Economy:

Addressing the Child Care Crisis in Texas

July 2026

Top Line

1. **Access to affordable, reliable child care is essential for working families, child development, and Texas's economy.**

2. **Texas faces a severe child care crisis driven by high costs, limited access, and too few affordable options for families.**

3. **Insufficient public investment, workforce instability, and a market-based child care system limit the supply of affordable, high-quality care.**

4. **Recent policy efforts have helped stabilize parts of the system, but major gaps in access, affordability, and workforce stability remain.**

5. **Expanding access to affordable, high-quality child care will require sustained public investment, workforce support, and better planning.**

Child care is a critical component of economic stability, workforce participation, and child development. Unlike pre-K, which is primarily education-focused, child care functions as both an early learning system and an economic support system for working families. In Texas, the structure of child care reflects a fragmented, market-driven system that places significant financial burden on families while underpaying providers.

Without stronger public investment and system-wide reform, families will continue to face high costs, providers will continue to struggle to stay open, and Texas will continue to lose workforce and economic potential.

CPP Research Analyst Nichole led the research for this paper.

<u>Backup</u>

1. Access to affordable, reliable child care is essential for working families, child development, and Texas's economy.

a. **Child care helps parents work and support their families.**
   - Reliable child care allows parents to work, pursue education or training, and maintain a steady income. [1]
   - When families cannot find or afford care, parents may miss work, reduce their hours, turn down jobs or promotions, delay returning to work, or leave the workforce. [1]
   - These challenges are especially significant for families with infants and toddlers, who often need full-day care before their children are eligible for public pre-K or school. [1]

b. **Child care is part of Texas's economic infrastructure.**
   - Child care helps employers recruit and retain workers and reduces absenteeism, turnover, and lost productivity. [1]
   - A 2026 analysis estimated that inadequate child care costs Texas **$16.2 billion each year in lost earnings**, business productivity, and economic activity. [1] (See Appendix 1)
   - Treating child care only as a private family responsibility overlooks its importance to the state's workforce and economy.

c. **High-quality child care supports early learning and development.**
   - **More than 1 million** new brain connections form every second during the first few years of life, when early experiences shape how children learn, communicate, manage emotions, and build relationships. [2]

- High-quality care can help children develop the language, social, and problem-solving skills they need before kindergarten. [3]
- These early experiences matter because **only 51 percent** of assessed Texas kindergarten students met the state's kindergarten-readiness benchmark in 2025. [4]

d. **Support for addressing child care challenges extends across party lines.**

- A 2025 poll found that **90 percent of Republican primary voters** considered access to quality, reliable, and affordable child care essential for working families and a strong economy. [20]
- **76 percent** said finding affordable, reliable care was a serious challenge in their community, while **72 percent** wanted Congress to reduce the financial burden of child care for working parents. [5][20]
- These findings show that practical policies to improve child care access and affordability can appeal to voters across the political spectrum. [5][20]

2. Texas faces a severe child care crisis driven by high costs, limited access, and too few affordable options for families.

a. **Child care is too expensive for many Texas families.**

- Center-based infant care, meaning care provided in a dedicated child care center serving children from multiple families, costs an average of **$11,349 per year**, or about **$946 per month**, which is more than in-state tuition at a public four-year college. [6] [7]
- The annual cost equals about **9.8 percent of median married-couple family income and 29.6 percent of median single-parent family income**, placing the greatest burden on families with one income. [7]
- Costs are also rising: statewide median daily child care rates increased by **11.5 percent** in the 2025 Texas Child Care Market Rate Survey. [8]

b. **Many families cannot find care that fits their needs.**

- An estimated **1.4 million Texas children** under age five may need formal child care and **111,490**, or 7.9 percent, lack access to a formal child care spot. [9]
- Even when a spot exists, it may be too expensive, too far from home or work, unavailable for the child's age, or incompatible with a parent's

schedule; relatively few providers offer care during early mornings, evenings, nights, or weekends. [8] [9]

- Texas has **413 child care desert ZIP codes, roughly one in five ZIP codes statewide;** a child care desert is an area where the number of young children with working parents is at least three times greater than the licensed child care capacity. [10]

c. **Public child care assistance does not reach every family that needs help.**

- Texas's Child Care Services program helps eligible families pay for care while parents work, look for work, attend school, or participate in job training, with family payments capped at 7 percent of household income. [11]
- Of approximately **650,000 eligible Texas children aged five and under, only about 99,000 received assistance**, meaning roughly **85 percent of eligible children were not served.** [7]
- Eligibility does not guarantee assistance: the child care scholarship waitlist grew to approximately 100,000 children by late 2025 because available funding did not meet demand. [12]

d. **U.S. families pay much more for child care than families in peer countries.**

- **Texas's child care crisis is part of a larger national problem.**
- For a two-parent family with two young children in full-time center-based care, net child care costs in the United States equaled **40 percent of the average wage,** compared with **9 percent** across OECD countries. [13]
- Families paid substantially less in several peer countries, including **Germany at 1 percent**, **Sweden at 5 percent**, **Canada at 8 percent**, and **France at 9 percent** of the average wage. [13]
- These comparisons show that greater public support can reduce what families pay directly. [13]

3. Insufficient public investment, workforce instability, and a market-based child care system limit the supply of affordable, high-quality care.

a. **Texas leaves most child care costs to families and providers.**

- Unlike public schools, child care is not broadly paid for with public funds, leaving most families to pay directly while public assistance remains limited. [11] [14]

- The Child Care and Development Fund, or CCDF, is the main federal program that helps families pay for care. Texas receives about **$1.23 billion in federal CCDF funding**, compared with about **$179.7 million in required state spending**. [9] [14]
- State scholarship payments do not always match what providers charge. In 2025, regular reimbursement rates were lower than the prices charged by about **42 percent of providers**, while higher reimbursement rates were lower than the prices charged by about **23 percent**. [8]
- When payments do not cover the cost of staff, rent, food, and other expenses, providers may close classrooms, limit enrollment, or struggle to stay open. [14]

b. **Low wages make it hard to keep enough child care workers.**
   - Texas has approximately **141,416 child care workers and providers**, with a median wage of **$11.67 per hour. [9]**
   - That is **more than $4 below** the estimated $15.78 living wage for a single adult in Texas. [15]
   - Low pay makes it difficult to retain enough workers, causing some programs to close classrooms, reduce enrollment, or turn families away.

4. Recent policy efforts have helped, but major gaps in access, affordability, and workforce stability remain.

a. **Texas has added child care funding, but demand still exceeds available help.**
   - During the 2025 legislative session, lawmakers approved **$100 million** for the Child Care Services program, helping protect scholarships for families already receiving assistance. [12]
   - The additional funding did not eliminate the shortage: the scholarship waitlist grew to about **100,000 children by late 2025**, with waits ranging from approximately **nine to 24 months** depending on the region. [12]

b. **Texas updated provider payment policies, but the effects will depend on local decisions.**
   - Texas uses market prices and cost studies to help set scholarship payment rates and pays higher rates to **Texas Rising Star providers**, which meet quality standards beyond basic licensing requirements. [14] [16]

- House Bill 2294 allows local workforce boards to pay Texas Rising Star providers the maximum rate for their quality level, even when the provider normally charges private-paying families less. [17]
- This option could give participating providers more stable funding, but local boards are not required to use it and may do so only when it will not reduce the number of children they plan to serve. [17]

c. **Texas plans to expand child care supply, but new capacity will take time.**
   - The Texas Workforce Commission's 2025–2027 plan includes efforts to expand care in communities with shortages. [14]
   - The plan prioritizes infant and toddler care, family child care homes, child care deserts, and care during early mornings, evenings, nights, or weekends. [14]
   - These efforts are useful, but creating new child care spaces also depends on providers being able to find workers, cover operating costs, and remain open. [14]

5. Expanding access to affordable, high-quality child care will require sustained public investment, workforce support, and better planning.

Texas should focus on five practical priorities: stable funding, broader assistance for families, adequate provider payments, higher worker pay, and new child care capacity in communities with the greatest shortages.

a. **Create a long-term funding plan for child care.**
   - Texas should treat child care as economic infrastructure and create a long-term funding plan instead of relying on one-time appropriations and temporary fixes.
   - A dedicated state funding source could support child care scholarships, provider payments, workforce compensation, and clear annual goals for reducing the waitlist.
   - Vermont provides one model: the state created a dedicated funding stream to expand child care assistance and increase provider reimbursement rates. [19]

b. Help more families pay for care.

- Texas should increase funding for Child Care Services and set a clear annual goal for reducing the scholarship waitlist, including public reporting on how many additional children are served. [12]
- The state should also create a state-funded assistance option for working families who earn too much to qualify for federal help but still cannot afford child care.
- New Mexico shows that broader assistance is possible by using state funds to offer child care assistance to working families regardless of household income. [18]

c. Pay providers enough to accept child care scholarships.

- Families receiving scholarships pay a share based on their income and household size, capped at 7 percent of household income. The local workforce board pays the provider separately, using rates that vary by the child's age and care schedule and the provider's Texas Rising Star quality level. [11] [14] [16]
- Public reimbursement does not always match market prices. In 2025, regular maximum rates were lower than the prices charged by about 42 percent of providers, while enhanced rates were lower than the prices charged by about 23 percent. [8]
- House Bill 2294 allows local workforce boards to pay Texas Rising Star providers the maximum rate for their quality level even when the provider's published rate is lower, but only when doing so will not reduce the number of children served. [17]
- Texas should provide enough funding to raise provider payments without reducing scholarship access and should continue paying providers based on enrollment so their funding remains stable when enrolled children are absent. [14] [17]

d. Raise wages for child care workers.

- Texas should create wage supplements for child care workers in programs serving children through Child Care Services.
- The state could begin with workers serving infants and toddlers, scholarship recipients, and families in child care deserts, where staffing shortages can further limit access.
- Other states and communities have used compensation grants and wage-support programs to improve early educator pay. [20]

- Training and career pathways matter, but they will not solve the workforce shortage if wages remain too low. [14] [20]

e. **Build more child care options where they are needed most.**
    - Texas should use child care desert data to target start-up and facility grants to rural areas and communities with the largest shortages. [10] [14]
    - The state should support family child care homes and offer higher payments for early-morning, evening, overnight, and weekend care. [14]
    - Texas should also expand partnerships between public schools and child care providers so families can access public pre-K and full-day care in one setting. [14]
    - New funding should prioritize communities where families have the fewest affordable child care options.

Texas should not be leaving billions of dollars on the table because parents cannot find or afford child care. Child care problems cost the state an estimated $16.2 billion every year, which is more than 160 times the $100 million lawmakers recently added to the child care scholarship program. That should be a wake-up call. Texas has taken steps in the right direction, but families are still facing high costs, long waitlists, too few providers, and low wages for child care workers.

The state should focus on practical fixes: lower costs for families, pay providers enough to accept scholarships, raise wages for child care workers, and build more care in the communities that need it most. A stronger child care system would help parents work, help businesses keep workers, and give Texas children a stronger start.

More Information

1. **Texas Child Care and Development Fund State Plan, FFY 2025–2027**
   This is Texas's official plan for how the state uses federal child care funds, including rules on eligibility, family co-pays, provider payment rates, quality improvement, and workforce supports. Source: Texas Workforce Commission, 2024, https://www.twc.texas.gov/sites/default/files/ccel/docs/tx-ccdf-state-plan-ffy2025-2027-approved.pdf
2. **Texas Child Care Scholarships**
   This page explains how families can apply for child care scholarships, who may qualify, how parent shares are set, and how families can find participating providers.

Source: Texas Child Care Connection, 2025, https://www.childcare.texas.gov/for-families/child-care-scholarships

3. **Texas Child Care Desert Map**
   This interactive map shows where Texas families face child care shortages, including shortages in subsidized care and Texas Rising Star care.
   Source: Children at Risk, 2025, https://childrenatrisk.org/childcaredesertmap/
4. **Texas Rising Star Certification Guidelines**
   This guide explains Texas's quality rating system for child care providers, including the standards providers must meet to move beyond basic licensing requirements.
   Source: Texas Workforce Commission, 2026, https://www.twc.texas.gov/sites/default/files/ccel/docs/texas-rising-star-certification-guidelines-twc-2026.pdf

Sources

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19. Vermont General Assembly, 2023, https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT076/ACT076%20As%20Enacted.pdf
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Appendix 1 - Estimated Annual Economic Impact of The Child Care Crisis By State

Estimated annual economic impact of the child care crisis by state[10]

State	Economic Impact	State	Economic Impact
Alabama	$1.9B	Montana	$516M
Alaska	$344M	Nebraska	$1.0B
Arizona	$3.3B	Nevada	$1.5B
Arkansas	$1.2B	New Hampshire	$688M
California	$24.9B	New Jersey	$5.0B
Colorado	$3.3B	New Mexico	$860M
Connecticut	$2.2B	New York	$13.6B
Delaware	$516M	North Carolina	$5.0B
District of Columbia	$1.0B	North Dakota	$516M
Florida	$10B	Ohio	$5.3B
Georgia	$5.2B	Oklahoma	$1.5B
Hawaii	$688M	Oregon	$1.9B
Idaho	$688M	Pennsylvania	*
Illinois	*	Rhode Island	$516M
Indiana	$3.1B	South Carolina	$2.1B
Iowa	$1.5B	South Dakota	$516M
Kansas	$1.4B	Tennessee	$3.3B
Kentucky	$1.7B	Texas	$16.2B
Louisiana	$1.9B	Utah	$1.7B
Maine	*	Vermont	$344M
Maryland	$3.3B	Virginia	$4.6B
Massachusetts	$4.6B	Washington	$5.2B
Michigan	$4.1B	West Virginia	$688M
Minnesota	$2.9B	Wisconsin	$2.6B
Mississippi	$860M	Wyoming	$344M
Missouri	$2.6B	**TOTAL, US**	**$172B**

*indicates full, state-specific study forthcoming, so no estimate provided here

Source: ReadyNation, 2026, https://www.instituteforchildsuccess.org/resources/resource/cost-child-care-crisis-report/