NTEEA's Comments on Child Care-Related Sunset Staff Recommendations

We appreciate the Sunset staff report's review of the Texas Workforce Commission and generally support the report's direction, with the targeted changes below. The report correctly identifies serious operational challenges in Local Workforce Development Board oversight, IT modernization, fraud investigations, DFPS coordination, and child care subsidy administration. TWC administers child care services for working families through a large, locally delivered system, and the report recognizes that technology failures, inconsistent local practices, and insufficient data limit the state's ability to ensure accountability and effective service delivery.

1. Local Workforce Development Board Oversight and Coordination

Position: Support with suggested child care-specific strengthening.

We support the report's recommendations to strengthen TWC's coordination with and oversight of Local Workforce Development Boards. Stronger oversight is especially important for child care because LWDBs and their contractors directly affect parent eligibility, waitlists, provider communication, payment timeliness, and consistency across regions.

<u>Suggested change:</u> Sunset should explicitly require consistent statewide expectations for child care administration across LWDBs and contractors, while preserving appropriate local flexibility. These expectations should include eligibility processing, documentation, parent communication, provider payments, fraud referrals, contractor monitoring, board-level reporting, Texas Rising Star support, and service to priority populations.

2. IT Modernization

Position: Strongly support with significant strengthening.

We strongly support recommendations requiring a two-year strategic IT modernization plan, improved IT procurement practices, mandatory program-led go/no-go criteria for major launches, and completion of a unified data model. The report documents that TWC has launched systems before they were fully functional, including TX3C, which created payment inconsistencies, data issues, administrative burden, and substantial post-launch remediation.

<u>Suggested change:</u> The Commission should strengthen this recommendation by requiring TWC to develop a specific corrective action plan for TX3C and the child care

case management system. That plan should address payment disruptions, reconciliation problems, data visibility issues, coding errors, unresolved defects, provider-facing burden, and functionality concerns. TWC should also publicly report key technology performance measures, including payment timeliness, unresolved error rates, data accuracy, help-desk response times, and provider-reported administrative burden.

3. Fraud Deterrence and Child Care Fraud Investigations

Position: Support with safeguards.

We support strengthening TWC's ability to deter and penalize fraud, and we support clearer statewide procedures for agency supervision of child care fraud investigations. The report correctly notes that the current system leaves Texas with inconsistent local practices and "28 different standards" for child care fraud investigations.

Suggested change**:** Any fraud-related recommendation should clearly distinguish intentional fraud from administrative error or improper payment. Texas should strengthen program integrity, but it should not create unnecessary front-end barriers for eligible families or punish providers for system errors outside their control. Statewide standards should include investigation intake, documentation, substantiation, supervisory review, recovery efforts, reporting, and due process protections.

4. DFPS Coordination and Child Care Subsidy Administration

Position: Strongly support with suggested expansion.

We strongly support requiring DFPS to provide TWC a breakdown of the amount and source of funds spent for TWC-contracted child care, requiring periodic CCDF training for DFPS staff and contractors, and modernizing the market rate survey.

We also support the recommendation requiring annual or as-needed training for DFPS staff and Community-Based Care contractors on CCDF rules, eligibility, referrals, and the roles of TWC, LWDBs, and contractors.

Suggested changes: Training should be expanded beyond DFPS to include LWDB board members, child care contractors, intake and eligibility staff, frontline staff, and, where relevant, HHSC child care regulation staff.

The market rate survey recommendation should also be strengthened to include cost-of-quality analysis. Market rates show what families are currently charged in a constrained market; they do not always show what it actually costs to provide high-quality care, especially for infants and toddlers, children with disabilities, nontraditional-hour care, and communities with limited provider supply.

5. Continue TWC for 12 Years

Position: Support with continued attention to early childhood governance.

We support continuing TWC for 12 years. However, continuing TWC should not be read as closing the door on broader early childhood governance improvements. The report itself notes that many child care concerns involve broader policy decisions or may be addressed by other interagency initiatives.

<u>Suggested change</u>: The Sunset Commission should clarify that continuing TWC is compatible with ongoing work by the Governor's Early Childhood Task Force, the Texas Early Learning Council, the HHSC Sunset review, and other state efforts to better align early childhood programs.

6. Standard Sunset Elements for TWC

Position: Support with suggested child care data addition.

We support applying standard Sunset requirements to TWC, improving complaint systems, updating reporting requirements, strengthening rule review, and tracking TWC's use of AI systems.

<u>Suggested change</u>: TWC's consolidated public reporting should include timely, public, board-level Child Care Services data, including children served, children on waitlists, priority populations, age groups, provider type, quality rating, geography, Texas Rising Star participation, eligibility processing timelines, and provider payment timeliness.

Additional Recommendations for Sunset Commission Consideration

In addition to the positions above, the strongest path forward is not to make the child care system more burdensome. It is to make it work better. Texas should fix the technology, publish better data, strengthen training, standardize accountability, modernize rate-setting, support quality, coordinate across agencies, and use smarter tools to protect public dollars. These reforms would improve accountability while helping parents work, providers stay open, children access stable care, employers retain workers, and taxpayers see better results from public investments.

1. Require a child care technology corrective action plan.

Sunset should require TWC to produce and publicly report on a corrective action plan for TX3C and related child care systems. This should include timelines, responsible parties, unresolved defect counts, payment timeliness, data reliability, user testing, help-desk responsiveness, provider burden, and safeguards to prevent future failed launches.

2. Require publicly available, board-level Child Care Services data.

TWC should publish timely, comparable child care data by Local Workforce Development Board. Without transparent data on children served, waitlists, provider capacity, quality, processing timelines, and payment timeliness, the state cannot fully assess whether public resources are reaching families, children, providers, and employers effectively.

3. Mandate standardized child care training across the system.

TWC should require standardized onboarding and periodic training for LWDB board members, child care contractors, eligibility staff, frontline staff, DFPS referral staff, Community-Based Care contractors, and relevant HHSC staff. Training should cover CCDF rules, eligibility, documentation, parent communication, provider payment, fraud referrals, Texas Rising Star, DFPS-referred care, priority populations, data reporting, and technology system use.

4. Move toward cost-informed rate setting.

The market rate survey should be modernized, but that alone is not enough. Texas should supplement market rate data with cost-of-quality analysis by age group, region, provider type, quality level, and special population. This would give policymakers better information about what it actually costs to provide stable, high-quality care.

5. Strengthen Texas Rising Star without reducing access.

Quality expectations should be paired with sufficient coaching, grants, professional development, workforce supports, and reimbursement rates that reflect the cost of quality.

6. Create an Early Childhood Integrated Data System.

Texas should implement an interagency early childhood integrated data system that includes child care subsidies, DFPS-referred care, prekindergarten, Early Head Start, Head Start, early intervention, and related family support programs. This would help the state answer basic questions: which children are being served, which children are waiting, where gaps exist, and which investments are associated with improved school readiness, family stability, and workforce participation.

7. Require periodic review of child care funding distribution.

Texas should conduct a comprehensive review at least every 10 years of how federal and state child care funds are distributed across workforce boards, considering population growth, child care deserts, poverty rates, cost of care, labor market changes, employer needs, and regional demand.