Texas Parents

Most Texas parents of young children are working. Ninety-one percent of children under 6 have a parent in the labor force, and 64% have all available parents working, leaving an estimated 1.4 million children ages 0-5 with no parent primarily at home for care.[30] For these families, childcare isn't optional; it's what makes work possible.

To meet that need, families piece together care from many sources. According to Texas 2036's Statewide Childcare Survey, Texas families with young children rely on a range of care arrangements.

Figure 5: Primary Childcare Arrangements for the Oldest Child, Among Texas Families with Young Children

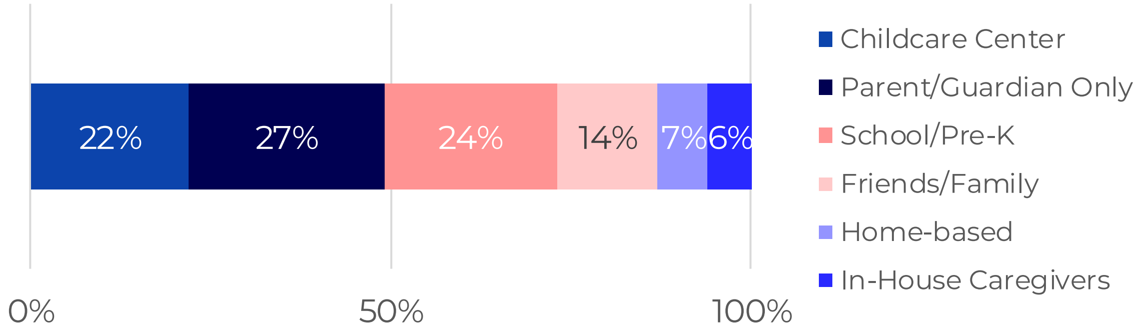


Fig 4. Data Source: Texas Demographic Center. 2024 Vintage Population Projections | Fig 5. Data Source: Texas 2036 Statewide Childcare Survey (parent n = 939) | 30. U.S. Census Bureau, American Community Survey, 2020-2024 5-Year Estimates, Table B23008.

Among families with young children, about 27% have their oldest childcared for primarily by a parent at home, and 14% by family, friends, or neighbors. Most of the rest use center-based care (22%), school settings (24%), or home-based care (7%) — paid care in a provider's own registered or licensed home, not a parent staying home – while 6% utilize paid in-house caregivers like nannies or au pairs.

The need to find care that meets individual needs cuts across family structures. Texas families with young children are a mix of dual- and single-parent households: about 1 in 3 children under 6 live with a single parent.[31] Single-parent families with young children are concentrated in lower-income brackets, where the constraints of paying for care while working fall most acutely.[32]

Need for care also cuts across the income spectrum, but the subsidy reaches only families below an income threshold — and it ends as a cliff, not a slope. Families just above the line get no assistance at all, yet many still can't comfortably afford market-rate care. They pay full price, navigate the market without public support, and never appear in subsidy data, so analyses built on subsidy records miss them entirely. They are central to the system this report addresses, and the cost pressures detailed in Section II fall on them directly.

When they do choose care, parents weigh quality and cost together. In our survey the factors cited most often were qualified staff, safety and cleanliness, price, and curriculum — staff qualifications and safety leading the list, with price just ahead of curriculum. Families balance what they want for their children against what they can afford.

Figure 6: Top factors parents consider when choosing care

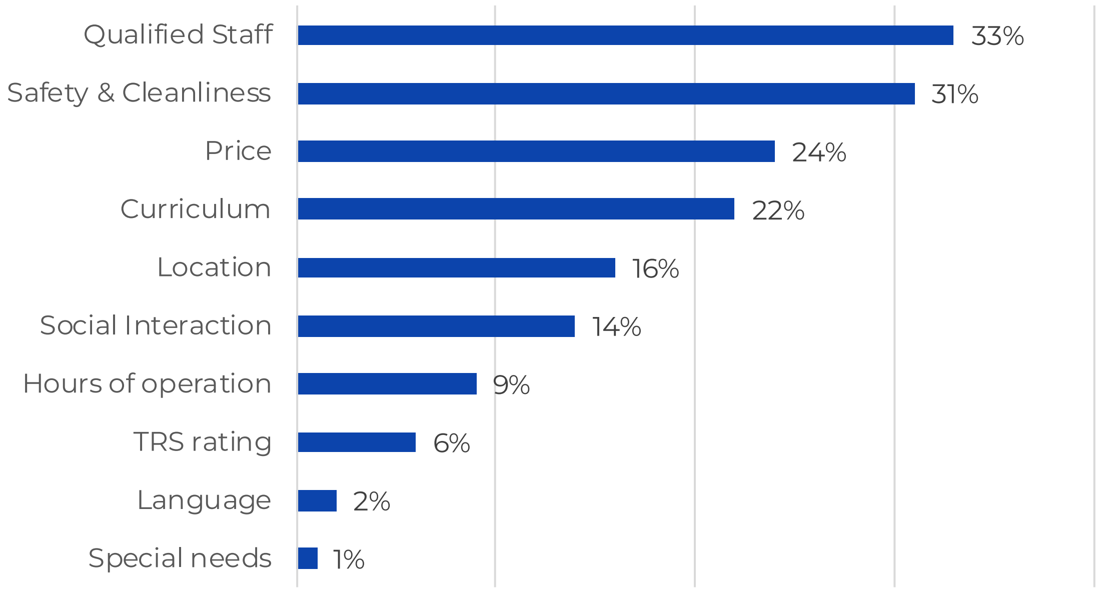


Fig 6. Data Source: Texas 2036 Statewide Childcare Survey (parents could multi-select up to 3) | 31. U.S. Census Bureau, American Community Survey, 2020–2024 5-Year Estimates, Table B23008. | 32. Texas 2036 Statewide Childcare Survey, weighted

And what families need changes sharply across the first five years. Infant care requires far more intensive staffing — the maximum classroom ratio under Texas licensing is one caregiver for every four infants compared to one for every 18 preschoolers — so infant care is both harder to find and the most expensive, with full-time, center-based care running roughly $10,500 a year.[33,34] The care a family needs for a six-month-old differs fundamentally from what it needs for a four-year-old.

The typical Texas family with young children is working, paying for care out of pocket, and navigating a market where their priorities shift as their children grow — most of them without any public support. The goal of this report will be to help identify solutions to better orient a childcare system to meet the diverse needs of parents across our state's geography, of different financial and familial structures, and with children whose needs can vary significantly by age.

There is no one-size-fits-all solution to meet the needs of 1.4 million Texas families with children aged five and under[35]

But improved government structures, clear goals, and improvements in data to provide system transparency can ensure that meeting the needs of Texas parents is the central focus of post-reform structures.

Texas Roots and Texas Growth:

Most Parents of Young Children in Texas Were Not Born in Texas Themselves

Texas' economic growth has drawn young families to the state, and these newcomers may have fewer family, friend, and neighbor networks that more established households rely on for care. In Texas 2036's Statewide Childcare Survey and focus groups, providers and parents described families with no nearby kin turning to formal care as their only option. The pattern is consistent with the data from the Census Bureau: In 2024, just 47 percent of Texans raising a child under 6 were born in Texas. A majority of the parents raising the state's youngest children are transplants.

In 2024, just 47 percent of Texans raising a child under 6 were born in Texas

This is arguably a consequence of the state's economic success. Texas became the country's second-largest state by drawing people to it, and it appears to draw young families most of all. Of the roughly 876,000 people who moved here from another state or from abroad in 2024, about one in five were children and 41 percent were adults 25 to 44 — the ages when most families form and childcare matters most. Parents of young children are now less rooted than the population as a whole, and less rooted than other adults their own age.

The pattern is sharpest where the state has grown fastest. In the Austin, Dallas–Fort Worth, and Houston regions, roughly three of every five parents of a young child were born outside Texas. None of this reflects Texas-born residents leaving. The state keeps about 77 percent of the adults born here, a rate steady for more than a decade. Newcomers have simply arrived faster than the homegrown population has grown.

Sources: U.S. Census Bureau, American Community Survey PUMS, 2024 1-year (parents' birthplace and retention); ACS 2024 1-year, Table B07001 (migration inflow and age).

33. Texas Health and Human Services Commission, Childcare Regulation Minimum Standards (accessed 6/25/2026) | 34. 2025 Texas Childcare Market Rate Survey (Texas Workforce Commission / UT-Austin Ray Marshall Center & Texas Institute for Child & Family Wellbeing) | 35. U.S. Census Bureau, American Community Survey, 2020–2024 5-Year Estimates, Table B11003.

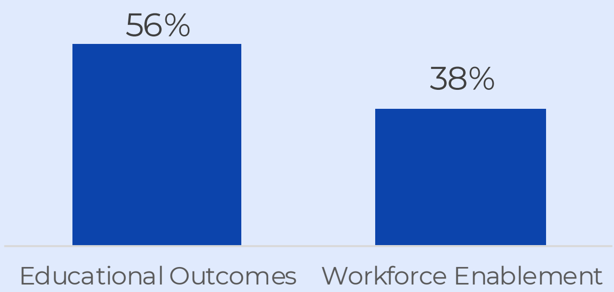
Texas Voters Speak

Childcare is Important and Should Focus on Education

Parents are not the only Texans with a stake in childcare. Because the system includes public funding, the broader electorate has an interest in what those dollars are meant to buy. Statewide polling finds voters closely aligned with parents on what matters.

In Texas 2036's Statewide Voter Poll, of **702 likely Texas voters, 89 percent said publicly supported early childhood programs are important,** including 84 percent of Republicans and 97 percent of Democrats.

Asked what the state should prioritize with public dollars, **voters favored educational outcomes over workforce enablement by 56 percent to 38 percent,** with majority support across regions and party affiliation.



1.3 The Childcare Workforce

When parents seek childcare outside of their own homes and outside of traditional school settings, their options typically involve center-based programs and home-based programs (registered or licensed), which are regulated by the Health and Human Services Commission. The people who run and staff these regulated childcare settings — directors, center teachers and aides, and home-based operators — are the workforce this section examines. A large informal sector of friend, family, and neighbor (FFN) care operates outside this regulated structure; it is part of how families piece together care, but it falls outside the workforce data analyzed here.

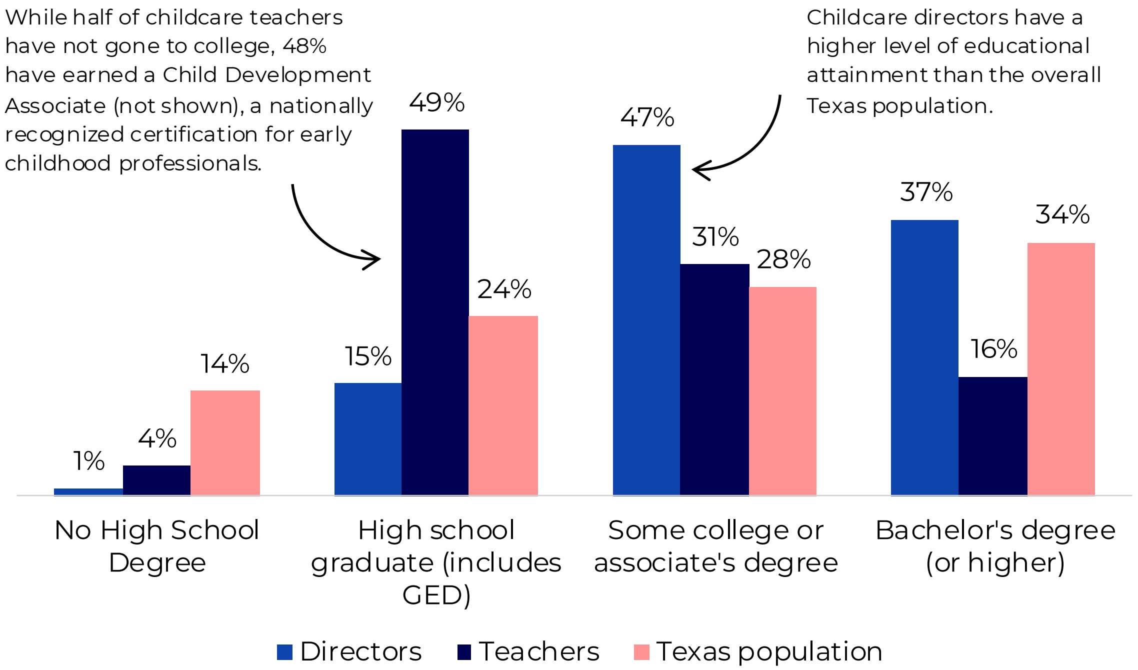
Texas' childcare workforce is the backbone for the care provided to hundreds of thousands of young children daily. Ninety-seven percent of the early childhood workforce – of which there are roughly 34,200 childcare workers and an additional 5,500 education and childcare administrators – are female, according to data from the Texas Workforce Commission.[36]

Data from a survey by Social Finance sheds light on the educational attainment of the state's childcare workforce as well: while 37 percent of childcare directors have a Bachelor's degree or above, only 16 percent of childcare workers carry the same credentials.

36. Texas Workforce Commission, Texas Childcare Workforce Strategic Plan 2026-28.

The most common formal credential – the Child Development Associate – is held by 48 percent of workers overall, and only 23 percent of those in home-based settings. The workforce is experienced (an average tenure of 7 years according to the survey) but thinly credentialed, and the clearest route to higher pay runs through formal education that most teachers have not been able to reach.[37]

Figure 7: Educational attainment of childcare directors and teachers relative to Texas population



37. Social Finance Survey: Analyzing Texas' Childcare Workforce: What Early Educators are Telling Us About Their Profession, March 2026. | Figure 7 Data Source: Social Finance Survey, N = 1,039 (Directors), 7,075 (Teachers) Texas population estimates are from the U.S. Census Bureau, American Community Survey (2023)

SECTION II

The Cost of The Status Quo

Texas' childcare system imposes costs that impact every constituency: parents, employers, childcare providers, and taxpayers. Texas-specific economic modeling produced by DARO (Texas 2036's research partner) from the statewide survey data quantifies the total workforce participation cost to the employers at approximately $7.9 billion.

2.1 The Family-Level Burden

Families experience the economic burden of care both directly (through the expense paid for formal care), and indirectly (through foregone work opportunities, and tradeoffs in care choices), and these burdens combine to impact family planning decisions as well.

For the lowest-income families, childcare is among the largest line items in the household budget.

Families earning under $35,000 a year spend about 19 percent of their income on childcare.

That share falls to roughly 9 percent for families earning more than $200,000.[38]

For low-income families who qualify, subsidies can ease the burden. But waitlists and administrative hurdles often mean that income-eligible families cannot access subsidies in practice—and for families just above the eligibility line, there is no cushion at all.

Eligibility is tied to a share of the state median income (SMI). The statewide ceiling is 85 percent of SMI, or $92,041 a year for a family of four in 2026.[39] But qualifying on income does not guarantee a subsidy. Because funding is limited, income-eligible families are frequently placed on waitlists, and whether a family is actually served depends heavily on its local board's funding.

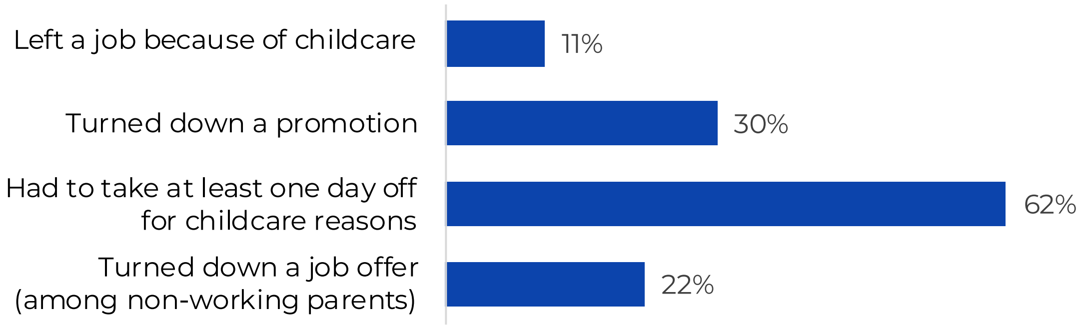
A family that never qualifies, or that earns its way past the ceiling, pays full market price. That squeeze lands squarely on the working families in the middle: earning too much to get in, but not enough to absorb full tuition. Among parents using paid care in our survey, nearly half report sacrificing quality for affordability (47%) or workable hours (44%).

> Care is our largest monthly expense. There's no help in our income range.
>
> **- Parent focus group participant**

38. Texas 2036 Statewide Childcare Survey. | 39. Texas Workforce Commission, Income Eligibility Limits and Maximum Parent Share of Cost, Board Contract Year 2026.

The dollar cost is only part of the price. Paying for care buys some coverage and flexibility, but not always the reliability or the hours a job demands – and the gap shows up in parents' working lives. In the past 12 months, 11 percent of working Texas parents surveyed have left a job because of childcare; 30 percent have turned down a promotion; and 62 percent have had to take at least one day off for childcare reasons. Among non-working parents surveyed, 22 percent have turned down a job offer in the same window. That cost lands on family budgets first, but also on employers and the state's economy.

Figure 8: In the past 12 months, pare report they...



The direct and indirect costs of care compound to have substantial impacts on the decisions of Texas families to have more children.

A majority of parents surveyed (56.7 percent) reported that the price of childcare has impacted their decisions to have more children.

We can't afford childcare for more than two children. And two is difficult.

- Parent open response in survey

Prior to starting kindergarten, childcare expenses were more than $22,000 per year. Having another child would mean spending at least $110,000 for childcare from birth to kindergarten. We chose to invest in our retirement rather than have a third child.

- Parent open response in survey

2.2 The Employer and Workforce Cost

Texas employers feel the economic consequences of unstable childcare directly. In the statewide survey of 138 Texas employers, childcare–related instability is named as a productivity issue affecting absenteeism, turnover, and time to fill open positions.[40] The effect concentrates among employers operating where childcare supply is thinnest, with rural Texas industries — agriculture, energy, food processing — among the most affected.

> I'm losing dairy workers because there is no childcare here. I can pay them, but I can't make care exist for them.
>
> **- Amarillo employer focus group participant**

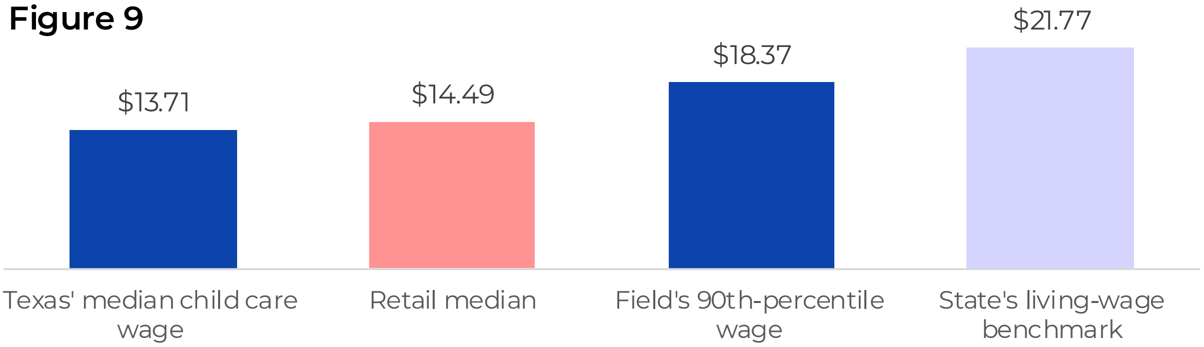
Texas-specific economic modeling puts an annual figure on the cost of that lost labor. The workforce-participation impact is approximately $7.9 billion per year.[41]

Turnover accounts for $3.4 billion of it – the lost productivity and expense of filling positions vacated for childcare reasons. Unplanned absenteeism accounts for the remaining $4.5 billion: parents missing work for childcare disruptions, averaging roughly 11 days per year and affecting about 62 percent of working parents. Texas employers are already paying for childcare – $7.9 billion is the cost to them for gaps that remain in the system.

2.3 The Childcare Workforce and Provider Challenge

Texas childcare providers who completed our survey report struggling to pay competitive wages. **Texas' median childcare wage is $13.71 an hour** — below the retail median of $14.49. Even the field's 90th-percentile wage of $18.37 falls short of the state's $21.77 living-wage benchmark.[42] Staff leave for retail and warehouse jobs.

Figure 9



40. Texas 2036 Statewide Childcare Survey (employer n = 138) | 41. DARO economic modeling for Texas 2036. See Methodology for approach and data sources. | 42. U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics (OEWS), May 2023

Directors describe the math plainly:

> I have a teacher who's been with me for eight years. She's brilliant with the kids. She makes less than what Buc-ee's pays. She told me she has two more years left in her.
>
> **- Houston provider focus group participant**

This is due, in part, to the revenue model. Broadly speaking, there are two funding streams available to private childcare providers: parent tuition and subsidy reimbursement for eligible families.

Market-rate tuition is, in many cases, capped by household budgetary arithmetic. For a working parent, paying for childcare makes economic sense when the care costs less than the job it enables can pay, and enough less that the income left over justifies the effort of the work. If tuition approaches what a parent can earn, families might make economically rational decisions to reduce formal workforce participation. This places a structural ceiling on what providers can charge: what parents are willing to pay is bounded by what their own jobs pay, which ties childcare revenue, and ultimately childcare employee wages, to the wages of every other job in the local economy. The subsidy system likewise is primarily based on the market rates.

In order for childcare to be economically attractive to families, childcare providers must keep rates low. For these childcare providers, labor costs – the wages they pay their employees – are often the most direct lever available to reduce overall operating costs. As a result, in many settings, lower pay for childcare workers has become a structural component of affordability for parents.

Despite low wages, the childcare workforce has a stated commitment to the work. According to data from the Texas Early Childhood Professional Development System (TECPDS) Career Trajectory Study, a majority of workers in every role (roughly 75 percent) — from early childhood educators to program administrators to support staff — say they are likely to remain in their current job over the next two years.[43]

Even so, the stated intention sits against high realized turnover. Among early childhood educators whose data is currently captured in the TECPDS database, 14.9% of early educators have less than 1 year experience, with an additional 23.1% having between 1-3 years.[44] What the sector loses, it loses despite reported attachment, not for lack of it.

43. TECPDS Career Trajectory Study (Children's Learning Institute, UT Health Houston, 2025). | 44. TECPDS ECE Reports, Educator Employment data (Children's Learning Institute, UT Health Houston), accessed July 8, 2026

Figure 10: How likely were respondents across all categories to stay in their current job for the next two years?

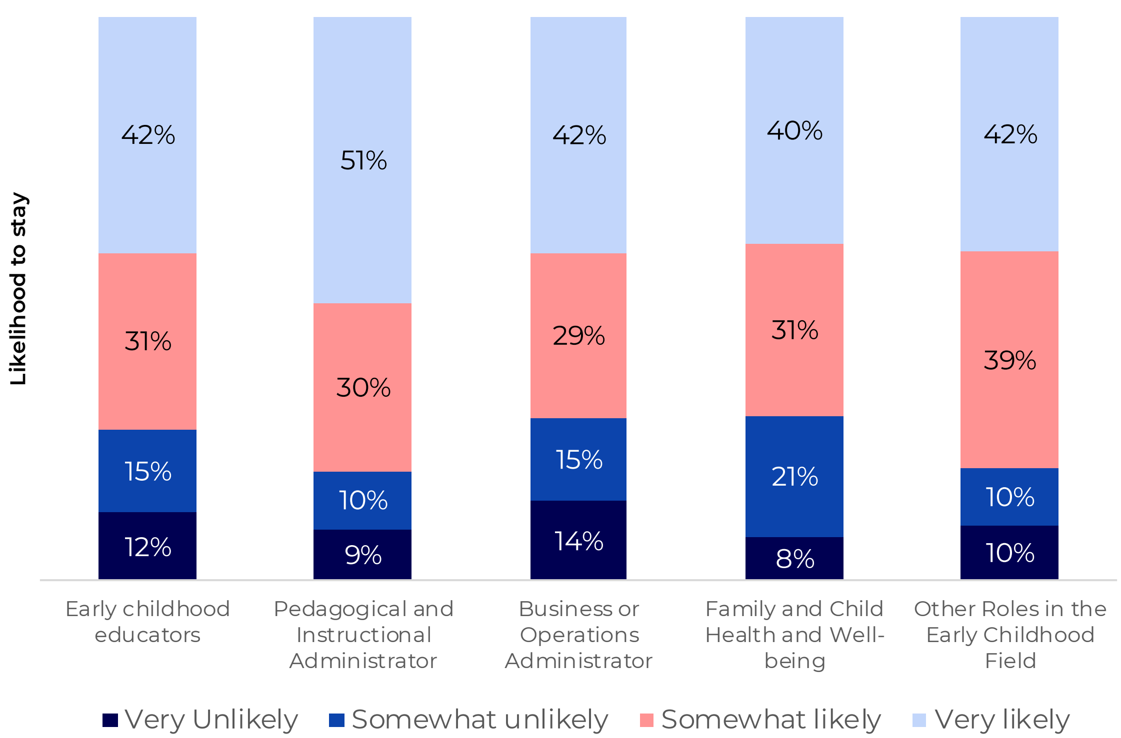


Figure 11: Years of Industry Experience of ECE Workforce

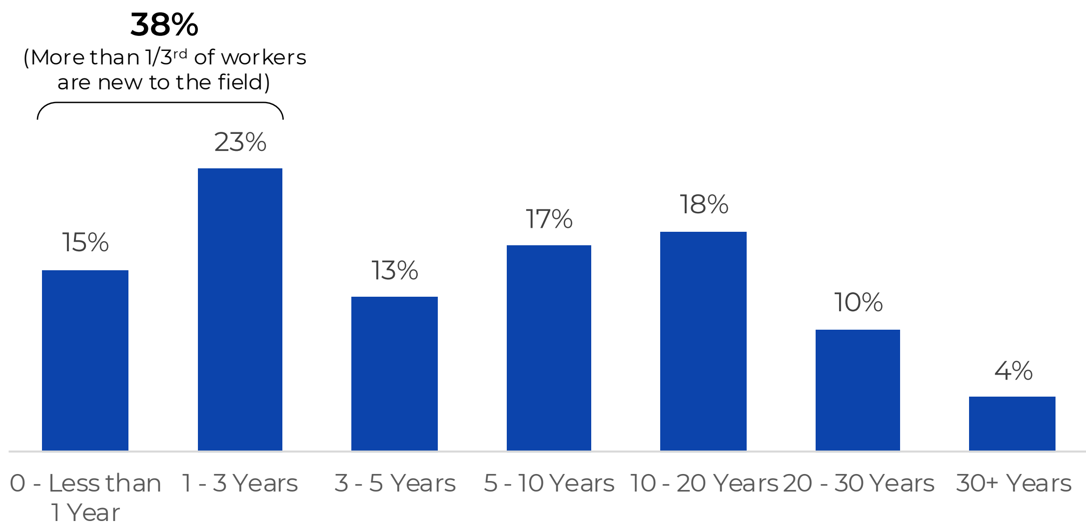


Figure 11 Data source: TECPDS ECE workforce training reports https://tecpds.org/ECEReports/Employment?type=pr

Provider owners themselves may be subsidizing the system. In focus groups across the state, owners described not taking salaries for years, depleting personal savings, and relying on spouses' earnings to keep their businesses operating. One Dallas-area owner had not drawn a salary in four years; another's spouse worked a second job to underwrite the family's childcare center.

The costs bear out across multiple indicators according to respondents to our survey:[45]

- Compensation satisfaction splits into rough thirds: about 28 percent satisfied, 38 percent unsatisfied, 33 percent neutral.
- Providers rank rising operational costs as their top business challenge (58.7 percent), ahead of unstable enrollment, limited funding, and liability insurance.
- Providers who responded to our survey also report more difficulty recruiting than providers nationally (44 versus 39 percent).[46]

Tarrant County's PRIME Pilot, Childcare Worker Wages, and Long-Term Sustainability.

The PRIME pilot was a Tarrant County initiative that infused roughly $9 million into the region, with the average grant totaling $20,770 per month ($547/child). The grants targeted lifting childcare wages, enabling participating providers to pay about $18 an hour instead of the usual $15. Additionally, participants committed to instructional coaching and comprehensive business guidance. Staff retention rose 17 percent and enrollment 14 percent — evidence that the wage constraint is real. The gains held only with the external funding: current parent-pay ceilings and subsidy reimbursement rates could not sustain $18 an hour on their own. Higher pay will usually lead to staff retention, but the economic circumstances discussed in this section suggest that this model would not be sustainable in Texas under current market conditions.

These strains compound because no one is empowered to act on them at the system level. The data collected by TECPDS about the childcare workforce provides a starting point, but no state entity is responsible for tracking the health of the childcare workforce in aggregate, and no coherent pathway connects career and technical education (CTE), the Child Development Associate credential, community-college coursework, and bachelor's programs — gaps addressed further in Section V, Recommendation 3.

The wage ceiling issue described above is what makes these missing pathways so costly. If providers cannot raise employee pay without raising tuition on parents, the industry's ability to attract and retain (even for relatively short periods) quality staff depends on what other career benefits it can offer.

45. Texas 2036 Statewide Childcare Survey (provider n = 286) | 46. NAEYC, Texas State Survey Brief, 2026 ECE Workforce Survey.
Chart Data source: TECPDS ECE workforce training reports https://tecpds.org/ECEReports/Employment?type=pr

One approach is a deliberate career ladder

By structuring career advancement built on the vocational commitment early childhood staff already demonstrate, a career ladder can offer pathways into credentialed fields and higher-paying roles – including related education fields. Such a ladder could improve the stability of the early childhood workforce without breaking the economics that keep care viable for the families who pay for it and the providers who offer it. This opportunity is further discussed in Section V, Recommendation 6.

2.4 The Long-Term Public Cost

When children arrive at kindergarten unprepared, the cost can compound into remediation and, in time, a less prepared workforce. Roughly half of Texas children are not kindergarten-ready on TEA's beginning-of-year assessment.[47] Texans broadly support early childhood programs as a way to improve educational outcomes, yet the state cannot tell whether its own spending is producing those desired outcomes: the Texas Education Agency holds the readiness data, the Texas Workforce Commission holds the records of which children received subsidies, and the two are not linked. That leaves Texas unable to answer two questions it should be able to — whether the dollars it spends are buying stronger kindergarten readiness, and whether changes to its quality and educational programs are improving results or eroding them.

The stakes are high given the importance of early learning on later academic outcomes. Data from the Commit Partnership show that eligible Texas students who attend Pre-K in public schools are 1.8 times more likely to be Kindergarten ready than eligible students who did not attend, with even stronger gains for Emergent Bilingual students.[48] This matters not just for Kindergarten itself, but the effects reverberate: students who are Kindergarten ready are twice as likely to read proficiently in 3rd grade.

Whether childcare centers are able to produce similar – or any – gains and return on public investment is an open and answerable question, but it requires a stronger data infrastructure than Texas currently has. Without that infrastructure, the state is unable to measure whether the dollars it spends on Texas Rising Star-rated centers are buying the outcomes the state and its taxpayers expect.

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47. Texas Public Education Information Resource (TPEIR), Kindergarten Readiness, Reporting Year 2024–25. | 48. Analysis by The Commit Partnership using Texas Education Agency 2025 Texas Academic Performance Reports.

SECTION III

A System That Wasn't Designed To Work Together

The costs laid out in Section II are not accidental. They trace to one structural fact: the Legislature has never charged any single entity with accountability for the childcare system as a whole, and instead a variety of care types are governed by a variety of agencies.

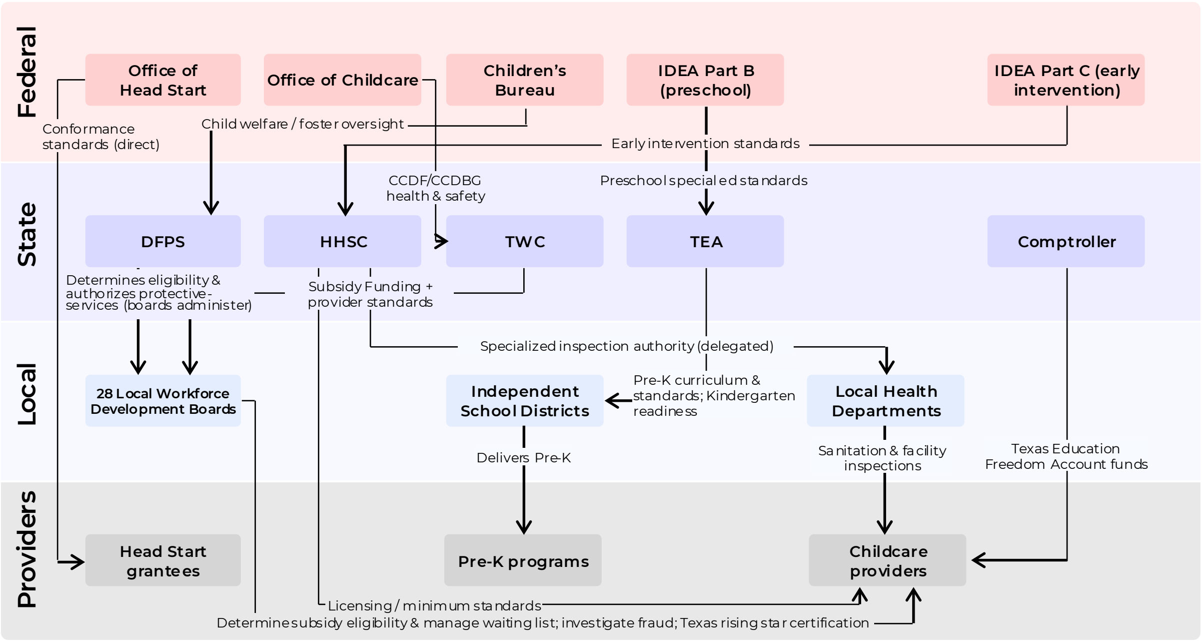
The remainder of this section maps the fractured governance architecture — the agencies and their conflicting missions, a licensing framework that enforces curriculum judgments as though they were safety rules, and the evidence of how the structure fails the Texans it serves. Each agency described in this Section is performing a mission the Legislature assigned. The analysis that follows describes how those missions are poorly aligned for ultimate success – not an assertion that any agency is poorly executing their assigned role.

3.1 Fragmented Governance

At least five state agencies currently touch childcare, joined by Head Start as a sixth, federal layer.

1. **The Texas Workforce Commission** administers childcare subsidies under the federal Childcare and Development Fund (CCDF) and operates Texas Rising Star, the state's childcare quality rating program.
2. **The Health and Human Services Commission** provides licensing and regulation of centers and home-based sites.
3. **The Texas Education Agency** operates public Pre-K programs, manages the Early Education Funding Allotment, determines kindergarten readiness, and sets educational standards for public schools.
4. **The Department of Family and Protective Services** investigates abuse and neglect.
5. **The Texas Comptroller** administers the Texas Education Freedom Accounts (TEFA) appropriation, a funding mechanism for eligible parents to pay for private or home schooling, including Pre-K, which can be offered in school and childcare settings.
6. **Federal Head Start,** administered through grantees largely outside state authority, adds the federal overlay.

These state agencies receive funds from both state and federal sources and are responsible for distributing money and monitoring compliance. A third, local layer sits underneath: independent school districts deliver public Pre-K, local health departments conduct sanitation and facility inspections, and 28 Local Workforce Development Boards manage regional subsidy waitlists, investigate fraud and manage the Texas Rising Star certification process. Parents and providers answer to whichever agency touches the program they use, with no single point of contact across the three tiers.



Across this array of state and federal touchpoints, it is likely that no single family experiences all of them simultaneously, but many encounter at least one.

The consequence is duplicative or conflicting compliance demands on providers, incoherent signals to families, and accountability that falls through the cracks between agencies. No entity holds system-level accountability.

Several states have acted to address similar fragmentation by consolidating early-childhood functions under a single lead agency. In Florida and Arkansas, responsibility was consolidated under their state education agency. Florida did so beginning with the 1999 School Readiness Act,[49] with subsequent transfers (most recently the Gold Seal program in 2021) bringing additional early-childhood programs into the Department of Education's Office of Early Learning. Arkansas restructured its Office of Early Childhood[50] under the Arkansas Department of Education through the 2023 LEARNS Act, moving functions previously housed in the Department of Human Services. Other states have opted to consolidate into their Human Services departments or other entities. Regardless of the entity chosen to lead a unified approach, efforts from other states reflect efforts to resolve the central challenge Texas faces: fragmentation results in systems that fail to adequately meet family needs and often create a confusing web of policies and requirements for childcare providers.

49. Florida DOE, Office of Early Learning, School Readiness Funding Model Allocation Methodology Report and Recommendations (Oct. 2019).
50. Arkansas Department of Education, Division of Elementary and Secondary Education, Office of Early Childhood, https://dese.ade.arkansas.gov/offices/office-of-early-childhood (accessed July 2026).

3.2 No Unified Outcome Framework

The five state agencies measure a number of different things with no clear throughline across the entirety of the system. Because of this, no single entity measures the effectiveness of the system as a whole. Measures, missions, and objectives can be found in agency bill patterns in the General Appropriations Act, as well as in agency Strategic plans. Tables summarizing the relevant aspects of each are provided below.

Agency Budget Performance Measures and Early Childhood

Table summarizing agency performance measures in the FY 2026-27 General Appropriations Act

Agency	Primary early childhood performance measures in the state budget
Texas Workforce Commission	▪ Average number of children receiving childcare administered by Local Workforce Development Boards per day (Strategy A.3.1) ▪ Average cost per child per month for childcare administered by Local Workforce Development Boards (Strategy A3.1) ▪ Center participation and compliance with Texas Rising Star is reported elsewhere, but not directly included in the state budget as an agency performance measure
Health and Human Services Commission	▪ Number of childcare facility inspections (Strategy H.2.1) ▪ Number of completed non-abuse/neglect investigations (Strategy H.2.1) ▪ Number of childcare regulatory permits issued (Strategy H.2.1)
Texas Education Agency	▪ Number of students served in early childhood school ready program (Strategy A.2.1) ▪ Kindergarten readiness is measured and reported separately, but not directly included in the state budget as an agency performance measure
Department of Family and Protective Services	▪ Number of completed day care child abuse/neglect investigations (Strategy B.1.1) ▪ Number of completed day care child abuse/neglect reports (Strategy B.1.1) ▪ Number of day care child abuse investigations closed within 30 days (Strategy B.1.1) ▪ CPS daily caseload per worker: day care child abuse/neglect (Strategy B.1.1)
Texas Comptroller	No performance measures yet created for the new program.

Agency Strategic Plans and Self-Defined Early Childhood Missions

Excerpts from agency strategic plans articulating their primary mission – and their role in state childcare policy

Agency	Primary mission	Early childhood framing
TWC *Strategic Plan FY 2027–2031*	"To promote and support a workforce system that creates value and offers employers, families, individuals and communities the opportunity to achieve and sustain economic prosperity." (p. 5)	▪ "Access to quality, affordable childcare allows working parents greater opportunities to participate in the workforce while children build a foundation for future success" (p. 9) ▪ "Provide childcare to eligible families to facilitate their participation in the workforce." (Action Item 2.2.3, p. 9) ▪ "Ensure childcare providers have the support necessary to provide quality early childhood learning…" (Action Item 2.3.1, p. 9) ▪ "Fund local childcare services to enable eligible families to work or train for work and help employers find qualified workers." (Objective 1.3, p. 21)
TEA *Strategic Plan FY 2025-2029*	"The Texas Education Agency will improve outcomes for all public school students in the state by providing leadership, guidance, and support to school systems." (p. 3) **Vision:** "Every child, prepared for success in college, a career, or the military." (p. 3)	▪ "Building proficiency in reading and math begins with kindergarten readiness, but it does not stop there…" (Strategic Priority 2, p. 8) ▪ Measures: "Percent of Eligible Four-Year-Olds Served in a High-Quality Prekindergarten Program"; "Number of Students Served in Early Childhood School Ready Program" (measure appendix, p. 60)
HHSC *Strategic Plan FY 2027–2031* Continued	**Vision:** "Making a positive difference in the lives of the people we serve." (p. 6) **Mission:** "We serve Texas." (p. 6)	▪ "Reduce the number of recurring serious violations in nursing facilities, acute care facilities, and childcare operations by 5 percent…" (Action Item 3.1.2, p. 15)

Agency	Primary mission	Early childhood framing
HHSC *Strategic Plan FY 2027–2031*		▪ "Increase capacity in child day care operations by 5 percent through regulatory reform of the minimum standards... and... identifying individuals who need to be regulated and individuals who want to provide childcare..." (Action Item 3.1.3, p. 15) ▪ Regulatory Reform Initiative: tiered review of '38 provider types in childcare, acute care, and long-term care regulation"; "eliminate regulatory requirements that contribute to workforce challenges across provider settings" (p. 38-39)
DFPS *Strategic Plan FY 2027–2031*	**Mission:** "We build on strengths of families and communities to keep children and vulnerable adults safe, so they thrive." (p. 4) (new mission this cycle) **Vision:** "Safe children and adults."	▪ Goal 1: Promote the safety of children, families, and vulnerable adults. (p. 7) ▪ Action Item 1.2: "Strengthen the quality and consistency of child protective investigations by ensuring time, thorough practice and meaningful engagement of children, families, providers, and communities to improve safety, trust, and outcomes." (p. 7)
Comptroller *Strategic Plan FY 2025-2029,* *TEFA program site**	"Will serve the people of Texas by applying tax and fiscal laws fairly and consistently..." (p.4)	▪ SB 2 (89R) "provided $1 billion in funding to create the Texas Education Freedom Accounts (TEFA) program and give parents greater freedom and flexibility in choosing the best educational environment for their children." ▪ "The Texas Comptroller of Public Accounts will oversee the program to ensure funds are used properly." (educationfreedom.texas.gov, accessed 7/8/2026)

**Comptroller's website for TEFA program site used due to recency of the TEFA program*

The tables above show incoherence at two scales: within individual agencies, and among them, Both part of a broader problem that **the state has not defined what success looks like for the childcare system as a whole.** Without a shared definition of the desired outcome, the state allows itself to measure against a variety of independent metrics and treat the existence of measurement as evidence of accountability.

There is no shared yardstick by which "the childcare system is working" or "the childcare system is failing" can be answered. The comprehensive measure is missing because the state has not asked for one.

The smaller scale is visible inside the Texas Workforce Commission. The agency's newest strategic plan commits it to quality: ensuring "childcare providers have the support necessary to provide quality early childhood learning" (Strategic Plan FY 2027–2031, p. 9). Its bill pattern measures none of this. The state budget grades TWC on the average number of children served per day and the average cost per child per month (GAA FY 2026–27, Strategy A.3.1). Both are reasonable stewardship metrics for a subsidy program, but they point in one direction: serve more children at lower cost. Quality improvements — better-trained staff, higher reimbursement rates for Texas Rising Star providers — typically raise cost per child. Texas Rising Star participation is tracked and reported, but it appears nowhere in the agency's budget measures. Even within a single agency, the objectives the plan announces and the measures the budget enforces do not line up, and the budget measures are the ones with consequences.

The larger scale runs among the agencies, and the Health and Human Services Commission's regulatory reform initiative illustrates it. HHSC's strategic plan commits to a tiered review of minimum standards across 38 provider types, aimed at eliminating requirements that contribute to workforce challenges (Strategic Plan FY 2027–2031, pp. 38–39). Reviewing regulations for unnecessary burden is worthwhile work. But the review plan does not include consulting the other agencies whose programs those regulations shape — even though the Legislature created the quad-agency initiative in House Bill 4903 (89th Legislature, 2025) for exactly this kind of cross-agency discussion.

Any minimum standard carries trade-offs that land outside HHSC's ledger: a requirement that raises provider costs also erodes the purchasing power of TWC's subsidy dollars, shapes the supply of seats available to families, and affects the readiness of children arriving in TEA's classrooms. HHSC is graded on inspections completed, investigations closed, and permits issued, and it will reasonably weigh regulatory trade-offs from that vantage point. A safety regulator reviewing its own rules in isolation can be expected to get the safety side right; it cannot be expected to weigh costs and benefits that accrue to four other agencies' missions and measures. If misalignment inside one agency goes uncorrected, misalignment among five — where no shared measure exists at all — has no mechanism to surface it.

3.3 An Education Quality Signal Housed in a Workforce Agency

The state's quality rating system for childcare providers –Texas Rising Star (TRS) – demonstrates the challenges that divided governance has on state efforts to establish clear goals, measure progress, and deliver parent-friendly outcomes.

The agency that runs TRS, the Texas Workforce Commission, is built around employment rather than education, and its ratings are not currently linked to the kindergarten-readiness data held at the Texas Education Agency. TRS scores subsidy-participating providers on a 2-4 star scale based on TWC evaluations of the childcare provider's educational programming, staff qualifications, and ratios of children to childcare workers. Programs receive additional funding per subsidized seat based on their star scale rating. However, Texas lacks the data to know if the bonus payments actually achieve their intended goal – improving early childhood education. The TRS system relies on inputs to determine a rating, but has no current mechanism for measuring outcomes.

Participation in the program has climbed to about 48.5 percent of subsidy-system providers, up from 17 percent in 2017 — a rise driven by a 2021 participation mandate in order to serve children receiving subsidies (House Bill 2607).[51, 52]

For all that growth, the rating does not appear to be reaching the people it is meant to inform: Texas parents. When Texas 2036's Statewide Childcare Survey asked which factors matter most for parents in choosing care, TRS ranked eighth of ten, cited by fewer than 10 percent of parents — even though the factors parents named first, qualified staff, safety, and curriculum, are the very things TRS seeks to measure. A rating built on the criteria families already use could be their first stop; instead it goes largely unseen. It is unclear based on the survey data whether the lack of utility reported by parents is primarily due to a lack of awareness or because parents found the ranking system unsatisfactory for some reason.

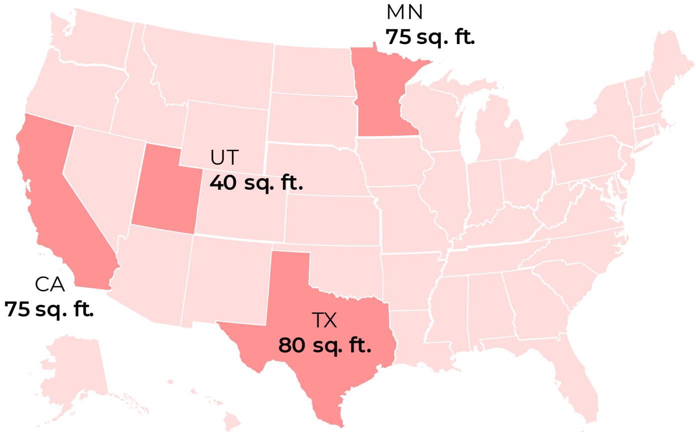
Providers, meanwhile, carry its cost. One Houston director put TRS's net value to her business at "maybe ten cents per student" once she accounted for meeting its standards;[53] family-home operators in San Antonio described the requirements as an unfunded mandate.[54] Surveyed childcare providers largely characterized the program as a compliance burden, while parents reported not relying upon the rating that childcare providers worked to achieve.

None of this necessarily means the state measures the wrong things or that the agency is deficient in its execution of its mandate. TRS appears to measure much of what parents value; the problem is where it sits and whom it reaches. Housed in a workforce agency and disconnected from kindergarten readiness outcomes, it struggles to effectively serve as a parent-facing signal or as a test of whether the state's spending improves results. Whether that measurement belongs elsewhere — and how it should connect to outcomes data — is taken up in the Recommendations.

51. Texas Workforce Commission; Evaluation of the Effectiveness of the Subsidized Childcare Report to the 89th Legislature, January 2025.
52. House Bill 2607 was passed by the 87th Texas Legislature in 2021. | 53. Texas 2036 Focus Groups and Interviews (2025–2026) | 54. Ibid.

3.4 When Safety Reviews Become Judgment Calls

The state's childcare licensing regulations are overseen by HHSC, in a silo separate from TWC's quality evaluations of those providers. These HHSC regulations mix two kinds of standards: basic physical safety requirements and judgment calls about what's best for children's development. The rules don't separate the two, so a provider can be cited for a safety violation even when the rule is not really about whether kids are safe.



Section 746.4301 of the Texas Administrative Code is one example. The rule requires licensed childcare facilities to provide at least 80 square feet of fenced outdoor activity space per child utilizing that space, with off-site outdoor space accepted only after a multi-step process.[55] The rule has a stated safety rationale embedded in its origin, supporting gross motor development and outdoor play. The 80-square-foot threshold, however, exceeds the comparable minimums in other states — California and Minnesota both set the standard at 75 square feet per child, Utah at 40 — placing Texas at the higher end of the national range.[56] It also exceeds the minimum amount of outdoor space required by the state while the child is at home, which is zero square feet. The practical effect is that a judgment about what outdoor space should look like becomes a binding licensing requirement that disproportionately zones out urban providers operating in dense areas – areas that many parents have chosen themselves to live with their children.

Screen time – defined as any activity during which a child views media content on a cell or mobile phone, tablet, computer, television, video, film, or DVD – is a second example.[57] Section 746.2207 prohibits any screen time for children under two and caps screen time at one hour a day for children three and above. Any screen time for children three and up must tie to an educational goal.[55] Although many parents may agree with these, they are judgments about how a child should spend the day – bureaucratic decisions that operationally allow three year olds to play on tablets alone but not to watch a movie with their classmates – not measures of whether the child is safe. Written into licensing, a developmental preference becomes a citable violation. In practice, a center that plays a feature-length animated film on a rainy afternoon – like Toy Story (81 minutes), Lion King (88 minutes), or Cars (117 minutes) – receives a violation in the same category as failing to annually test carbon monoxide detectors (Section 746.5537), or failing to orient or train employees on preventing and responding to food/allergic reactions (Section 746.1303 & 746.1309).

55. 26 TAC §746.4301, §746.4311 | 56. California: 22 CCR § 101238.2 requires 75 sq ft/child. Minnesota: Minn. Rules 9503.0155 requires 75 sq ft/child. Utah: Utah Admin. Code R381-100-9(16) requires 40 sq ft/child. | 57. 26 TAC §746.123(54)

Several other Chapter 746 rules fall into the same territory. Each is plausibly defensible as a safety rule on its own:

- Section 746.4201 requires 30 square feet of indoor activity space per licensed child
- Section 746.4217 prohibits below-grade or above-ground-level care without written state approval
- Section 746.4407 requires one toilet for every 17 children

Taken together, though, these rules do more than promote safety: they effectively prescribe a particular kind of building: single-story, with more bathrooms than most buildings have, and large enough to meet a square-footage minimum few commercial, religious, or residential structures were built for.

That isn't surprising. A regulator charged with safety has no reason to weigh whether one more training hour, square foot, or toilet is worth the childcare supply it pushes out of the market. Under this scenario, access or affordability take the back seat. Each rule might hold up on its own; but the cumulative result isn't ever measured against goals and objectives housed outside of the agency's purview.

The aggregate compliance burden on individual providers is documented.

> Center owners spend approximately 52 hours per month on regulatory compliance activities — time that comes out of business operations, staff supervision, and quality work.[58]
>
> **- The Early Matters Texas *Building a New Future* report (April 2026)**

The cost is borne by providers, passed to parents through prices, or absorbed as owner unpaid labor and capital. Regulations that do not measurably improve safety still impose all three costs.

The 89th Legislature has already taken a step toward addressing the regulatory architecture: Rider 165 (HHSC, 89-R) directs an external evaluation of Childcare Regulation (CCR) Minimum Standards for childcare programs. Recommendation 5 in Section V proposes that any revisions arising from the Rider 165 evaluation be considered alongside, and in service of, a cleaner and more unified regulatory mission.

As Texas considers streamlining the regulatory framework for childcare, the state's own statute already carves out space for care that operates under parental oversight alone. Programs offering instruction in a single skill — the swim lessons, gymnastics gyms, and full-day week-long summer enrichment programs that families assemble each year — are exempt from childcare licensing entirely. This is not to say that childcare centers themselves should be exempt or unregulated. Responsibility for child development during caretaking hours demands more than a "single skill" classification. However, this single-skill framework is an instance where the state's regulatory stance has effectively conceded the principle this report advances: that a range of options serving children can defer to parents to evaluate and choose, with the state's mandatory role reserved for a baseline of safety rather than a judgment about program quality.

58. Early Matters Texas, Building a New Future for Early Childhood in Texas (April 2026).

3.5 Conflicting Guidance

Further compounding the frustrations stemming from fractured governance is that providers report operating in a regulatory environment in which compliance can mean different things from one inspector, one agency, or one day to another.

> Depends on who I ask, what time of day, and what they ate for lunch.
>
> **- San Antonio provider focus group**

> Charter schools serving our same age groups face less licensing regulation than we do.
>
> **- Fort Worth provider focus group**

These conflicts bear out in concrete and likely frustrating ways for providers. Texas Rising Star (administered by TWC), for example, rewards a print-rich classroom, requiring books and learning materials to be accessible to children at child height, with materials displayed "along the walls, shelves, and/or the floor" at children's eye level. HHSC licensing pulls the other way: fire-safety standards cap combustible materials on classroom walls and require clear egress. Child are providers report that a provider who fills low open shelves with picture books and papers the walls to earn TRS points can be written up on a fire or safety inspection.

A Fort Worth provider's observation from above points to another structural burden: licensed childcare centers and public schools (both charter and traditional) serving overlapping age ranges (generally, three- and four-year-olds) operate under different regulatory architectures: different agencies, different rule sets, and different enforcement mechanisms. Whether one structure is heavier or lighter than the other depends on which provider type and which rule one measures. Two distinct regulatory regimes apply to the same population of children. Further discussion of the tension that exists for Pre-K-aged children is in Section 3.7.

The conflicting-guidance pattern reflects agencies pursuing distinct missions whose intersections have not been operationally reconciled. The provider experiences the lack of reconciliation as regulatory inconsistency.

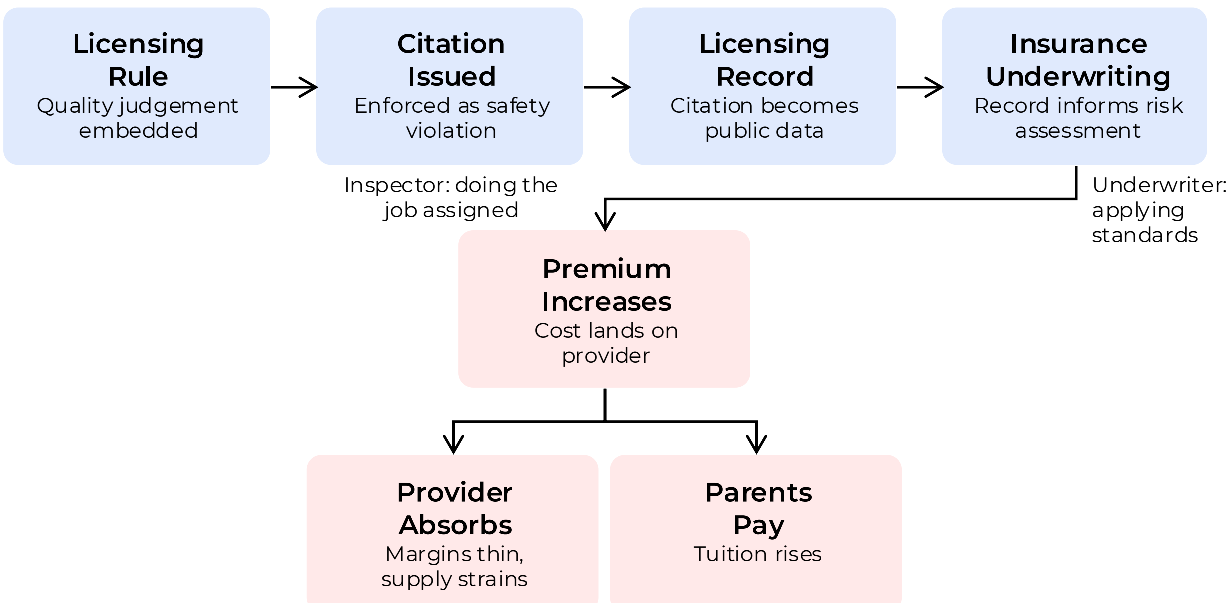
In the 2025 session, the Legislature passed HB 4903 (89-R), establishing the Quad-Agency Childcare Initiative to create a process for surfacing conflicting regulations and beginning to resolve them. The initiative is well-suited to identifying regulations in active conflict. It may be less effective, however, at unifying how regulations are interpreted and applied when they are not facially in conflict, such as cases where enforcement staff across different agencies apply different rules to children of the same age in different settings. In short, the Quad-Agency Initiative is a useful way to address the worst of these problems, but it is not designed to be a structural solution to the fragmentation that produces them in the first place.

3.6 The Enforcement-to-Insurance Cascade

The current governance structure materially affects providers' ability to operate beyond navigating conflicting guidance alone. The screen time requirement mentioned in Section 3.4 illustrates one mechanism by which it does so: the Enforcement-to-Insurance Cascade.

The chain runs as follows: a quality judgment (such as whether it's appropriate for a four-year-old to watch a movie on a rainy day), embedded in the licensing rule, is enforced by a safety-licensing inspector as a citation. The citation appears in the provider's licensing record. Liability insurance carriers underwriting childcare providers reference licensing records as inputs to risk assessment. A citation increases the provider's insurance premium.[59]

Figure 10:



No actor is at fault – each follows its assigned role. The cascade is the design.

The cascade is the structural mechanism by which a regulation tied to a classroom design or pedagogical preference becomes a safety violation that later results in a higher insurance cost — and by which that cost translates back to the provider financial distress and, in turn, parent affordability challenges.

The cascade is not necessarily intentional. A licensing inspector is doing the job they are assigned to do and reviewing classroom environments. An insurance underwriter is processing the data in their underwriting standards. A center owner experiences the result as a higher premium and either absorbing the costs or passing them to parents.

The cascade applies to every quality standard embedded in Texas' minimum licensing standards. Section V, Recommendation 5, considers separating those judgments from the safety floor and streamlining the standards that remain.

59. Texas 2036 Focus Groups and Interviews (2025–2026)

3.7 Public Pre-K and Private Care: A Tension No One Manages

Pre-K is often overlooked in the early childhood sector but is a critically important age group for both age-appropriate development and fiscal health of childcare systems. Children who are age 4 are the most profitable age group for licensed center providers — the 1:18 staffing ratio means a center can serve four-year-olds at rates that subsidize the much higher costs of serving infants and toddlers. 3-4 years is also the age group most likely to be in a school-based setting, and enrollment rises with age: roughly 11 percent of three-year-olds, but about 52 percent of four-year-olds, are enrolled in public Pre-K.[60] This leaves nearly half of Texas four-year-olds in settings other than public Pre-K, with many remaining in private centers.

Even so, Texas' “Mixed Delivery system” – a term describing leveraging a variety of settings and providers (childcare centers, public Pre-K, private schools) to provide early learning – has yet to fully adjust to the role of public pre-K. In 2019, HB 3 required districts to offer eligible four-year-olds full-day public Pre-K, making the public option a far closer substitute for a full workday of private care than half-day public Pre-K.

Many providers see this as a direct threat to their enrollment. As one Fort Worth provider put it:

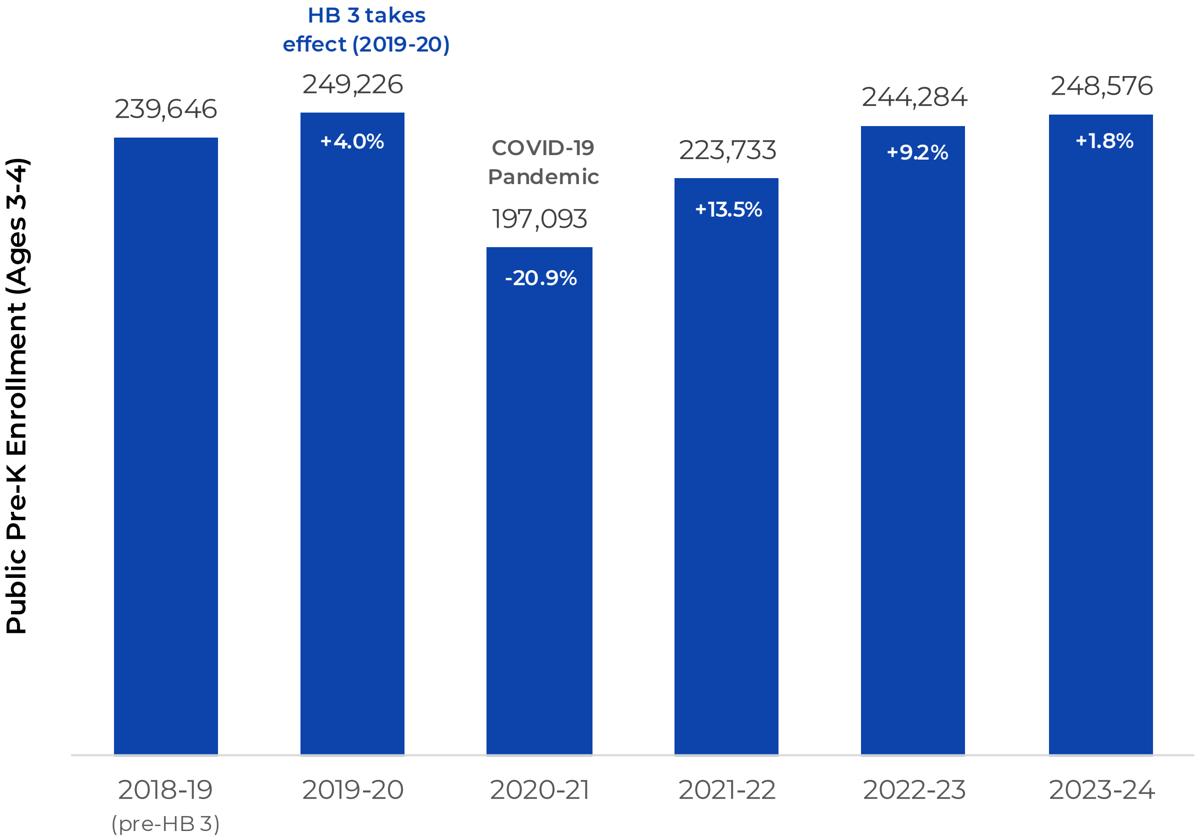
> Free [public] Pre-K drained our four-year-old enrollment. Without that age group, we can't make the math work for infants.
>
> **- Fort Worth provider focus group**

The worry is understandable, as four-year-olds are the age group whose staffing ratios support financial solvency for the younger classrooms. But at the statewide level, the data do not show public Pre-K absorbing four-year-olds at scale. Public Pre-K enrollment in 2023–24 sits essentially where it was in 2019–20. The years in between were a steep COVID decline and a recovery, not sustained growth.[61] Roughly half of Texas four-year-olds remain outside public Pre-K altogether. A particular center may well feel the pull, but a wholesale movement of four-year-olds into public schools is not evident in statewide numbers.

60. Texas Education Agency, Texas Public Education Information Resource (TPEIR), 2022–23 school year. | 61. Texas Education Agency, Public Education Information Management System (PEIMS) enrollment data, 2018–19 through 2023–24.

Figure 12: Texas Public Pre-K Enrollment, 2018-19 to 2023-24

Students ages 3-4 enrolled in Texas public prekindergarten, by school year



The population of Pre-K–age children is itself shrinking. Census estimates put the number of Texas 3- and 4-year-olds at a peak of roughly 830,000 in 2019, falling to about 792,000 by 2023 — roughly 38,000 fewer children in four years.[62] The birth decline described in Section I is the main driver, moderated somewhat by families moving into the state. The timing matters: most of the decline occurred between 2019 and 2021, the same years the full-day Pre-K requirement took effect and COVID-19 disrupted enrollment in every setting. A provider who lost four-year-olds in those years experienced all three forces at once. The contraction has since reached the public schools, where elementary enrollment fell by 46,180 students in 2025–26 and kindergarten classes have shrunk from 372,011 students in 2016–17 to 350,226 in 2025–26 — evidence that what providers reported was not confined to their corner of the market.[63]

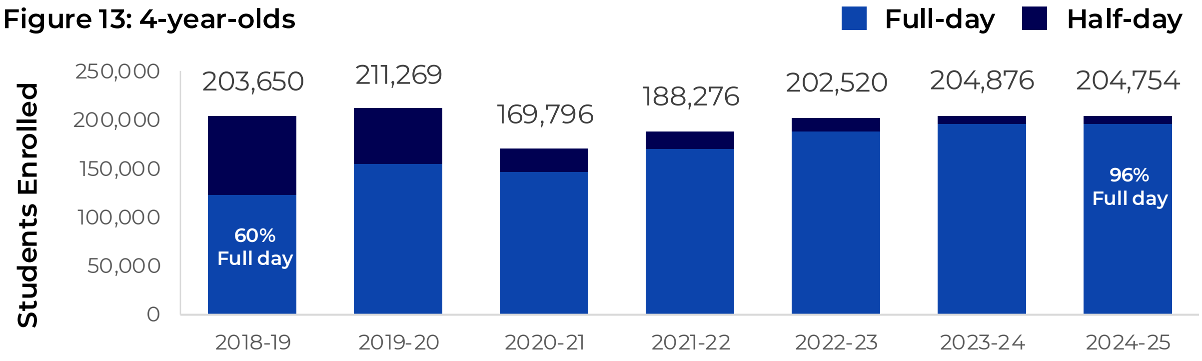
Total enrollment numbers also don't tell another part of the story that providers may be feeling: the shift of enrollment from half-day pre-K to full-day pre-K. In 2018-2019, 60% of 4 year olds enrolled in pre-K were in full-day programs. By 2021-2022, that was up to 91%, and as of 2024-2025, sits at 96%.[64] While the overall growth of enrollment is not dramatic, the shift from half-day to full-day is likely to have had substantial impacts on part-time enrollment in private centers.

62. U.S. Census Bureau, Population Estimates Program, Vintage 2019, state civilian population by single year of age (2010–2019); U.S. Census Bureau, Population Estimates Program, Vintage 2025, state civilian population by single year of age (2020–2025). | 63. Texas 2036, Texas Public School Enrollment Trends (May 2026). | 64. Texas Education Agency, Texas Public Education Information Resource, Texas Public Prekindergarten Programs and Enrollment, Ages 3 and 4. | Figure 12 Data Source: Texas Education Agency, PEIMS enrollment data, 2018-19 through 2023-24

Public Pre-K Headcount is roughly flat: the Half Day became a Full Day

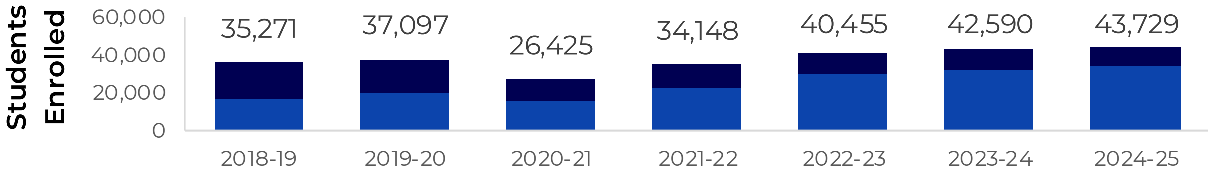
Texas public Pre-K enrollment by age and instruction type, 2018-19 to 2024-25.
Half-day 4-year-old enrollment fell from 81,703 to 8,277.

Figure 13: 4-year-olds



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
TX 4-yr-old population	411,784	418,006	408,116	400,038	399,548	400,497	399,796
Share of population enrolled	49.5%	50.5%	41.6%	47.1%	50.7%	51.2%	51.2%

Figure 14: 3-year-olds



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
TX 3-yr-old population	413,946	411,922	396,264	390,563	391,319	391,403	389,748
Share of population enrolled	8.5%	9.0%	6.7%	8.7%	10.3%	10.9%	11.2%

Source: TEA, Texas Public Prekindergarten Programs and Enrollment Ages 3 and 4 (TPEIR; PEIMS Fall snapshot; age as of Sept. 1), texaseducationinfo.org. Accessed July 12, 2026. 2018–19 full-/half-day values computed as the sum of ADA-eligible and non-ADA-eligible students in the TPEIR table; all other values read directly.

Exactly how much of the loss traces to demography and how much to public Pre-K cannot be settled with existing data. Texas has no count of children in care by age that spans all settings; the Texas Workforce Commission can count the children it subsidizes, but no dataset covers the full market.

The demographic pressure behind this will likely persist. Texas 2036's Spring 2026 public school enrollment report projects public school enrollment to decline through 2030–31 under every migration scenario. Public Pre-K and private providers will be drawing from a smaller population of young children for years to come.

Figure 13 Data Source: Enrollment (full-day, half-day, totals): Texas Education Agency, Texas Public Prekindergarten Programs and Enrollment Ages 3 and 4, TPEIR interactive report — "Totals by Age, Funding Source, and Emergent Bilingual or Economic Status" page, statewide view. PEIMS Fall snapshot (last Friday in October); age as of September 1; includes only students served at least 2 hours/day. Accessed July 12, 2026.
https://www.texaseducationinfo.org/Home/Topic/texas_public_prek_programs_and_enrollment_state
Figure 14 Data Source: Population (denominators): U.S. Census Bureau, Population Estimates Program, state civilian population by single year of age (Texas, ages 3 and 4), July 1 estimate preceding each school year. Vintage 2019 for 2018 and 2019; Vintage 2025 for 2020-2024. Accessed July 12, 2026.

The more consequential point is that no one in state government is charged with sorting this out. No agency evaluates how public Pre-K, subsidized childcare, and demographic change interact, or what their combined effect is on the families and providers who live with the results. Public Pre-K and subsidized childcare sit in different agencies and were not designed to fit together. The two programs don't share eligibility rules, so qualifying for one doesn't mean qualifying for the other. A working family can be caught in both gaps at once: stuck on the subsidy waitlist yet unable to access free Pre-K because they don't meet any Pre-K eligibility category.

The same missing coordination shows up on the provider's side of the ledger: a center's four-year-old tuition is often what helps keep its infant and toddler rooms open, so a change in public Pre-K that a center can't anticipate may disrupt availability for the very care a family is waiting for. The problem Texas faces is not that public Pre-K has grown too large. Rather, it is that the state has no mechanism to make its public and private early-learning investments add up to coverage for the families who need it.

3.8 Challenges With the Subsidy Formula

The subsidy system's central problem is not that it is stingy but that no one is accountable for what it buys. The program faces two access pressures at once: families who cannot enroll because of the waitlist, and families who lose access after enrolling because the rising co-pays become unaffordable.

Providers see the second pattern constantly:

> How often do families un-enroll because of cost? Me, every other week. Literally every other week. I had a parent come to me yesterday wanting to know if she could do a payment arrangement. Her husband lost his job and found another, but they're trying to catch up. I sometimes give free services to people just to try to keep that baby.
>
> **- Dallas provider focus group**

Despite this, Texas' subsidy system serves roughly 150,000 children, with another 95,000 on the waitlist as of late 2024, according to the Texas Workforce Commission.[65] The need is clear, as demonstrated by financial strain families face across the state. But as the state considers strengthening investments in the subsidy system, it must understand what it is buying.

65. Texas Workforce Commission, Waitlist data last updated 2024.

The clearest illustration came in 2025. The 89th Legislature appropriated $100 million in supplemental subsidy funding, yet TWC reported ultimately serving slightly fewer children than the year before.[66] Provider costs had risen roughly 9 percent between 2023 and 2024 and kept climbing, and the formula's required reimbursement-rate adjustments absorbed the new money rather than expanding the families served.[67] Texas may have intended to appropriate dollars for access, but the formula spent them on rate adequacy.

Regardless of whether the Legislature intended access expansion, provider stabilization, or both, the formula resolved the question on its own — and no entity was charged with deciding whether the dial between per-family rate and number of families served was set where the state wanted it.

The Sunset Commission staff review of TWC reached the same ground from the data side. It found the agency still sets subsidy rates from an outdated market-rate survey with falling provider response rates, and recommended two fixes:

- First, rebuild the survey around hybrid, up-to-date methods to raise response rates and data quality (Recommendation 6.3 in the Staff Report), and
- Second, require the contractor to give the Legislature a preliminary report on the anticipated childcare rate change each January of an odd-numbered year, in time to inform the biennium's appropriations (Recommendation 6.4 in the Staff Report).

The rate that consumes the state's subsidy dollars rests on data the state's own reviewers call outdated — and delivered too late to steer the spending it drives.[68]

Before weighing new investment, then, the state must understand what its goals are for the investment. Without clarity on this front, investments may not fully realize their aims without anyone able to answer why.

3.9 Fraud Investigation Without a Common Standard

The subsidy program's oversight problems are not limited to how rates are set; they extend to how the state protects the dollars themselves. TWC administers the federal Childcare and Development Fund but delegates the investigation of suspected fraud to the 28 Local Workforce Development Boards, with limited oversight to ensure those investigations are thorough, consistent, or accurate. Because each board decides what information to gather and how to pursue a case, the Sunset Commission staff concluded that "Texas effectively has 28 different standards for investigating childcare fraud" — inconsistent enough that a 2026 review of 80 investigations found deficiencies in 60, including cases in which auditors questioned whether any investigation had taken place at all.[68]

66. Ray Marshall Center and Texas Institute for Family and Child Wellbeing, 2025 Market Rate Survey. Texas Workforce Commission Childcare and Early Learning newsletter, August 2025. | 67. Texas Workforce Commission, Self-Evaluation Report Submitted to the Sunset Advisory Commission (August 2025). | 68. Sunset Advisory Commission, Texas Workforce Commission Staff Report (June 2026), Issue 5.

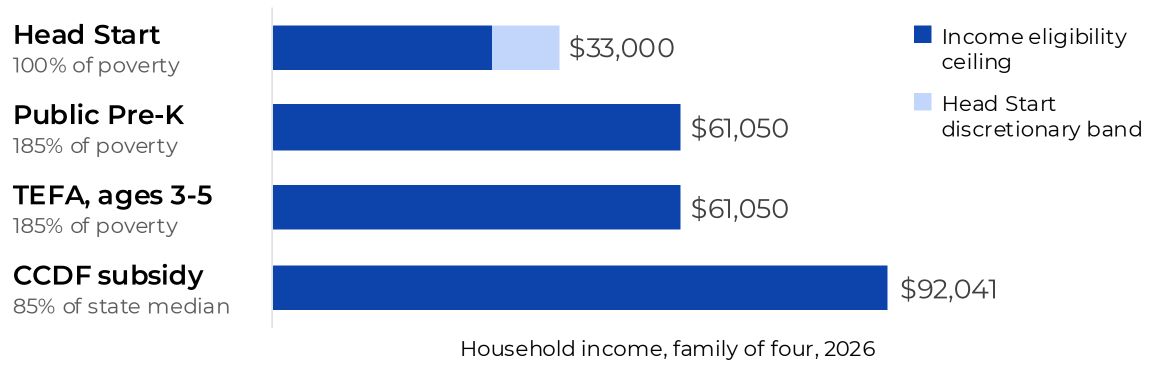
This is a microcosm of the governance pattern the rest of the section describes. The Legislature gave TWC the money and the mandate, TWC handed the Locala Workforce Development Boards the casework, and no one was assigned to make sure the boards did it the same way or did it well. The state lacked a common standard and active supervision.

The Sunset Commission staff's own remedy runs parallel to this report's: it recommends that TWC develop clear, detailed procedures and use agency staff to directly supervise the locally conducted investigations, which reorganizes existing oversight rather than creating a new program. Section V, Recommendations 1 and 4, takes that up as one piece of a broader move toward a single entity accountable for how the subsidy system performs.

3.10 A System Parents Cannot Navigate

For Texas parents, in the end, the system is not legible, and this process becomes particularly acute for parents of Pre-K-aged students. The subsidy eligibility process is administered through TWC and the subsidy distribution process is handled by 28 Local Workforce Development Boards. However, meeting the income limit is not the same as receiving help. Funding is capped, so income-eligible families are routinely placed on waitlists, and whether a family is actually served depends largely on how much money its Local Workforce Development Board has. Awareness of the subsidy program is low among those eligible, and the waitlist for assistance consistently leaves tens of thousands of families unserved. Public Pre-K eligibility differs from subsidy eligibility, adding to confusion. Additionally, the new Texas Education Freedom Accounts are just now rolling out with families and educators still learning how the program works. Each piece is a separate administrative process. The combined experience for a working family is a system almost impossible to navigate.

Figure 13: Where each program's income eligibility ends, family of four, 2026.



Four overlapping programs, four sets of eligibility rules, four access pathways, and no unified pathway through which a family can identify what they qualify for and how to access it.

Program	Eligibility	Access mechanism
Texas Childcare (CCDF) Subsidy	▪ Working / studying parents below the Local Workforce Development Board–set income threshold (statewide cap of 85% State Median Income per the federal CCDF maximum); ▪ Children under age 13	Apply through TWC; subject to waitlist
TEFA (Texas Education Freedom Accounts)	▪ Any Texas resident eligible to attend a Texas public school; no income cap on basic eligibility. ▪ If oversubscribed, lottery prioritizes 1. Children with disabilities in households ≤500% FPL, 2. Children in households ≤200% FPL, 3. Children in households between 200% and 500% FPL. ▪ For Pre-K-aged participants, eligibility mirrors public Pre-K criteria (see below). ▪ Children with an IEP on file may receive up to $30,000 per year; standard award is $10,474; homeschool award is $2,000.	Apply through the Comptroller's office. Attend participating home-school and private programs (including childcare centers). Subject to lottery and waitlist.
Head Start	▪ Family income at or below 100% of Federal Poverty Guidelines, plus categorical eligibility (foster care, homelessness, public-assistance receipt)	Apply through grantee organizations
Free public Pre-K	▪ Age-eligible children who meet at least one criterion: economically disadvantaged (household income ≤185% of Federal Poverty Guidelines, the National School Lunch Program threshold, or automatic qualification via SNAP/TANF); English learner ("Emergent Bilingual"); foster care (current or former, including in another state); homeless; child of military member injured or killed on active duty; child of first responder injured or killed in line of duty; child of a Texas public-school classroom teacher	Through participating school systems (independent school districts and charters)

Source: Placholder text for now

> I wanted to get her into [public] Pre-K this year, but in our school district, you must qualify for free daycare, which I'm assuming we don't.
>
> **- Amarillo parent open survey response**

Even if a parent understands what they may qualify for, accessing a slot in a preferred center or school is not always easy, and it can be difficult for parents to discern which settings actually have available seats for their child. While statewide, providers operate at roughly 65 percent of licensed capacity, leaving a reported 330,000 licensed seats unused,[69] this figure overstates true availability: licensed capacity reflects the maximum a provider is permitted to serve, not the number of seats they are actually staffed and resourced to fill.

The gap is therefore twofold: families cannot easily identify where openings exist, and the system itself lacks visibility into how many seats are genuinely operational at any given time.

Families feel this acutely. The information gap between what families need to know and what the system makes available reflects the structural fragmentation. Each agency manages information about its own program. **No entity is responsible for the family's complete navigational experience.** Families piece together what they can, and the seats and subsidies the state has funded reach a smaller share of eligible families than the system's architecture would imply.

69. Empty-seat estimate applies the vacancy rate reported by providers in the Texas 2036 Statewide Childcare Survey (provider n = 286) to total licensed capacity reported by the Texas Health and Human Services Commission, Childcare Regulation. Because representative data on Texas providers is limited, the provider sample could not be weighted; the estimate assumes surveyed providers' vacancy rate approximates the statewide rate and should be read as approximate.

SECTION IV - WHAT FAMILIES EXPERIENCE

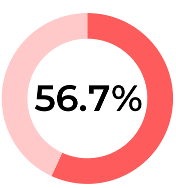
And What They Want from Texas Reforms

The preceding sections described the system Texas built — who it serves, what it costs, and why its pieces do not work together. This section turns to the families inside it. The same evidence appears here in the order families live it: as a sequence of decisions that begins with whether to grow a family and ends with what parents settle for when the search is over. Section V turns to what the state can do.

In the winter of 2026, Texas 2036 and our research partner DARO surveyed nearly 1,000 Texas parents about how they find, choose, and pay for care. Then we listened in person and online: eleven focus groups and a round of interviews spanning Houston, Dallas–Fort Worth, San Antonio, East Texas, and Amarillo — 120 parents, providers, and employers in all. And because childcare reaches beyond the families living it, we also polled 702 likely Texas voters on how the broader public weighs the issue. The perspectives in this section come from that record. When this report says what parents want, it is repeating what they told us.

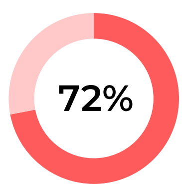
4.1 The Decision To Have More Children

For most Texas parents surveyed,



the cost of childcare has affected their decisions about whether to have more children.

In a 2019 Bipartisan Policy Center survey,



of parents who had ruled out another child for financial reasons said childcare costs significantly influenced that decision.[70]

The finding holds across income levels and regions, and it is consistent with what parents reported nationally.

> Prior to starting kindergarten, childcare expenses were more than $22,000 per year. Having another child would mean spending at least $110,000 for childcare from birth to kindergarten. **We chose to invest in our retirement rather than have a third child.**
>
> **- A surveyed parent**

This report's premise is that parents know the most about their families' needs and are in the best position to make decisions for their families — and that the system should be organized to support that decision-making. That premise usually refers to choosing among care arrangements. It applies with equal force to the decision that precedes every other — whether to have another child. Texas takes no position on what any family should

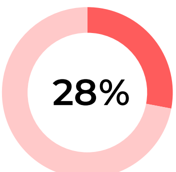
70. Bipartisan Policy Center / Morning Consult, Nationwide Childcare Poll (October 2019), https://bipartisanpolicy.org/article/child-care-poll/.

choose, and neither does this report. But when the price of care becomes a reason parents who want more children stop short, the system is no longer neutral toward that choice. If Texas wants to be the best place to raise a family, its childcare system cannot work against the families trying to do exactly that.

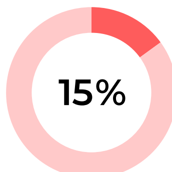
This section traces how families arrive at that arithmetic — what they pay, what they give up at work, and what they settle for.

4.2 What Families Pay

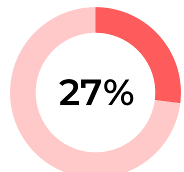
The survey asked employed parents the maximum they could pay for childcare each month to ensure they could continue working full-time.



of parents earning less than $65,000 pay more than that maximum.[71]



of parents earning $65,000 to $100,000, pay beyond the ceiling they name.



of parents earning above $100,000, pay beyond the ceiling they name.[72]

These are parents for whom the income a job provides may be more than what childcare costs, but by their own math, not far enough ahead to be worth it. Nor is the pattern confined to low incomes.

For families under the subsidy line, the income limit is not the barrier. Waitlists and exhausted funding are.

Texas sets one statewide income ceiling for subsidized childcare: 85 percent of state median income, or $92,041 a year for a family of four in 2026. A 2022 Texas Workforce Commission rule made that limit uniform, and local workforce boards no longer set their own income thresholds. A family above the ceiling does not qualify, and there is no phase-out — the subsidy ends at that line. Below it, eligibility is not the constraint. A family can earn well under $92,041, qualify on paper, and still receive nothing, because its local board has spent its allocation and the family sits on a waitlist. The squeeze lands on working families who earn too much to absorb full tuition but cannot get a subsidy their local board has no funding left to provide.

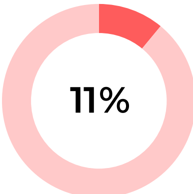
No Texas state source measures what families pay for care against what work returns to them, where the gaps sit, or how households adjust. The above willingness and ability to pay figures exist because we commissioned a one-time survey for them. But the state does not have a process or mechanism to consistently or systematically see the strain described in this section; it can only be inferred, privately, one family at a time.

Paying beyond the self-reported ceiling is not a stable arrangement — and parents are not just saying so. The percentage of parents reporting they are paying beyond what makes financial sense is consistent with what parents are reporting they end up doing about it.

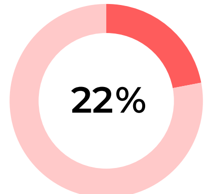
71. Texas 2036 Statewide Childcare Survey. | 72. The survey collected income at the household level rather than per parent. This may help explain why the share paying past the ceiling rises again at higher incomes: higher-income households more often have unevenly split earnings between parents, and can sustain a lower-earning parent's job even when care costs more than that job returns — a choice made for reasons beyond the paycheck, and one middle-income households have less room to make.

4.3 What Parents Give Up At Work

When the budget will not balance, parents adjust the one variable they control: their own work. **Within the past twelve months, 62 percent of surveyed working parents missed at least one workday — an average of eleven days among those who did.**



of surveyed working parents report **leaving a job altogether**



of parents currently out of the workforce, **report declining a job offer for the same reason.**

Each of these is a private decision made within a single household. DARO's economic impact analysis estimates what those decisions cost in aggregate: $7.9 billion a year to the Texas employers in childcare-related turnover and absenteeism.

The exit is visible from the other side as well. Parents who are out of the workforce reported through our survey that they could pay, on average, about $900 a month for care that would make returning to work viable. At the prices in the state's own market-rate survey, a single full-time seat in a licensed center runs roughly $800 to $975 a month, depending on the child's age.[73] For many of these parents, the market price of one seat meets or exceeds their ceiling before a second child enters the math.

4.4 Who Can Lean on Family — and Who Can't

Whether a family can fall back on relatives and friends for care often depends on proximity to those networks. A parent who moved from Ohio and a parent who moved from the Rio Grande Valley to a job in Dallas can face the same problem: no grandmother across town, no aunt who can take a sick child on short notice. In Texas 2036's surveys and focus groups, providers and parents noted that the state's growth has drawn young families to new communities where they often lack the family, friend, and neighbor (FFN) networks that informal care depends on.

Census data captures one piece of that movement: in 2024, **just 47 percent of Texans raising a child under 6 were born in Texas,**[74] meaning a majority arrived from another state or country. But birthplace alone understates how much families move, because it cannot capture families who relocate within Texas, potentially moving away from their support networks. In that same year, 2024, about 1.2 million Texans moved from one county to another — more than the roughly 876,000 who arrived from out of state or abroad.[75] Not every move severs a family's support network, and a birthplace or a county line is only a rough proxy for how close a parent lives to relatives or long-standing neighbors. But FFN care depends on exactly those nearby ties, and families who have recently moved – whether across the country or across the state – are less likely to have them close at hand. Where those informal networks are thinner, more of the childcare load shifts onto the formal market that families already struggle to afford.

73. 2025 Texas Childcare Market Rate Survey, Final Report. Conducted for the Texas Workforce Commission by the Texas Institute for Child & Family Wellbeing (Steve Hicks School of Social Work) and the Ray Marshall Center for the Study of Human Resources (LBJ School of Public Affairs), The University of Texas at Austin. | 74. U.S. Census Bureau, American Community Survey PUMS, 2024 1-year. | 75. U.S. Census Bureau, American Community Survey, 2024 1-year, Table B07001.

> The biggest challenge for me is cost and unpredictability because childcare is one of our largest monthly expenses and if she's sick or the center closes I have to adjust my work schedule or even use PTO since we don't have family nearby.
>
> **- Parent Focus Group Participant**

> So if I moved here, and I don't have my mother or mother in law — where's [the] family [option]?
>
> **- Amarillo parent open survey response**

A Lubbock parent with no family nearby made the same point from the other side, describing her full-time licensed center as "our village that allows us to work for our family.“

This report treats the link between where parents come from and how they arrange care as a hypothesis, not a settled finding. The demographic shift is well documented; its effect on any one family is harder to pin down, since living far from where one grew up does not necessarily mean a parent lacks local ties. What is clear is that a substantial share of Texas parents are raising children in places other than where they grew up — whether they arrived from out of state or moved within Texas. Whether that leaves them without nearby family, and how much it shapes their care choices, is a question worth further study.

4.5 What Families Settle For

When neither the budget nor the job will bend, families adjust the care itself. More than four out of ten parents paying market rate report sacrificing quality to afford care, and a similar share report doing so to secure the hours they need.[76] The tools the state built do not reach the families making those trades: about 6 percent of parents say the state's quality rating system figured in their choice of provider, and no state listing can tell a parent which providers actually have a staffed seat open — the state's capacity count reflects fire-code maximums, under which roughly 330,000 licensed seats sit empty on paper.[77] So the search runs on word of mouth. That works for families who have been somewhere long enough to build a network, and it leaves out the families who have not — most often those who just moved in. A community where newcomers cannot find care is a community that is harder to move to, a quiet cost to regions trying to grow. The parent choosing care and the state overseeing it share the same problem: neither can see the system clearly.

76. Texas 2036 Statewide Childcare Survey | 77. Empty-seat estimate applies the vacancy rate reported by providers in the Texas 2036 Statewide Childcare Survey (provider n = 286) to total licensed capacity reported by the Texas Health and Human Services Commission, Childcare Regulation. Because representative data on Texas providers is limited, the provider sample could not be weighted; the estimate assumes surveyed providers' vacancy rate approximates the statewide rate and should be read as approximate.

4.6 Why no single model fits – care needs vary by family, place, and time

The decisions above would be hard under any system. What makes a single solution unworkable is that families are not making the same decision. Care by a parent falls from nearly half of arrangements in a child's first year to about 17 percent by age five; center-based care peaks at age two; school-based settings surge from near zero before age three to nearly half of all arrangements by five.[78] A system built around one age fails the same family at the next.

Geography widens the range further. In San Antonio, roughly half of surveyed arrangements are informal — about 15 percent through family, friends, and neighbors, and another 39 percent through a parent at home.

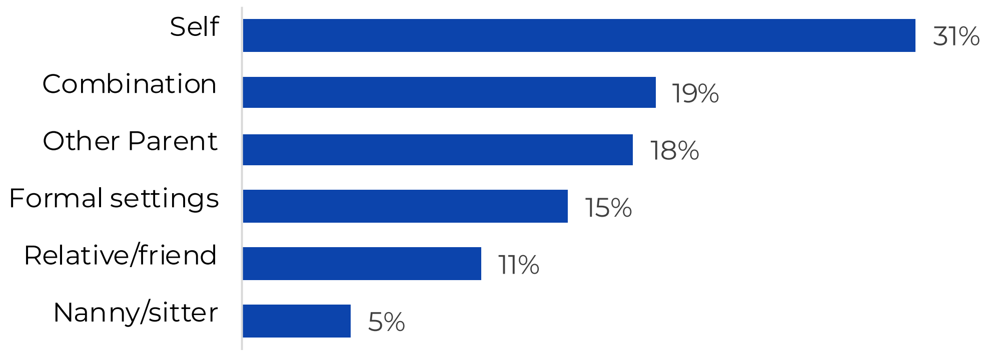
One San Antonio parent described five years of that arrangement: "Before [Pre-K], my mother and my mother in law assisted. We could not afford a full-time or part time daycare. They have cared for our kids for nearly 5–6 years, for free."

In the Panhandle, the informal share is roughly one in six, and the formal market carries most of the load. As one Amarillo parent put it: "Both parents work full time out of the home. [We have] no other family, friends, or relatives to assist with childcare."

Neither region is doing it wrong. The mix reflects work schedules, distances, family structure, and preference — variation the state does not need to override, and could not if it tried.

A family's needs at six months differ from its needs at four years; a family's options in San Antonio differ from its options in Amarillo. Families want different things from childcare, and no single arrangement suits them all — a pattern national research finds as well.[79]

Figure 15: Percent of Parents who said each option is their ideal childcare arrangement



Source: New America, New Practice Lab, 2026 National Parent Survey (2026).

Any single model the state might scale would fit some of these families and fail the rest.

78. Texas 2036 Statewide Childcare Survey, care arrangement by child's age (per-child records, n = 1,379 across 975 parents; weighted). |
79. New America, New Practice Lab, 2026 National Parent Survey (2026), conducted by NORC at the University of Chicago. https://www.newamerica.org/insights/2026-national-parent-survey/

4.7 How the parent voice can inform solutions

Section IV has traced the decisions the system forces on families — whether to have another child, what to pay, what to give up at work, and what to settle for when the search is over. Those decisions share a cause. The failure is not in the effort of any single program. It is in the absence of anyone responsible for how the programs add up.

Seen from inside a family, that absence takes three forms:

1. **No one is accountable for how the experience turns out.** A parent runs the search, pays the bill, and absorbs the tradeoffs. When any of it goes wrong, no office in the state government answers for it — because none was ever charged with the family's experience as a whole.
2. **The state has never defined what the system is for.** Families cannot tell what Texas is trying to deliver for them, because Texas has not decided. The state has never resolved whether the goal is to enable a parent's work, to prepare a child for kindergarten, or both — so the system pulls in several directions and leaves parents to reconcile them.
3. **The state cannot measure the strain.** Nothing this section documents — what families pay against what work returns, what parents surrender to keep a job, what the state's own dollars buy — is captured by any state instrument. It can only be inferred, one family at a time.

Families do not experience these absences as separate challenges – they are all part of the same complicated parenting experience. And government complexity magnifies, rather than resolves, those challenges: four programs with four sets of eligibility rules, five state agencies, twenty-eight Local Workforce Development Boards — a crowd of systems, run by many hands, with no one in charge of whether any of it works for them.

Each of these absences has a structural remedy. Meeting the range of needs this section documents is a question of how the system is governed: who is accountable, what the state is trying to achieve, and whether it can see the results. Section V turns to that question.

SECTION V - A PATH FORWARD

Building A System That Works For Texas Families

The childcare system in Texas is fragmented, inefficient, and failing to meet the needs of Texas families. The consequences of these shortcomings are felt economically by parents and employers, educationally by Texas children, and societally, as parents opt to reduce family sizes citing childcare costs. As a state with the mission to be the best place to live, work, and raise a family, structural changes are needed to ensure that the Texas childcare system is a positive enabler of that mission, not a liability.

The failures of the Texas childcare system are the inevitable consequences of flawed design, featuring:

- A divided governance structure, with no clear agency-level leader;
- No accountability for overall system success;
- No clear goal for what success looks like; and
- No clear means of measuring achievement of state goals.

These challenges are compounded by market disconnects that leave the suppliers of childcare in precarious financial and workforce situations, hampering their ability to meet the supply and quality goals that Texas parents demand.

To address these challenges, the state should pursue a holistic restructuring of its childcare governance to create a more accountable and transparent system designed with the needs of parents in mind. This Section includes a series of primary and secondary initiatives to address those challenges. The primary recommendations build around structural reforms to meet the needs of Texas parents while ensuring overall system transparency and health. The secondary recommendations seek to address tactical barriers that have been identified in this research, capable of being addressed by a unified governance structure.

Primary Recommendations — Governance Redesign With Parent-Centric Focus

Recommendation 1: Unify State Agency Governance and Accountability

Dividing governance responsibility for childcare between five state agencies creates a situation where no one entity can be held accountable for overall system performance. Each agency today appears to act competently within its current silo, but the lack of coordination leads to negative externalities for the state and the childcare industry – and eventually to parents as the downstream consumers of a disjointed system. No effort is made to achieve overall system health or to ensure the needs of working parents are being met because no one entity is accountable for the whole.

Licensing and safety regulation sits with one agency (the Health and Human Services Commission); public childcare subsidies and quality ratings sit with another (the Texas Workforce Commission); public Pre-K and kindergarten readiness determinations sit with a third (the Texas Education Agency); investigations sit with a fourth (the Department of Family and Protective Services); and the Comptroller administers the Texas Education Freedom Accounts, which allow parents to access state funds to pay childcare expenses for eligible children.

Each agency executes its own, siloed mandate. None is responsible for how those mandates interact, for assessing tradeoffs, or for whether the system works as a whole. The agency that regulates a childcare provider is not the agency that funds it; the agencies that fund childcare are not responsible for understanding whether those investments yield the outcomes demanded by parents and taxpayers. The needs of parents are incidental to the mandates given to state agencies, not a core design principle guiding coherent, cross-agency action.

To address this structural challenge, the state needs a single governance lead for childcare. An office or entity should be created with the one core responsibility to lead the state's childcare efforts. This does not necessarily require the creation of a new state agency, or impute that any current agency is failing at its assigned duties. Rather, it's an acknowledgement that without a clear lead, there is no structural mechanism for achieving overall system health and no ability to achieve parent-oriented design principles.

The key requirement is not "where" this responsibility is placed, but rather that some entity answers to the Legislature and the public for the whole system's effectiveness.

That said, the state has options in how it can effectuate this recommendation:

- Creation of an office or department within an existing state agency that consolidates multiple agency responsibilities and staff into a singular entity;
- Creation of a standalone entity that is administratively attached to an existing state agency that consolidated responsibility and staff; or
- Creation of a new state agency.

Each option has its merits, and this report defers to policymakers on their preferences for effectuating the recommendation.

In designing a better structure, it is important that there is one office with one core mission, accountable for both regulation and public funding. Rather than working toward disparate goals in isolation, this new entity would measure the overall system performance based on the needs of parents, while concurrently understanding the kindergarten readiness outcomes of children in subsidized care. In practice, this entity would be tasked with ensuring that every licensed or registered provider meets a safety baseline, while establishing a higher bar for education and quality for those providers that take public dollars.

Recommendation 2: Establish Clear State Goals for Childcare

The challenges that emerge from a lack of unified governance operate in tandem to a lack of clear state goals for its childcare efforts. A unified governance structure, however organized, requires a clear definition of success if it is to achieve that success.

Parent survey data and voter polling point toward a harmonized set of key goals that Texans support:

- **Build Around a Parent-First Orientation that Empowers Parents to Meet the Needs of Their Families**
  Two central premises should guide a parent-first structure. First, parents know the most about their families' needs and are in the best position to make decisions for their families. Second, those needs change across a first child's five years – the parent of a six-month-old and the parent of a four-year-old want different things, with one constant: both expect a baseline of safety. For the large majority of Texas families who pay for care without subsidies, the state's role should follow from this. It should guarantee a baseline of safety across licensed providers and otherwise let parents choose the arrangement that fits their family, rather than prescribe a model that raises costs and narrows available options. Quality judgments that masquerade as safety standards add costs for providers while supplanting the role of the parent in determining the best overall situation for their family. With unified governance and a parent-first orientation, regulation can be streamlined to allow providers to respond to what parents actually choose.

- **Align Subsidy Care Arrangements Toward Educational Achievement**
  When the state is paying for childcare, its responsibility expands and it assumes a heavier burden to ensure its investment yields voter-prioritized outcomes. Texas voters orient toward education as the primary goal of early childhood investments. The state can support voters and families by orienting its investments in subsidized childcare to promote educational quality. At a baseline, this can be achieved by transparently connecting kindergarten readiness data to childcare centers receiving state childcare investments. But a more expansive effort can look toward efforts to support providers of subsidized care with data-informed best practices, training, and high-quality instructional materials oriented to meet the brain development stages of our state's earliest learners. The Texas Rising Star rating system is a positive first step toward an education frame, but today it (a) operates within a silo that providers say can create regulatory confusion against HHSC safety standards, (b) doesn't send the market signal to parents of quality, according to parent survey responses, and (c) isn't integrated with TEA kindergarten readiness or longitudinal academic data to establish outcomes-based impact. With a clear voter and parent preference toward an education frame, the unified governance structure should be better positioned to address and resolve these tensions.

- **Promote System-Level Accountability**
  One government office, with a clear administrative leader, should be capable of testifying before the Legislature about the overall system-level performance of the

state's childcare ecosystem. They should be capable of articulating whether the needs of parents are being met, using data collected by the state from the individuals being served. They should be able to reconcile countervailing pressures regarding regulations that promote safety and quality but drive up costs and limit access. They should be able to describe whether the state is meeting its educational goals with clear data on kindergarten readiness for children in subsidized care settings. And they should understand the needs of childcare providers, as our current system cannot function without a healthy private sector.

Recommendation 3: Use Data to Monitor Achievement of State Childcare Goals

The success of the state achieving the goals defined above can only be determined with the transparent collection and distribution of system-level data to monitor progress. The Legislature, voters, and especially parents, will benefit from a more robust and statewide understanding of the childcare ecosystem. These data points should be oriented toward the complementary goal of ensuring parents have information upon which to make market-oriented choices and Legislators have information to understand if their investments are yielding desired outcomes. Examples of data the state should transparently collect and share include:

- **Kindergarten Readiness, Linked to the Childcare Provider**
  For children served in the subsidized care system, the state should clearly link TEA kindergarten readiness data back to the childcare provider to understand whether state investments are yielding positive educational outcomes. The state could similarly evaluate mechanisms to provide such linkages for non-subsidized care, particularly if providers opted in to market the effectiveness of their programs to parents with concrete data. As longer term longitudinal data becomes available, measures could expand to evaluate not just initial academic readiness, but also actual performance. This data can, in turn, be shared with providers via data-informed best practices and training.
- **Parent Access, Affordability, and Experience Data**
  The state should collect annual survey data from parents of young children to understand if their needs are being met. This would provide a transparent, statewide understanding of where parents struggle to find care, where affordability gaps exist in markets, parental satisfaction, and whether the system is reducing the friction placed on parents in navigating government bureaucracy. This could be accomplished via optional survey instruments made available to parents operating in subsidized care and non-subsidized arrangements. It could be accomplished directly by the new unified governance entity or in partnership with a Texas institution of higher education.
- **Provider Capacity, Cost, and Workforce Data**
  The state should collect routine provider data to understand actual available capacity, to help parents more seamlessly identify care options. This should be accompanied by

transparent collection of tuition data, so parents can identify care they can afford. In conjunction, the state should collect data regarding the overall health of the provider ecosystem, including cost trends (labor, insurance, etc.) and workforce trends, with a particular focus on employee wages and turnover. Parent-facing capacity and tuition data should be made public on provider-specific basis, while sensitive cost and employment matters should be aggregated.

- **Educational Pathway and Career Data for Childcare Workers**
  To better understand the labor market pathways of early childhood educators and caregivers, the state should leverage its ongoing investment in enhanced and integrated workforce data systems to evaluate: (a) what educational pathways lead toward the childcare sector; (b) what are the wage outcomes associated with this pathway; and (c) are there exit pathways that create stable financial stepping stones for childcare workers. Future analysis could identify viable earn-while-you-learn pathways for childcare workers to achieve higher education while working, lengthening their careers in the childcare sector while also promoting long-term economic mobility. Many of the initial data system upgrades to accomplish this task are underway at TWC as it implements the enhanced unemployment insurance mandates of Senate Bill 1786 (89-R), but subsequent data sharing and integration with TEA, the Texas Higher Education Coordinating Board, and other stakeholders will be essential to create a clear picture and improve workforce outcomes.

Recommendation 4: Implement Sunset Commission Staff Recommendations for Greater Workforce Board Transparency and Accountability

In June 2026, the Texas Sunset Advisory Commission released its staff evaluation of the TWC, producing findings that reinforce the structural governance challenges raised in this report. The Sunset Commission's review surfaced a pattern of fragmented data systems, inadequate oversight, and delegated accountability that mirrors the broader failures of Texas's childcare governance architecture. Its recommendations, taken together, point toward a need for a more unified accountability structure.

The Sunset staff's findings on Local Workforce Development Board (LWDB) oversight are a case study in what happens when no single entity owns system performance. TWC relies on 28 LWDBs to administer childcare subsidies, investigate fraud, and deliver workforce services — yet "lacks ready access to LWDB historical performance when evaluating whether an adverse action is warranted."

Childcare fraud oversight reflects the same structural challenges. TWC delegates fraud investigation to LWDBs but, until 2024, "did not begin regularly auditing childcare fraud cases for LWDB compliance." Because each LWDB determines what information is gathered, "Texas effectively has 28 different standards for investigating childcare fraud." As described in Section III, A 2026 review of 80 fraud investigations found deficiencies in 60 — including cases where auditors "questioned if any actual investigation had taken place." These are tangible outputs for a system in which no single entity answers for system-wide outcomes.

The Sunset Commission's corrective recommendations are complementary to this report's call for unified governance and data interoperability. The Commission recommends:

- Consolidating LWDB oversight authority in TWC, eliminating the split enforcement structure that has allowed shortcomings to persist without consequence;
- Requiring TWC to publish granular, public LWDB performance dashboards — moving beyond the current binary scorecard that offers, in the Commission's assessment, "insufficient insight into areas for improvement"; and
- Developing direct TWC supervisory capacity over childcare fraud investigations, rather than delegating final determinations to local boards without enforceable standards.

These reforms are a complement to, not a substitute for, the unified governance structure recommended in this report. A single accountable office can set system-level goals; but those goals cannot be achieved, measured, or enforced without the data infrastructure and oversight mechanisms the Sunset Commission has identified as currently missing. Regardless of which agency or office is ultimately tasked with system-level leadership of childcare, these recommendations should guide that entity's future actions.

Secondary Recommendations — Pragmatic Approaches to Persistent Challenges

The secondary recommendations seek to address tactical barriers that have been identified in this research, capable of being addressed today via established administrative routes or after Legislative action to unify governance.

Recommendation 5: Separate Safety Regulation from Quality/Educational Standards

Educational quality judgments do not belong in safety licensing. The conflation of these standards inflates costs for childcare providers, while contributing to tuition rates paid by Texas parents. In survey data and focus groups, Texas parents make clear that they expect a baseline level of safety regulation from state regulators. For quality determinations, however, parents seeking unsubsidized care often prioritize differing aspects of "quality," consistent with the general theme that there is no "one-size-fits-all" model for childcare.

Texas regulations often feature quality judgements that masquerade as safety mandates. The outdoor space rule described previously, for example, is well intentioned, but can act to limit supply and increase costs. Similar rules regarding screen time for children, training mandates, and activity planning rules can conflate quality and pedagogical goals within safety licensing standards. These regulations aren't inherently bad – but they are misplaced, with unintended impacts that potentially harm providers and parents. The state does not have to start from scratch to sort these requirements. Rider 165 of the 2026–27 General Appropriations Act directs an external review of HHSC's minimum childcare standards — a vehicle ready to distinguish genuine safety rules from embedded quality judgments.

Under our current divided governance structure, it is necessary to create clear boundaries to prevent the regulatory confusions childcare providers report. Under the proposed unified governance structure, similar boundaries should still exist so that the single regulator can continue to conduct necessary inspections, without creating the concern that quality shortcomings may lead to safety violations. Genuine safety standards — ratios, supervision, sanitation, physical hazards — should remain the focus for licensing across all regulated settings. As discussed in Recommendation 2, state determination of educational quality should be a key component of subsidized care, but efforts to identify that quality should not conflate safety requirements.

As a subcomponent of this recommendation, the state should seek to better understand the costs that result for childcare providers from regulatory mandates and citations, especially as they impact liability insurance premiums. A similar effort regarding health insurance mandates passed the Texas Legislature with large, bipartisan majorities in 2025 in House Bill 138 (89-R). In addition, the state should track the effects of HB 2789 (89-R), which lowered the liability minimum from $300,000 to $100,000 per occurrence effective January 2026. In particular, the state should monitor:

- Premiums and insurer participation by provider size and region;
- Provider openings, closures, and capacity since January 2026; and
- The share of providers carrying liability insurance at all.

Recommendation 6: Innovate New Pathways to Stabilize the Childcare Workforce Pipeline

Texas childcare providers report difficulty recruiting staff and high turnover as among their most challenging business constraints. The issue is not a lack of commitment to the work. As the workforce findings show, a majority of childcare workers state an intention to remain in their field. The issue is pay. Childcare wages trail comparable retail and service work, so staff leave for better-paying jobs. For providers, raising wages for their workers risks pricing families out of care and straining already-thin operating margins. There is no simple fix within current market constraints.

Texas' median childcare wage is $13.71/hour, below the retail median of $14.49.

Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics (OEWS), May 2023.

A general theme emerges from survey data and focus groups: childcare workers want a career in childcare and a financially viable path to make that possible. Low pay is an initial constraint, but low pay is compounded by the absence of any articulated career ladder toward future higher wages. This recommendation calls upon the state to evaluate options to create "earn while you learn" pathways for childcare workers to transition into traditional elementary school teachers, receiving the necessary degrees and certifications while staying employed in childcare settings.

In 2025, the Texas Legislature's passage of HB 2 (89-R) created the Preparing and Retaining Educators through Partnership (PREP) Program Allotment for Texas classroom teachers. A component of the PREP Allotment is a "Grow Your Own" program that funds an articulated pathway for a high school student to transition from career and technical education coursework, to paraprofessional employment, into a teacher residency or apprentice program, and then into a certified classroom teacher role. While this legislation is still being implemented, it can conceptually inform potential models for childcare workers.

Modeled after the PREP Grow Your Own program, Texas could evaluate piloting programs that include:

- High school students completing childcare credentials via CTE and dual credit enrollment, graduating ready for immediate employment in the childcare sector.
- While these individuals are employed in childcare, earning wages, they are concurrently enrolled in community college coursework necessary to earn paraprofessional employment at a local school district.
- Upon completion of the necessary postsecondary coursework, these individuals could transition into the PREP Grow Your Own ladder, or continue working toward higher levels of education.

Such a pilot program would leverage the data-driven investments in high quality teaching pathways while creating potential options for stabilizing the childcare workforce. For many providers, childcare worker turnover occurs multiple times per year for the same classroom. Stabilizing that classroom for even a one or two year period – while providing upward mobility for the teacher – can create a career ladder for young Texans to care for the youngest Texans and for their own financial futures.

Recommendation 7: Implement Cross-Agency Data Integration Strategies

Evaluation of system performance is only possible with objective and reliable data to separate fact from anecdote. Recent legislative acts, which are still being implemented, can ease the state's evaluation of its early childhood system and empower future improvements. Future legislative opportunities, some of which have surfaced in the Sunset Commission staff report for the Texas Workforce Commission, can further expand the technical capabilities of the state to meet the needs of Texas parents. Four core data infrastructure opportunities are particularly relevant to the work of establishing a long-term-solvent, parent-focused childcare sector:

- **Early Childhood Data Integration:** In 2025, the Texas Legislature's passage of HB 3963 (89-R) directed TEA to work with HHSC, TWC, DFPS, the Department of State Health Services, and the Children's Learning Institute at University of Texas Health Science Center at Houston to connect their historically siloed data systems into a single integrated platform. Full implementation of this legislation remains contingent on subsequent appropriations. This integration will be essential to the long-term success of a unified governance structure.
- **Enhanced Unemployment Wage Records:** Also in 2025, the Texas Legislature's passage of SB 1786 (89-R) directed the TWC to work with employers to collect enhanced unemployment insurance wage data. The additional data collection mandated by this legislation will empower state agencies to better understand the connectivity between state educational programs and workforce outcomes. Full implementation of the SB 1786 enhanced wage records will be essential to addressing long-term workforce challenges faced by the childcare industry.
- **Integrated Workforce and Education Data Systems:** During the Sunset Commission's ongoing review of the TWC, issues have surfaced regarding the agency's use of workforce data and the barriers that discourage the TWC from sharing actionable labor market insights with peer agencies. This siloing effect – much like the general findings of this report – creates confusion, inefficiency, and slower action to resolve known problems. As the Sunset Commission and the Legislature evaluate operational improvements for the TWC, seamless cross-agency integration of data systems – at a minimum, between the TWC, TEA, Texas Higher Education Coordinating Board, and other key relevant partner agencies like the Governor's Office of Economic Development, would be one of the highest-yield, low-cost investments in long-term government efficiency.
- **Integrate Workforce Commission and Workforce Board Data Systems:** The Sunset Commission's staff report found that "TWC lacks ready access to LWDB historical performance when evaluating whether an adverse action is warranted." These challenges reflect a bifurcation of data systems ostensibly within one agency's purview. Integrating data transparency and interoperability within the TWC and LWDB infrastructure is essential, and any subsequent governance structure should be designed to ensure data connectivity both within state agencies and between local boards.

Recommendation 8: Activate Regional Employer Partnerships

While most recommendations have focused on state action, some childcare access progress is emerging in regions where employers, philanthropy, school districts, and intermediaries co-invest. Three examples illustrate the range:

HOLT Group (San Antonio)- Capacity-building in a low-supply area.

HOLT partnered with pre-k 4 SA on a new childcare center to meet regional demand. The center serves the broader community, rather than solely HOLT employees specifically, and has seats for children ages 0-5.

Texas Mutual Insurance Company (Austin) multi-component model.

Texas Mutual donated approximately 5,000 square feet of its corporate building to enable 12 new classrooms and capacity for nearly 300 students in partnership with a local childcare center. Texas Mutual employees access on-site and backup care; the company also funds subsidized tuition programs (with Primrose, the United Way, and others) that help eligible families qualify for state-matched scholarships.

Tyson Foods (Amarillo) — direct employer benefit.

Through its Night Owl Program (piloted 2021-2024), Tyson covered the full cost of childcare tuition for evening-shift workers at its Amarillo plant via grants, serving approximately 40 children.

These examples remain limited in number. In interviews conducted for this report, employers consistently cited the burdensome and fragmented nature of the childcare system as a primary deterrent to standing up similar programs — the difficulty of identifying provider partners, navigating overlapping regulatory requirements across multiple agencies, and understanding what state support might be available.

The structural reforms recommended earlier are likely a precondition for employer partnerships to scale: a unified mission, consolidated decision-making, and unified data architecture together produce a system that employers can recognize, navigate, and invest in. The state's most consequential contribution to scaling employer partnerships is therefore not necessarily a new program; it is to simplify the system to which employers are being asked to connect.

Conclusion

To the extent Texas has a childcare problem, the crux of that challenge manifests first in a governance structure that inhibits parent-centered solutions. Any long-term efforts to build a system that works better for Texas families will require first addressing the fractured governance infrastructure.

The failures documented in this report are not the result of agencies performing poorly. TWC administers subsidies. HHSC enforces licensing. TEA measures kindergarten readiness. DFPS investigates abuse and neglect. Each is doing the work the Legislature assigned. The problem is that none of these agencies have been assigned the work of making those pieces function as a coherent, statewide system. In the absence of that assignment, Texas has built a convoluted and inefficient web that costs families and employers billions of dollars a year while producing outcomes the state cannot even measure.

The core finding is that Texas has organized its early childhood infrastructure in a way that guarantees fragmentation, blocks accountability, and prevents the state from learning whether any of what it does is working.

The system cannot answer the question Texans are entitled to ask: are the dollars we spend on early childhood actually producing the outcomes we want?

The answer today is that we do not know — because no agency is asked to find out.

This report has laid out what it would take to change that. The recommendations fall into two tiers.

1. The primary recommendations call for a unified governance lead, a clear definition of what success looks like, the data infrastructure to measure it, and implementing the Sunset Commission's accountability recommendations for Local Workforce Development Boards. These are necessary prerequisites: without structural governance reform, a broader set of parent-centric efforts can't be achieved. A state that streamlines its licensing standards without unified oversight will see the rules drift back into misalignment. A state that builds an integrated early childhood data system without a lead entity to act on what it reveals will have built a dashboard with no driver. The structural recommendations are not a bureaucratic preference: They are a necessary enabling condition for a state that strives to be the best place to raise a family.
2. The secondary recommendation — separating safety from quality standards, building workforce pipelines, activating employer partnerships, and cross-agency data integration— addresses real costs that real providers and real families are experiencing today. Many of these can move through existing administrative routes without waiting for structural reform to be fully enacted. The 89th Legislature

has already made some of them possible: HB 3963 authorizes the Early Childhood Integrated Data System, Rider 165 directs an external review of HHSC's minimum standards, HB 4903 created the Quad Agency process for reviewing regulatory conflicts. What is missing is the institutional home to act on what those tools produce.

Texas families have been patient with a system that was not designed with them in mind. Each of its sharpest edges began as a reasonable answer to a different question:

- The eligibility cliff that strips a family's subsidy eligibility the moment it earns a dollar over the threshold exists to administer a federal grant. The family's experience was never the design criterion.
- The outdoor-square-footage rule that limits urban providers was meant to promote outdoor play, and its effect on supply was no one's assigned concern.
- The quality rating that providers treat as a cost of doing business and parents report never consulting was built to signal quality to families, but it fails to live up to its intention because that measurement sits inside an agency whose mission is workforce enablement.

In each case the rule works as intended and the family still loses, because serving the family as a whole was no one's job. These are design errors. And design errors require structural remedies.

The moment for those remedies is well-positioned. The Governor's Task Force on Early Childhood Care and Education is convened. TWC and HHSC are both under active Sunset review. The 90th Legislature is ahead. The institutional vehicles are in place. The polling evidence is unambiguous — 89 percent of Texas likely voters call early childhood programs important, and a clear majority anchors their expectation for public dollars in educational outcomes. The public case for action does not need to be made. What needs to be made is the case for coherent action, as opposed to the incremental, uncoordinated reform.

This report does not prescribe which agency or entity should lead the unified governance structure. That is a decision for the Task Force, the Legislature, and the Governor, and the report has deliberately left the organizational question open to policymakers who know the institutional landscape better than any single analysis can. What the report does recommend — without qualification — is that someone must lead it. One entity with one accountable mission: to tell the Legislature and the public whether Texas's childcare system is working, to identify when it is not, and to have the authority to act when the evidence demands it.

> Texas already invests billions in early childhood.
>
> **The question is no longer whether to act — it is whether Texas is serious about knowing what it is buying.**

Appendix

Methodology

Texas 2036 produced this report in collaboration with DARO, an established research partner. The research drew on two main bodies of evidence: the direct perspectives of Texans – voters, families, childcare providers, and employers – captured through a voter poll, targeted surveys, and focus groups; and an analysis of the state's own governing documents, including a review of state agency strategic plans and Texas' childcare licensing standards. Where the report draws on data from outside Texas 2036's own research — federal statistical sources, state agency releases, peer-reviewed studies, and policy analysis from other organizations — sources are cited inline.

Voter Poll

The project embarked on a statewide voter poll of 702 likely Texas voters, fielded in [February 2026]. The instrument captured public opinion on early childhood priority, framing, and preferred state action. Where this report cites voter polling figures (notably the 89 percent priority finding and the 56–38 percent education vs. workforce framing preference), the underlying poll is the source.

Statewide Survey

The research project included a statewide survey of 975 parents, 286 childcare providers, and 138 employers, fielded in winter 2026. The survey was launched on January 14, 2026 and closed on March 2, 2026. A mixed recruitment strategy was employed to maximize reach across stakeholder groups and geographies. A convenience sample was drawn through local and state-level networks spanning childcare systems, chambers of commerce, and parent groups. Paid social media advertising on Facebook and Instagram was used to further broaden parent recruitment. Additionally, a panel survey was employed to ensure robust participation by parents. The survey was offered in both English and Spanish, and respondents were entered into a draw for one of five $100 gift cards upon completion.

Because survey respondents did not perfectly match Texas parents of young children, results were statistically weighted (raked) to align the sample with ACS benchmarks on parent gender, Hispanic origin, and region. This adjustment corrects the largest demographic gaps without materially changing the direction of any finding.

A note on sample sizes. The parent survey included 975 respondents, but the number reported for a given figure is sometimes smaller. This happens for two main reasons. First, some questions applied only to a relevant subgroup of parents — such as those who were employed, those currently out of the workforce, or those using a particular type of care — so figures from those questions are based on that subset rather than the full sample. Second, not every respondent answered every question, so items with some non-response reflect the number of parents who answered. In all cases, each figure is reported against the population it describes, and its base is noted where it differs from the full sample.

Focus Groups and Interviews

Eleven focus groups conducted across five Texas regions — Houston, Dallas/Fort Worth, East Texas, San Antonio, Amarillo – plus a virtual cohort, covering parents, providers, and employers. Sessions were structured to elicit decision-making logic on care selection, operational realities of running a childcare business, and employer experience with childcare–related workforce instability. Quotes used in this report are drawn from session transcripts; speaker identities are not disclosed. In total, 120 Texans participated in the focus group and interview process.

Regulatory Analysis

The study analyzed Texas Administrative Code Chapters 742 through 747, the licensing standards governing childcare providers in Texas. The analysis classified provisions along six dimensions: prescriptiveness, enforcement-interpretation risk, public benefit, compliance burden, redundancy, and reform pathway.

Agency Bill Pattern & Strategic Plan Analysis

Additionally, the report analyzed the most recent available strategic plans of our five primary state agencies whose missions intersect childcare:

1. The Texas Workforce Commission (fiscal years 2027-2031)
2. The Health and Human Services Commission (fiscal years 2027-2031)
3. The Texas Education Agency (fiscal years 2025-2029)
4. The Department of Family and Protective Services (fiscal years 2027-2031)
5. The Texas Comptroller of Public Accounts (fiscal years 2025-2029)

For the most recent years in which they were available (fiscal years 2025 through 2029. Strategic plans represent the agencies' own articulations of mission, metrics, and intended direction, and help assess how each agency interprets its own legislative mandate.

Limitations

Several findings in this report rely on composite figures derived from multiple sources (e.g. the “one in six” figure for state-and-federally-funded early childhood program reach, which combines TWC subsidy, Head Start, public Pre-K, and TEFA enrollment against total Texas population under age 6). Composite derivations are documented in the appendix and rely on the most recent reporting cycles available; readers should refer to the documentation for vintage and methodology of underlying inputs.

Where the report cites figures whose underlying data is older than three years, the date of the data is noted inline.

Some findings rely on economic modeling rather than direct measurement. DARO estimated the immediate, measurable costs of Texas's current childcare conditions to employers. They combined micro-level rates from the Texas 2036 Statewide Childcare Survey (parent n = 975, applied with the survey's raked weights) with macro benchmarks including ACS counts of Texas parents of young children and BLS and Texas Comptroller wage figures. Two bottom-up models drive these estimates — an absenteeism model (share of working parents with child-care-related absences × mean days missed × average daily wage) and a job-disruption model (employer replacement costs from parents leaving jobs, declining promotions, or declining offers). DARO's approach captures employer costs from turnover and absenteeism; per their methodology, it does not measure statewide economic output (GDP), and does not model long-term child outcomes, downstream multiplier effects, or future-earnings spillovers.

Taxonomy of Care Types Sorted by Primary Regulatory Authority

This table is designed to provide a glossary of care types. It is organized by the primary regulatory authority that authorizes or licenses the care type for ease of reading, and does not attempt to map or indicate all of the agencies or regulatory regimes that might touch or impact each care type.

Care type	What it is (definition & capacity)
Primarily Authorized/Licensed by HHSC	
Licensed Child-Care Center	Non-residential facility licensed to care for 7+ children for less than 24 hours/day.
Licensed Child-Care Home	Care in the caregiver's own residence for 7–12 children (birth–13); total ≤12.
Before/After-School & School-Age Program	Care for school-age children before/after school and during school breaks.

Care type	What it is (definition & capacity)
Registered Child-Care Home	Care in the caregiver's own residence for up to 6 children (birth–13), plus up to 6 additional after-school children.
Listed Family Home	Care in the caregiver's home for up to 3 unrelated children, at least 4 hours/day.
Primarily Authorized/Licensed by TEA	
Public Pre-Kindergarten	District-operated prekindergarten for eligible 3- and 4-year-olds.
Federal programs	
Head Start / Early Head Start	Federally funded early education and development for children from low-income families.
Au pair	A live-in caregiver in the family's home on a cultural-exchange visa.
Primarily Authorized/Licensed by DSHS	
Youth camp	Day or residential recreational/educational camp for children.
License-exempt — conditional standards	
Single-skill instruction program	Direct instruction in a single skill, talent, ability, expertise, or proficiency (gymnastics, dance, martial arts, art, tutoring, sports clinics).
Parent-on-site / drop-in care	Short-period care while a parent shops, attends religious services, or engages in activities on or near the premises (gym childcare, church nursery during services, shopping-center drop-in).
License-exempt — no regulation	
Relative / Friend, Family, Neighbor (FFN)	Informal care by a relative or close acquaintance, often in the child's own home.
Nanny / in-home caregiver	A paid caregiver providing care for a family's own children in the children's home.
Short-term / seasonal program	A program operating less than 3 consecutive weeks and fewer than 40 days in a 12-month period.

TEXAS 2036

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