

**SUBJECT:** Establishing the employer child-care contribution partnership program

**COMMITTEE:** International Relations & Economic Development — committee  
substitute recommended

**VOTE:** 7 ayes — Button, Ordaz, Bumgarner, Clardy, Meza, C. Morales, Shine

1 nay — Hayes

1 absent — Plesa

**WITNESSES:** For — Kathy Kuras, Greater Austin YMCA/ Texas State Alliance of YMCAs (*Registered, but did not testify*: Jacquie Benestante, Autism Society of Texas; Jennifer Carter, Goodwill Central Texas; Christine Yanas, Methodist Healthcare Ministries; Andrew Cates, Texas Association for the Education of Young Children; Cynthia Van Maanen, Travis County Democratic Party; Ashley Harris, United Ways of Texas; and nine individuals)

Against — None

On — Reagan Miller, Texas Workforce Commission

**BACKGROUND:** Concerns have been raised that child-care services in Texas have become both costly and limited in their availability, making it difficult for working class families to find affordable options.

**DIGEST:** CSHB 3771 would require the Texas Workforce Commission (TWC) to establish and administer the employer child-care contribution partnership program.

**Administration.** TWC would be required to adopt rules and establish procedures necessary to administer the program, including:

- a standardized agreement for use by employers, employees, and child-care providers to apply for and enroll in the program;

- eligibility criteria for child-care providers, including quality standards;
- procedures for prioritizing and approving agreements, including maintaining a waitlist;
- criteria for disqualifying participants from the program; and
- procedures for issuing and logging payments to participating child-care providers.

By January 1, 2025, TWC would be required to adopt any rules necessary to administer the program.

TWC would be required to ensure confidentiality protocols to safeguard the personal information of participating employers, employees, and providers. The bill would require the commission to maintain records regarding the balance of the program fund established by the bill for each fiscal year and all payments made from the program fund established by the bill. The commission would develop informational material regarding the program's objectives, benefits, and eligibility requirements and distribute the material to employers, employees, and providers. Additionally, TWC would be required to maintain a waitlist if the money in the program fund was insufficient to approve all agreements received and provide a state match.

The bill would authorize TWC to delegate an administrative duty to a division of the commission, coordinate and share information with other state agencies, and procure grants or contracts with third parties to administer the program.

TWC would be required to implement the program and issue a state match in a fiscal year only if the Legislature specifically appropriated money to the commission for that purpose. TWC could implement the program and issue a state match using other money available.

**Employer duties.** An employer who provided child-care assistance to an employee as an employment benefit could participate in the program by entering into an agreement with an eligible employee and child-care

provider. The employer would be required to:

- provide at least 20 percent of the cost of the employee's child care as the employer contribution;
- enter into a standardized agreement with an employee and provider;
- submit the agreement to the commission for eligibility verification and approval;
- submit any additional information the commission considered necessary; and
- make contributions to the employees eligible child-care costs in accordance with commission guidelines.

**Employee duties.** An employee would be required to complete an agreement with the employer and a child-care provider and provide any additional information the commission considered necessary. The bill would require the employee to pay the child-care provider the cost of child-care services not covered by the employer's contribution and the state match. If the amount of the employer contribution and state match were insufficient to pay all of the employee's child-care costs, employees could combine those amounts with the employer contribution and state match money of an employee's family or household member who completed such an agreement separately. The employee could use the combined amounts to pay the total child-care costs as long as the combining of the amounts did not result in overpayment to the provider.

**Provider eligibility.** To be eligible to receive money under the program, a child-care provider would be required to be a high-quality program, as determined by the commission, and enter into an agreement with an employer and employee.

**Program agreements.** The bill would require TWC to create a standardized agreement for use by participating employers, employees, and providers to be completed and agreed to by each party. The agreement would include:

- the name, location, size, and industry of the employer;
- the name and phone number of the employer's point of contact;
- the name and location of the child-care provider;
- the name and phone number of the provider's point of contact;
- the name and address of the employee;
- the total amount of the child-care contribution to be paid by the employer to the provider;
- the total amount of the state match to be paid to the provider;
- the duration of the agreement;
- the frequency of the contribution to be made to the provider; and
- demographic information about the employee.

**Program fund.** The commission would be required to establish and administer a program fund as a dedicated account in the general revenue fund. The following money would be deposited in the fund:

- any money appropriated by the Legislature for the fund;
- interest earned on the investment of money in the fund;
- funds resulting from certain civil penalties; and
- gifts, grants, and donations received for the fund.

Money in the fund could be appropriated only to TWC for purposes authorized by the bill. Any money remaining in the program fund at the end of a fiscal year would be carried forward to the next fiscal year. To the greatest extent practicable in each fiscal year, 25 percent of the total fund would have to be distributed under agreements with employers with fewer than 50 full-time employees.

The bill would establish that, during the fiscal year ending August 31, 2024, no more than 10 percent of the total fund would be distributed to TWC to establish the program. In each subsequent fiscal year, TWC could use money in the fund to administer the program in the following ways:

- if the total annual amount of the fund was more than \$50 million, the commission could use no more than five percent of the total fund;

- if the total annual amount of the fund was more than \$10 million but less than \$50 million, the commission could use no more than 10 percent of the total fund; and
- if the total annual amount of the fund was not more than \$10 million, the commission could use no more than 15 percent of the total fund.

**State match.** On verifying the eligibility of an employer, employee, and child-care provider and the agreement between the parties, TWC would be required to issue a state match from the program fund to a child-care provider in accordance with the terms of the agreement. TWC could distribute the state match money directly or through a third-party vendor. TWC could approve an agreement and issue a state match only if there was sufficient money in the program fund to pay the costs under the agreement. TWC would be required to provide a state match equal to the contribution made by the employer if the employee had a median household income that did not exceed the median state household income.

If the employee's median household income exceeded the median state household income, TWC would provide a state match in the following ways:

- 90 percent of the employer's contribution for an employee whose household income was not more than 120 percent of the median household income;
- 80 percent of the employer's contribution for an employee whose household income was between 120 and 140 percent of the median household income;
- 70 percent of the employer's contribution for an employee whose household income was between 140 and 160 percent of the median household income;
- 60 percent of the employer's contribution for an employee whose household income was between 160 and 180 percent of the median household income; and
- 50 percent of the employer's contribution for an employee whose household income was more than 180 percent of the median

household income.

A state match issued under the program and administered by the commission could not be considered compensation for an employee's service.

**Reports.** The bill would require TWC to publish and submit to the Legislature a report detailing the efficacy of the program by December 15 of each even-numbered year. The report would be required to include:

- the amount appropriated to the program fund during the preceding fiscal year;
- the total number of standardized agreements submitted by employers;
- the total amount of state matches paid out of the program fund, disaggregated by county;
- information regarding the size, location, and industry type of participating employers;
- the number, license type, quality rating level, and geographical distribution of participating providers;
- the average cost for services charged by the providers participating in the program and information regarding the amount by which those costs increased or decreased during the most recent reporting period compared with previous reporting periods;
- the number and total dollar value of agreements not approved by the commission; and
- demographic information regarding participating employees.

By January 1, 2025, TWC would be required to publish and submit to the Legislature a report detailing the commission's plan for implementing the program. This provision would expire September 1, 2025.

**Civil penalty.** A person who intentionally provided false information to TWC to receive program benefits would be subject to a civil penalty of no more \$500 per violation. All money collected as a result of such penalties would be paid into the state treasury and credited to the program fund.

The bill would take effect September 1, 2023.

**NOTES:**

The Texas Workforce Commission is required to implement a provision of the bill only if the Legislature appropriates money specifically for the purpose. If the Legislature does not appropriate money specifically for that purpose, the commission may, but is not required to, implement a provision of the bill using other appropriations available for the purpose.