



Interim Report

TO THE EIGHTY-NINTH TEXAS LEGISLATURE

HOUSE COMMITTEE ON INTERNATIONAL
RELATIONS AND ECONOMIC DEVELOPMENT
JANUARY 2025

**HOUSE COMMITTEE ON INTERNATIONAL RELATIONS & ECONOMIC
DEVELOPMENT
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2024**

**A REPORT TO THE
HOUSE OF REPRESENTATIVES
89TH TEXAS LEGISLATURE**

**ANGIE CHEN BUTTON
CHAIR**

**COMMITTEE CLERK
VICTORIA A. SMITH**



Committee On
International Relations & Economic Development

January 10, 2025

Angie Chen Button
Chair

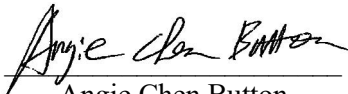
P.O. Box 2910
Austin, Texas 78768-2910

The Honorable Dade Phelan
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

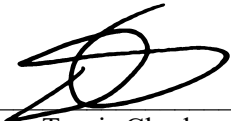
The Committee on International Relations & Economic Development of the Eighty-eighth Legislature hereby submits its interim report including recommendations and drafted legislation for consideration by the Eighty-ninth Legislature.

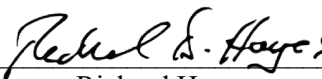
Respectfully submitted,

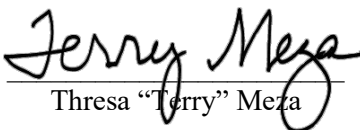

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INTRODUCTION

At the beginning of the 88th Legislative session, the Honorable Dade Phelan, Speaker of the Texas House of Representatives, appointed nine members to the House Committee on International Relations and Economic Development. The Committee membership included: Angie Chen Button, Chair, Claudia Ordaz, Vice Chair, Ben Bumgarner, Travis Clardy, Richard Hayes, Thresa “Terry” Meza, Christina Morales, Mihaela Plesa, and Hugh Shine.

The committee was given jurisdiction over all matters pertaining to:

- (1) the relations between the State of Texas and other nations, including matters related to trade relations and international trade zones;
- (2) the relations between the State of Texas and the federal government other than matters involving defense, emergency preparedness, and veterans issues;
- (3) the relations between the State of Texas and other states of the United States;
- (4) commerce, trade, and manufacturing, including international commerce and trade and the regulation of persons participating in international commerce and trade;
- (5) cooperation between the state or a local governmental entity and the scientific and technological community, including private businesses, institutions of higher education, and federal governmental laboratories;
- (6) weights and measures;
- (7) workforce training;
- (8) economic and industrial development;
- (9) development and support of small businesses;
- (10) job creation and job-training programs;
- (11) hours, wages, collective bargaining, and the relationship between employers and employees;
- (12) international and border regions (as described in Sections 2056.002(e)(2) and (3), Government Code) economic development, public health and safety issues affecting the border, tourist development, and goodwill, and economic development, tourist development, and goodwill in other areas of the state that have experienced a significant increase in the percentage of the population that consists of immigrants from other nations, according to the last two federal decennial censuses or another reliable measure;
- (13) the provision of public services to persons residing in proximity to Texas' international border or in other areas of the state that have experienced a significant increase in the percentage of the population that consists of immigrants from other nations, according to the last two federal decennial censuses or another reliable measure; and
- (14) the following state agencies: the Office of State-Federal Relations, the Texas Economic Development and Tourism Office, the Texas Workforce Commission, and the Texas Workforce Investment Council.

The Committee would like to thank everyone who testified, attended the hearing, and contributed to this report, as well as the hardworking staff in the Committee Coordinator's office. After one public hearing, the Committee on International Relations and Economic Development has adopted the following report.

INTERIM STUDY CHARGES

CHARGE I: MONITORING

Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 88th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure the intended legislative outcome of all legislation, including the following:

- HB 1755, relating to the creation of the Lone Star Workforce of the Future Fund; and
- HB 4451, relating to a report by the Texas Workforce Commission regarding apprenticeship opportunities in this state for emerging and high-demand industries.

CHARGE II: EARLY CHILDHOOD EDUCATION INDUSTRY

Evaluate the current state of the early childhood education industry. Review current early childhood policies and evaluate their effectiveness, including barriers to enter the Child Care Services program.

CHARGE I: MONITORING

Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 88th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure the intended legislative outcome of all legislation, including the following:

- *HB 1755, relating to the creation of the Lone Star Workforce of the Future Fund; and*
- *HB 4451, relating to a report by the Texas Workforce Commission regarding apprenticeship opportunities in this state for emerging and high-demand industries.*

The Committee on International Relations and Economic Development met in a public hearing on September 10, 2024, at the State Capitol in Austin to hear testimony from the following witnesses regarding the charge of Monitoring:

1. Adriana Cruz, Texas Economic Development & Tourism Office
2. Bryan Daniel, Texas Workforce Commission
3. Mary York, Texas Workforce Commission

Texas Economic Development & Tourism Office

The mission of the Texas Economic Development & Tourism Office (EDT) within the Office of the Governor is to promote the state of Texas as a leading global business location and premier travel destination. They do so throughout their seven divisions, Business & Community Development, Economic Development Finance, Texas CHIPS Office, Texas Workforce Investment Council, Texas Music Office, Travel Texas, the Texas Film Commission, and various other boards and committees.

The Texas CHIPS Act, House Bill 5174 (88R), was established to leverage Texas' investments in the semiconductor industry and encourage semiconductor-related companies to expand in the state. By also leveraging the expertise and capacity at Texas' institutions of higher education, the CHIPS Act seeks to maintain Texas' position as the nation's leader in semiconductor manufacturing while bolstering the domestic chip supply chain and enhancing national security.

HB 5174 also created the Texas Semiconductor Innovation Fund (TSIF) to provide matching funds to higher education institutions for semiconductor manufacturing and design projects and award grants to semiconductor businesses with an established presence in Texas for economic development. The Legislature appropriated almost \$700 million to TSIF. At the time of this hearing, there were currently 35 applications for TSIF, and four had been approved so far by the Legislative Budget Board.

The EDT promotes international business and trade with Texas. The office assists Texas companies looking to do business internationally as well as foreign companies that are looking to expand or relocate to the state. Since 1971, the State of Texas Mexico Office (STMO) has represented the state of Texas in Mexico and serves as a key point of contact between the state of Texas and Mexican government officials and businesses. The office helps promote economic, trade, cultural, and diplomatic relations between Texas and Mexico.

In the summer of 2024, while on an international business development mission to several Asian countries, Governor Greg Abbott announced the opening of the State of Texas Taiwan Office (STTO). The STTO is Texas’ first foreign office to open since 1995 and will promote investment and jobs in Texas by Taiwanese companies, promote trade with Taiwan, and assist Texas communities and Texas businesses in Taiwan. The ribbon cutting took place in Taipei in July and was attended by Governor Abbott, Chairwoman Button, and other members of the Texas Legislature. The Legislature funded \$800,000 for the creation of this office.

Texas’ Top FDI Source Countries

By number of projects			By capital investment			By number of jobs		
1	United Kingdom	188	1	South Korea	\$48.4 billion	1	United Kingdom	11,425
2	Germany	76	2	Japan	\$8.1 billion	2	South Korea	9,583
3	Switzerland	69	3	Germany	\$7 billion	3	Germany	7,072
4	Canada	67	4	United Kingdom	\$6.9 billion	4	Canada	7,002
5	Japan	64	5	Taiwan	\$5.4 billion	5	Japan	6,035

Texas Workforce Commission

Texas' unemployment rate is currently at 4.1%, slightly lower than the national average of 4.3% at the time of the hearing. The state also has more available jobs, approximately 750,000, than the number of people unemployed, which stands at around 640,000. This discrepancy can be, at least partly, attributed to the middle-skills gap Texas has experienced over the past few years. The middle-skills gap is a lack of workers with intermediate-level skills, which typically require some postsecondary training but not a four-year college degree. Employment has grown at a rate of 1.9% over the past year, reflecting a steady, stable labor market similar to the growth seen in the years leading up to the pandemic.

TWC's Vocational Rehabilitation program participation is up about 6%. This program is for individuals both adults and youth experiencing disabilities which signifies a diverse employee base wanting to take advantage of Texas' job growth. Unemployment benefits claims saw a slight increase in 2024 which can be attributed to Hurricane Beryl's landfall in Matagorda County. The Jobs and Education for Texans (JET) Program and Skills Development Fund continue to see healthy participation and progress toward addressing that middle-skills gap.

Implementation of HB 1755

The Lonestar Workforce of the Future Fund, created by House Bill 1755 (88R), is a grant program aimed at increasing the number of qualified workers in high-demand occupations. The fund provides grants to public junior colleges, public technical institutes, and non-profit organizations to administer performance-based workforce training that leads to full-time employment in high-growth, high-demand careers.

With the rising demand for middle-skill jobs, the program targets both entry-level and mid-level career pathways. In December 2023, TWC adopted rules for the program and appointed the necessary advisory board, which recommended the list of eligible occupations for 2024.

Grantees are required to ensure that at least 50% of participants successfully transition from unemployment or low-wage work to full-time positions with a self-sufficient wage. The definition of a self-sufficient wage is determined on a county-by-county basis.

The Texas Legislature has appropriated \$5 million for the biennium, or \$2.5 million per fiscal year, to fund this initiative. The advisory board set a maximum award amount of \$250,000 per grantee, with a target cost of \$7,500 per participant. At the time of the hearing, applications had just begun, with four eligible applications so far, though no awards had yet been made.

The Lonestar Workforce of the Future Fund is part of Texas's broader investment in ensuring a diverse and skilled workforce to meet both current and future labor market needs. The resources provided through the fund will foster the development of new workforce skills that align with the evolving demands of employers in the state's growing economy.

Implementation of HB 4451

House Bill 4451 (88R) by State Representative Salman Bhojani required the Texas Workforce Commission (TWC) to report on active apprenticeship programs in the state and make recommendations to expand the availability of apprenticeship programs in emerging and high-demand industries and occupations. TWC issued the Report on Available Apprenticeships in Texas for Program Year 2024 shortly before our hearing.¹

Apprenticeship programs or “Earn While You Learn” training opportunities are growing rapidly. There are currently approximately 32,625 active apprentices in Texas with 863 apprenticeship programs offering training in 48 industry sectors. The top industries with the most apprentices are Specialty Trades Contractor, Hospital, and Educational Services containing over half of all individual apprentices in the state.

Figure 2: Top 10 Industries with the Largest Numbers of Active Apprentices



The report identified the top industries with active apprenticeship programs that are projected to add the most jobs from 2020 through 2030 as: Food Services and Drinking Places, Professional, Technical, and Scientific Services, Ambulatory Healthcare Services, Educational Services, and Administrative and Support Services.

Table 1. Industries Projected to Add the Most Jobs from 2020-2030 and Number of Apprentices

Industry Title	Annual Average Employment 2020	Annual Average Employment 2030	Number Change 2020-2030	Percent Change 2020-2030	Number of Apprentices
Food Services and Drinking Places	962,426	1,293,835	331,409	34.4	5
Professional, Scientific, and Technical Services	761,785	965,920	204,135	26.8	132
Ambulatory Health Care Services	736,521	930,948	194,427	26.4	63
Educational Services	1,187,797	1,349,674	161,877	13.6	3,462
Administrative and Support Services	702,157	839,658	137,501	19.6	234

Texas is well-positioned to meet future labor market demands through apprenticeships, particularly in industries like Specialty Trade Contractors, which already have strong apprenticeship models. While some sectors, such as Educational Services, are newer to apprenticeships but show promise, other rapidly growing industries, such as Food Service and Drinking Places, have limited apprenticeship programs and may struggle to meet future demand without expansion.

To address these gaps, TWC supports apprenticeship initiatives through state programs like Texas Education Code Chapter 133 and the Texas Industry Recognized Apprenticeship (TIRA) program. Key recommendations for expanding apprenticeship programs from the report include:

1. Promoting and supporting work-based learning, including apprenticeships.
2. Collaborating with employers and stakeholders to create or expand apprenticeship opportunities in emerging and high-demand industries.
3. Increasing apprenticeship opportunities for high school students, allowing them to complete the first year of an apprenticeship while still in school.

Participation in the Chapter 133 Apprenticeship Training Program has accelerated in recent years and current funding levels have been unable to sustain employer demand. Over the past ten years of the program, the number of apprentices trained has more than doubled, with approximately 4,600 trained in 2015 compared to 9,800 in 2024. Growing numbers of apprentices have required the agency to supplement General Revenue with federal funds, but this is not sustainable in the long term as those funds are needed to support other initiatives. The additional \$13.03M GR requested will allow the program to continue to grow in response to employer demand.

Recommendations

The Texas Legislature and the Texas Workforce Commission should continue fostering growth and innovation in apprenticeship programs to meet Texas's labor market needs and ensure a robust, diverse, and resilient economy.

CHARGE II: EARLY CHILDHOOD EDUCATION INDUSTRY

Evaluate the current state of the early childhood education industry. Review current early childhood policies and evaluate their effectiveness, including barriers to enter the Child Care Services program.

The Committee on International Relations and Economic Development met in a public hearing on September 10, 2024, at the State Capitol in Austin to hear testimony from the following witnesses regarding the charge of the Early Childhood Education Industry:

1. Reagan Miller, Texas Workforce Commission
2. Cheslee Escobedo, KinderCare Learning Companies
3. Stephanie Ferguson, U.S. Chamber of Commerce
4. Tim Kaminski, Texas Licensed Child Care Association & Gingerbread Kids Academy
5. Adrian Lopez, Workforce Solutions Alamo
6. Charles Miller, Texas 2036
7. Kelsey Streufert, Texas Restaurant Association
8. Wendy Uptain, Early Matters Texas

Economic Impact

A 2021 report from the U.S. Chamber of Commerce estimates that Texas loses more than \$9 billion in annual economic activity as a result of child care disruptions, largely due to lost wages and work productivity. The study also found that, of surveyed workers who quit or planned to quit their jobs, more than a third cited child care as a primary reason.

The high cost of child care is a driving factor for working parents who choose to exit the labor force to take care of their young children. The average cost of infant care in Texas is nearly \$10,000 per year. For many working families, particularly those with multiple young children, this cost is prohibitively expensive.

In addition to public strategies to lower child care costs for working parents, some employers have increasingly introduced benefits, such as dependent care stipends and on-site child care, to support employees with their child care needs. A study from the Boston Consulting Group earlier this year found that child care benefits provide a significant return on investment for employers, ranging from 90% to as high as 425%.

Child Care Services Program

There were approximately 16,000 regulated child care centers and homes in Texas in Fiscal Year 2023 with an estimated capacity to provide for 1.2 million children. The Child Care Services Program (CCS) is the state's child care subsidy program that assists low-income parents in affording quality child care and is administered by the Texas Workforce Commission (TWC). CCS is funded through the federal Child Care and Development Block Grant.

While the CCS program is large with a budget of about \$1.2-1.3 billion a year, it is a relatively small portion of the entire child care market. The majority are private pay parents. CCS served an average of 142,382 children per day in Fiscal year 2023, only about 12% of the total number of children in regulated child care across the state. CCS serves subsidized children in 7,659 different child care centers, almost half of the state's total centers.

CCS, whose capacity is based on available federal and state matching funds, cannot serve all eligible children and they are placed on a waitlist. The waitlist on average has about 78,000 children and has reached as high as over 91,000 at one point this past summer. According to TWC estimates, every one million dollars of additional funding for CCS would result in only 100 additional children being served per day.

CCS pays participating child care providers through set reimbursement rates. These rates are determined based on several factors. The Texas Child Care Market Rate Survey reports on child care rates charged to the general public (or the "market rate") in each of the state's 28 local workforce development areas. From there, reimbursement rates are then determined by the age of the child, whether the child is full-time or part-time, and also the type of provider. Child care providers are eligible for higher rates for their level of participation in the Texas Rising Star Program. Texas Rising Star (TRS) is the quality rating and improvement system for early childhood programs. All CCS providers are now required to meet the minimum quality standards of the TRS certification process.

TWC has made incremental increases to the CCS reimbursement rates since Fiscal Year 2020. In 2020, the base reimbursement rates were only slightly below 30% of the market rate providers were charging in the area. However, by FY 2023, reimbursement rates were increased to the 75th percentile of local providers. These increases were much needed; however, child care providers point out that these rates are based on what parents in the area can afford and not the "true cost of care," the actual costs to provide high-quality, reliable care staffed by a professional workforce. It should be noted, that with a finite amount of funding available for the program, any increase in reimbursement rates results in fewer children served by the program, further growing the waitlists.

Below is an example of CCS reimbursement rates. This is the 2024 Child Care Provider Payment Rates for the Dallas County local workforce board, Workforce Solutions Greater Dallas.

Board Contract Year 2024 Child Care Provider Payment Rates—Effective October 1, 2023

Dallas County-6

Provider Type	Provider Rating	Infant FT	Infant PT	Toddler FT	Toddler PT	Preschool FT	Preschool PT	School-age FT	School-age PT	School-age BT
LCCC	Reg	\$44.80	\$39.99	\$42.40	\$37.60	\$40.00	\$32.20	\$38.40	\$30.40	\$31.57
LCCC	TRS2	\$47.05	\$42.00	\$44.53	\$39.49	\$42.01	\$33.82	\$40.33	\$31.93	\$33.16
LCCC	TRS3	\$48.00	\$42.85	\$45.43	\$40.29	\$42.86	\$34.50	\$41.15	\$32.58	\$33.83
LCCC	TRS4	\$52.40	\$46.60	\$46.35	\$41.10	\$43.73	\$35.20	\$41.98	\$33.24	\$34.52
LCCC	TSR	\$47.05	\$42.00	\$44.53	\$39.49	\$42.01	\$33.82	\$40.33	\$31.93	\$33.16
LCCH	Reg	\$40.20	\$37.20	\$38.20	\$35.40	\$37.20	\$32.80	\$35.60	\$30.80	\$31.50
LCCH	TRS2	\$42.22	\$39.07	\$40.12	\$37.18	\$39.07	\$34.45	\$37.39	\$32.35	\$33.09
LCCH	TRS3	\$43.07	\$39.86	\$40.93	\$37.93	\$39.86	\$35.15	\$38.15	\$33.01	\$33.76
LCCH	TRS4	\$46.20	\$41.40	\$41.76	\$38.70	\$40.67	\$35.86	\$38.92	\$33.68	\$34.45
LCCH	TSR	\$42.22	\$39.07	\$40.12	\$37.18	\$39.07	\$34.45	\$37.39	\$32.35	\$33.09
RCCH	Reg	\$37.60	\$34.80	\$36.10	\$32.80	\$34.20	\$28.67	\$31.00	\$27.40	\$27.93
RCCH	TRS2	\$39.49	\$36.55	\$37.91	\$34.45	\$35.92	\$30.11	\$32.56	\$28.78	\$29.33
RCCH	TRS3	\$40.29	\$37.29	\$38.68	\$35.15	\$36.65	\$30.72	\$33.22	\$29.36	\$29.92
RCCH	TRS4	\$44.00	\$38.40	\$39.46	\$35.86	\$37.39	\$31.34	\$33.89	\$29.96	\$30.54
RCCH	TSR	\$39.49	\$36.55	\$37.91	\$34.45	\$35.92	\$30.11	\$32.56	\$28.78	\$29.33
Relative	None	\$15.00	\$11.50	\$14.00	\$11.00	\$12.00	\$8.50	\$12.00	\$7.96	\$8.55

LCCC = Licensed child care center
 LCCH = Licensed child care home
 RCCH = Registered child care home
 TRS = Texas Rising Star
 TSR = Texas School Ready
 FT = Full time
 PT = Part time
 BT = Blended

Child Care Providers

The child care industry and providers face many issues in the state. Child care providers are licensed and regulated by the Texas Health and Human Services Commission (HHSC) – of which this Committee does not have jurisdiction. It has already been noted that almost half of the providers in Texas, accept subsidies from the Texas Workforce Commission (TWC) program. Child care providers can work together with local school districts to increase access to pre-kindergarten programs through Public-Private Pre-kindergarten Partnerships. These partnerships involve the Texas Education Agency (TEA). Child care providers can often also interact with the Texas Department of Family and Protective Services (DFPS) in some cases and the Texas Department of Agriculture via the Child and Adult Care Food Program. For some providers, that is up to five different state agencies they must report to and adhere to their individual guidelines. For a small business, this can be confusing and daunting.

The Legislature in 2019 passed a historic, sweeping school finance reform bill, House Bill 3. HB 3 included the requirement that school districts and open-enrollment charter schools provide at no cost to parents full-day pre-kindergarten programs to eligible four and some three-year-old children, including those eligible for the National School Lunch Program.

While this is a great step to ensuring our pre-kindergartners get the quality educational programs they need at such a vital age for brain development and school readiness, it has had some unintended consequences on private child care providers. It costs child care providers more to care for infants and toddlers than it does for three and four-year-olds. Infants and toddlers require more attention and thus have higher mandatory child-to-caregiver ratios. Staff and payroll are usually the highest expense of child care providers. Many providers have stated that they do not make any profit caring for infants.

Three and four-year-olds have lower child-to-caregiver ratios requiring less staff. This is where many providers are able to offset the higher staffing costs for younger children. After the implementation of HB 3 and full-day pre-kindergarten, private child care providers lost many of their three and four-year-olds to free, public pre-kindergarten programs. Even for those three and four-year-olds who do not qualify for free pre-kindergarten, a school district's tuition is significantly less compared to private providers, as it is funded through the state's public school funding.

Child Care Data

Texas' early childhood education system is fragmented across multiple state agencies such as the Texas Workforce Commission, the Texas Education Agency, among others. This separation leads to siloed data collection, making it difficult for state leaders to answer key questions about the effectiveness of these programs.

The Texas Early Learning Council developed a Birth Through Five strategic plan as required by the federal Preschool Development Grant Birth through Five. In April 2022, the Texas Early Learning Council formed an Early Childhood Data Roadmap Work Group to explore a possible Early Childhood Integrated Data System (ECIDS) in Texas.

The Early Childhood Data Roadmap Work Group collaborated across early childhood programs and with stakeholders to create an ECIDS roadmap for Texas. The roadmap includes an overview of the current early childhood landscape, lessons learned from other states, and recommendations that could inform the development of an ECIDS in Texas.

This ECIDS would help identify gaps, track program performance, and inform better decision-making. It could also facilitate the sharing of data across agencies and provide a clearer picture of how early childhood services impact outcomes. The roadmap is the groundwork for the development of an integrated data system. However, the system's implementation is complex and may take several years.

Child care providers cite the ability to recruit and retain quality child care professionals as another major hurdle in the industry. With only limited data on employment, credentials, and turnover for child care educators, the state and providers are unable to make data-informed decisions about how best to address child care workforce shortages.

Learning from Other States

Texas currently contributes only the amount required to draw down the federal Child Care and Development Block Grant funds. Some Republican-led states including Florida, North Dakota, and Alabama have recently increased their state’s investment in their child care subsidy programs. In 2023, Florida approved a budget with an increase of \$100 million in state funding for their child care subsidy program, as well as an additional \$77 million to sustain enrollment. In 2024, Florida went even further, allocating an additional \$200 million to raise rates paid to their subsidy providers. According to the U.S. Department of Health and Human Services’ Office of Child Care, in 2023 Florida’s percentile rates were similar to Texas’s.²

CCDF Lead Agency Reported Licensed Payment Rates as of April 2023 (percentile)

STATE/TERRITORY	INFANT CENTER	PRESCHOOL CENTER	INFANT FAMILY HOME	PRESCHOOL FAMILY HOME
Florida	75	69	79	75
Texas	75	75	75	75

Florida also has a new tax credit that incentivizes businesses to actively support their employees’ child care needs. Starting in 2025, businesses can claim a new credit when they subsidize child care costs up to \$300/month per child of an employee, or when they incur startup costs to establish on-site child care options.³

A new child care model called “Tri-Share” has gained traction across the country. The cost-sharing model, in which the state government, the employer, and the employee each contribute toward the cost of an employee’s child care. Michigan was the first to launch its pilot version in 2021 and is now up and running in over half of its counties. It has become so popular that other states, including New York, North Carolina, and Kentucky, have already secured funding for their own adaptations of the program. These Tri-Share programs are intended to pick up the families where the state’s subsidy program leaves off.

In the Michigan Tri-Share Child Care Program, the state, the employer, and the employee each contribute a fixed equal third of child care costs. Kentucky's Employee Child Care Assistance Program or ECCAP, is a little more flexible, there is neither a minimum nor a maximum contribution. Under the program, the state matches the employer's contribution to an employee's child care expenses. The state's matching percentage is based on the employee's household income relative to the State Median Household Income (SMI), and the match decreases as the family's income rises above the SMI.

The North Carolina Partnership for Children was granted \$900,000 from the state general assembly to run a two-year pilot across three regions. North Carolina is still in the planning phases and considering requiring a minimum contribution for employers.

The Kentucky General Assembly funded their Tri-Share with an initial \$15 million. By comparison, Michigan's pilot received \$1.1 million, and New York's got \$4.8 million.⁴

Tri-Share programs can be difficult to navigate because of the many funding streams involved, as well as the administrative procedures and rules that govern how funding is spent. There is also no guarantee that businesses will opt into a cost-sharing program without clear incentives for participation.

Recommendations

The Texas Legislature should further examine the impact public pre-kindergarten programs have had on the child care industry and should consider creative solutions to mitigate the unintended consequences seen by many child care providers as a result of losing three and four-year-old children to public pre-kindergarten.

Possible solutions could include the creation of a program allowing parents to use public funding allocated for their child toward tuition at a private preschool provider of their choice. Any program should prioritize pre-kindergarten students living in areas identified as 'child care deserts' and those from low-income households.

Parents and guardians have the right to work to support their families. In single-parent households or homes with two working parents, the absence of quality affordable child care can stand in the way of the ability to earn a living wage. This obstacle impacts employers, as well as families, and has the potential to negatively affect the long-term vitality of our state. Because of this, the Legislature should work with businesses and parents in the creation of a model involving the state, an employer, and an employee contributing to the employee's child care costs. In considering this Tri-Share model, the state should encourage employers to invest in their employee's child care needs by including an incentive for a business to participate. Employers that offer child care or participate in such a program could also be favorably considered when applying for economic development incentives.

ENDNOTES

¹ <https://www.twc.texas.gov/sites/default/files/enterprise/docs/commission-meeting-material-081324-item13-report-available-apprenticeships-py-2024.pdf>

² <https://www.acf.hhs.gov/occ/data/child-care-and-development-fund-payment-rates>

³ <https://www.tallahassee.com/story/opinion/2024/06/11/bright-spots-for-young-learners-and-families-in-floridas-budget/74019824007/>

⁴ <https://www.edsurge.com/news/2024-01-30-one-state-rolled-out-a-promising-child-care-model-now-others-are-replicating-it>