

# EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Texas Workforce  
Commission  
Texas Workforce  
Investment Council  
Purchasing from People  
with Disabilities Program

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The 2015 Sunset review of the Texas Workforce Commission (TWC) found TWC to be a proactive agency with no critical problems delivering its core functions. Since that time, a surge of new challenges has impeded the agency's ability to strategically modernize. Changes in federal workforce and child care funding laws, as well as the Legislature's transfer of the Vocational Rehabilitation (VR) program from the Department of Assistive and Rehabilitative Services to TWC through the Sunset process, required extensive updates to agency rules and operations that consumed TWC in the years immediately following its last review. Just as the agency was stabilizing, the COVID-19 pandemic overwhelmed TWC with a massive spike in both unemployment claims and unemployment fraud. Since the pandemic, TWC has made incremental improvements to some operations through various initiatives. However, transformative changes have stalled, and the agency has often fallen back on a reactionary, business-as-usual mindset. This Sunset review of TWC presents an opportunity to course correct where necessary and make improvements to TWC's administration of critical state functions.

Transformative changes at TWC have stalled, and this Sunset review presents an opportunity to course correct.

Unlike most states, Texas consolidates the administration of unemployment insurance (UI), child care subsidy and quality initiatives, and federal workforce programs including VR into one agency. Despite Texas' highly consolidated model, the workforce system in Texas still relies on collaboration and coordination between many entities, including local workforce development boards (LWDB) that oversee the delivery of workforce services to the public at local Workforce Solutions (WFS) offices. However, siloes within the agency and between TWC and other workforce system partners hinder TWC's ability to ensure consistent and efficient program delivery across the state. In some cases, programmatic siloes continue at the local level, hindering WFS offices' ability to be one-stop delivery centers for workforce services.

This Sunset review found a need for TWC to improve its oversight of and coordination with LWDBs to better facilitate the effective delivery of workforce programs to Texans. Furthermore, although TWC has co-located most VR offices with WFS locations over the last decade, the agency has not sufficiently integrated VR services with workforce programs, missing a critical opportunity to improve customer outcomes and experiences.

Additionally, the Sunset review found that ongoing problems with modernizing the agency's technology and data infrastructure have hindered system performance, limiting TWC's ability to ensure accountability and make data-driven decisions. For example, numerous stakeholders expressed frustration to Sunset staff about the rollout of TWC's child care case management system, which launched with payment delays to providers and data errors and has ongoing functionality issues. While Sunset staff received significant input about other problems related to child care in Texas, many of these concerns involve wider policy decisions outside the scope of this review or may be addressed by new interagency initiatives established by the Legislature. However, the Sunset review identified a need for improved communication and training between TWC and the Department of Family and Protective Services (DFPS) regarding subsidized day care and improvements to the way TWC collects data to set child care provider subsidy rates. Finally, the Sunset review found that TWC needs to improve oversight of child care fraud investigations and requires additional statutory authority to better deter and penalize UI fraud.

The Texas Workforce Investment Council, also under Sunset review, is responsible for conducting strategic planning for the integration of systemwide workforce development services and evaluating how well the system is meeting the needs of Texas employers and job seekers. The Sunset review found that two of the council's functions are no longer necessary.

Despite finding areas for improvement and opportunities for efficiency gains at both TWC and the council, Sunset staff determined that Texas continues to benefit from each entity's activities and found the overall structure of the workforce system remains appropriate for Texas. Accordingly, Sunset staff recommends continuing both TWC and the council for 12 years.

Though the overall structure of the workforce system remains appropriate, one TWC program, the Career Schools and Colleges (CSC) regulatory program, does not align with its overall mission and function, and TWC's administration of the program is insufficient to protect the public. This functional misalignment led Sunset staff to conclude that the Texas Department of Licensing and Regulation (TDLR), the state's primary occupational licensing and regulatory agency, could better license and regulate career schools and colleges in Texas than TWC.

The following material highlights Sunset staff's key recommendations for the Texas Workforce Commission and Texas Workforce Investment Council.

## **Sunset Staff Issues and Recommendations**

### **ISSUE 1**

#### **Enhancing TWC's Coordination With and Oversight of LWDBs Would Better Ensure Effective Workforce Program Delivery for Texans.**

TWC manages and oversees the delivery of workforce programs through LWDBs, which provide workforce training and services in their respective areas. Additionally, LWDBs procure and monitor direct-service

providers for federal workforce programs. However, TWC lacks comprehensive oversight tools, in part because it shares statutory authority with the Texas Workforce Investment Council. Despite this shared authority, TWC fails to consistently leverage its existing tools and authority to address ongoing poor performance by some LWDBs. Furthermore, TWC does not make sufficient LWDB performance information public, as required by statute.

While communication happens at many levels in the workforce program delivery system, the siloed nature of TWC hinders accurate and timely delivery of information to key stakeholders. Better communication and coordination between TWC, LWDBs, and direct-service providers would help improve the customer experience. In particular, structural inefficiencies and insufficient coordination of the Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) program between the Health and Human Services Commission (HHSC), TWC, and LWDBs limit the state's ability to maximize federal funds through third-party partnerships (TPP) and restricts participants' access to services. Similarly, a lack of available staff at the local level to provide UI customer service contributes to a confusing and fragmented experience for applicants. Ultimately, improving TWC's coordination with and oversight of LWDBs would improve the delivery of workforce services statewide.

### Key Recommendations

- Transfer certain council authority and responsibility for LWDB oversight to TWC.
- Abolish TWC's expired advisory committee and require TWC to establish a new LWDB Advisory Committee in rule.
- Direct TWC to reevaluate adverse action rules and policies to address repeat or long-term poor performance by LWDBs.
- Require TWC to standardize guidance and procedures for TPPs and direct TWC, in consultation with HHSC, to update SNAP E&T systems and procedures.
- Direct TWC to analyze the most effective use of staff to serve UI customers.

## ISSUE 2

### The Texas Department of Licensing and Regulation Could More Effectively Regulate Career Schools and Colleges Than TWC.

Texas has a continuing need to regulate career schools and colleges to ensure students are properly trained, can perform their duties safely, and meet state licensing requirements. However, TWC's current administration of the career schools and colleges (CSC) regulatory program is insufficient and ill-equipped to protect students and the public. CSC struggles to accomplish even the most basic regulatory tasks such as renewing certifications, handling complaints, and ensuring compliance. Some problems stem from statutory requirements and limitations, but many issues arise from a program that poorly aligns with TWC's primary functions. Regulation of career schools and colleges better aligns with the mission and functions of the Texas Department of Licensing and Regulation (TDLR), which already provides regulatory or license oversight for many career and technical education programs similar to those CSC regulates. Transferring the CSC program to TDLR aligns occupational training with occupational regulation.

### **Key Recommendations**

- Transfer the regulation of career schools and colleges from TWC to TDLR.
- Authorize the regulating agency to provide biennial renewal for career school or college certification.
- Require the regulating agency to establish a risk-based approach to inspections.

## **ISSUE 3**

### **TWC's Vocational Rehabilitation Program Struggles With Integration, Administration, and Training, Hindering Its Ability to Efficiently, Consistently, and Fairly Serve Customers.**

TWC's VR program, which provides direct services to Texans with disabilities to maximize their employment opportunities, still operates in a silo a decade after its transfer. Although the agency has physically co-located many VR staff into WFS offices, the VR program lacks an integrated service delivery model for effective coordination between VR and workforce programs to better provide services to all customers. VR's inefficient administrative structure also exacerbates pressures at the local level caused by high turnover and inadequate training for new VR counselors (VRC). Ultimately, integrating VR and workforce programs and improving administration of the VR program would enable TWC to redistribute available resources to better enhance service delivery for customers.

### **Key Recommendations**

- Direct TWC to define TWC-VR integration and its objectives in rule.
- Direct the VR program to abolish its regional structure and redistribute regional personnel and resources.
- Direct the VR program to update training for new VRCs to improve curriculum and better prepare staff.

## **ISSUE 4**

### **TWC's Poorly Executed IT Modernization Efforts Compromise the Effective Delivery of Workforce and Child Care Services to Texans.**

TWC relies on a large and complex information technology (IT) enterprise to deliver workforce and child care services, track performance, and ensure programs operate effectively across the state. However, TWC's recent IT modernization efforts have resulted in systems that are delayed, scaled back, or deployed before they are fully functional. These systems often require ongoing fixes, create unreliable data, and increase administrative burden for the agency and stakeholders. Multiple systemic issues perpetuate these challenges, including TWC's lack of a formal agencywide IT strategic plan, inconsistent front-end project planning, uncoordinated and uninformed procurement practices, rushed system implementation, and an ineffective data governance structure. Improving these processes would equip TWC with IT systems that function more effectively for its staff, stakeholders, and Texans.

## Key Recommendations

- Direct TWC to develop a two-year strategic IT modernization plan that aligns with the state budget timeline and requires formal commission approval.
- Direct TWC to formally revise its IT procurement framework to include necessary staff.
- Direct TWC to implement mandatory, program-led go/no-go criteria for all major system launches.
- Direct TWC to prioritize the completion of a unified data model and ensure agencywide alignment with enterprise data governance policies.

## ISSUE 5

### Better Processes and Tools Would Improve TWC's Ability to Deter and Penalize Fraud.

TWC's oversight of child care fraud investigations needs improvement. TWC relies on LWDBs to investigate child care fraud and determine whether allegations are substantiated but has limited oversight to ensure boards conduct thorough, consistent, and accurate investigations. In practice, LWDBs' performance in fraud investigations is inconsistent, leaving Texas with 28 different standards for investigating child care fraud. TWC could better ensure child care fraud investigations are consistent and effective by using agency staff to directly supervise locally conducted investigations.

TWC is good at detecting UI fraud and preventing payment. However, the agency's minimal statutory penalties do not sufficiently deter UI fraud, and TWC's limited ability to recover fraudulent overpayments and collect penalties results in a significant cost to Texans. Additionally, clear, statutory authority would strengthen TWC's ability to deter and penalize UI fraud.

## Key Recommendations

- Clearly authorize TWC to require identification verification for UI claimants.
- Authorize TWC to use bank levies to recover fraudulent overpayments.
- Direct TWC to develop clear, detailed procedures for agency staff to supervise child care fraud investigations.

## ISSUE 6

### TWC Should Improve Coordination With DFPS and Update Its Internal Processes to More Effectively Administer the Child Care Subsidy Program.

TWC is the state's lead agency administering the federal Child Care and Development Fund (CCDF). However, the agency lacks sufficient visibility over which funds DFPS uses for child care, preventing TWC from ensuring that all rules concerning CCDF are followed. TWC also does not provide adequate training for DFPS staff or DFPS contractors who make referrals for child care using CCDF, creating an environment susceptible to the improper use of federal funds. Improving communication and training

would better ensure lasting coordination between TWC and DFPS and better prepare frontline staff to use CCDF correctly.

TWC uses outdated methods for surveying child care providers, relying on diminishing provider response rates to inform baseline data used to calculate child care subsidy rates. Improving the child care market rate assessment methodology and timing would provide the agency and Legislature with better quality data for decision making.

### **Key Recommendations**

- Direct TWC to require DFPS to provide a breakdown of the amount and source of funds spent for TWC-contracted day care.
- Direct TWC to conduct periodic training on CCDF federal requirements and the child care subsidy program for key DFPS staff and contractors.
- Direct TWC to issue a new request for proposal for the market rate survey contract, including a requirement that any bid includes hybrid, up-to-date methods for conducting the survey.

## **ISSUE 7**

### **Texas Has a Continuing Need for the Texas Workforce Commission.**

Though TWC has several areas for improvement, Texas has a continuing need for the agency's programs and services. For example, TWC's workforce development and UI services serve as a stopgap against economic hardship for those who qualify. TWC's child care and early learning programs help working parents access affordable and quality child care, and the agency's VR programs help eligible individuals with disabilities gain employment and live as independently as possible. Sunset staff considered organizational alternatives for administering TWC's programs but concluded no substantial benefit would result from transferring major functions, with the exception of the CSC program, or merging TWC with another agency. Additionally, TWC continues to be the appropriate agency to oversee the Purchasing from People with Disabilities (PPD) program, which assists individuals with disabilities transitioning to independence and offers services in participants' communities. The program has a separate statutory abolishment date from TWC that is unnecessary, as the program will be evaluated as part of TWC's next Sunset review.

### **Key Recommendations**

- Continue TWC for 12 years.
- Remove the Sunset date from the PPD statute.

## **ISSUE 8**

### **The Texas Workforce Commission's Statute and Processes Do Not Reflect Some Standard Elements of Sunset Reviews.**

Certain processes and statutory provisions for TWC do not align with standard Sunset review elements derived from direction traditionally provided by the Sunset Commission, statutory requirements added by the Legislature to the criteria for review in the Sunset Act, or general law provisions imposed on

state agencies. Specifically, this review identified changes needed to conform TWC's statutes to standard Sunset language generally applied to all state agencies and address the need for TWC's required reports. The review also identified the need to address TWC's four-year rule review process and its use of artificial intelligence (AI) systems.

### **Key Recommendations**

- Apply the standard across-the-board requirements regarding the governor's appointment of the presiding officer, commission member training, public testimony, and developing and maintaining a complaints system to TWC.
- Abolish three of TWC's reporting requirements and include in the overall annual report information currently published in five other reports.
- Direct TWC to update policy guiding its rule review process and track and evaluate metrics on its use of AI systems.

## **ISSUE 9**

### **The State Has a Continuing Need for the Texas Workforce Investment Council.**

The Texas Workforce Investment Council fulfills the federal requirement that states must maintain a state-level workforce development board to plan, evaluate, and coordinate workforce services. Beyond meeting federal requirements, the council provides a unique value to the state by evaluating the collective effectiveness of the state's workforce system. Sunset staff evaluated the need for keeping the council's functions administratively attached to the Office of the Governor and found no significant benefits to relocating these responsibilities or consolidating them with another entity.

However, Sunset staff found that two of the council's functions are no longer necessary. The Texas Skill Standards program has become a legacy program that no longer aligns with the goals of the state's modern workforce development infrastructure and is duplicative of industry-based certifications. Additionally, the council is statutorily required to act as a fiscal intermediary for the Automated Follow-up and Evaluation System, which is designed to track what happens to individuals after exiting education and workforce training programs. This function provides no meaningful financial protection or oversight benefit to the state.

### **Key Recommendations**

- Continue the Texas Workforce Investment Council for 12 years.
- Abolish the Texas Skill Standards program.
- Modify statute to remove the council's responsibility to serve as fiscal intermediary for the Automated Follow-up and Evaluation System.

## **Fiscal Implication Summary**

Though the recommendations in this report would not have a significant fiscal impact to the state, some recommendations could result in costs and savings that will depend on implementation and therefore

cannot be determined at this time. In Issue 1, the recommendation directing TWC to standardize guidance and procedures for TPPs in the SNAP E&T program has the potential for a positive fiscal impact as TPPs invest more in SNAP E&T and Texas is able to draw down additional federal funds in the future. Though the recommendation in Issue 3 directing the VR program to abolish its regional structure would have no fiscal impact to the state because VR funding is mostly federal, an organizational restructure would make available over \$10.6 million annually and about 200 FTEs for TWC to use more efficiently within the VR program. The costs and savings associated with recommendations in Issue 5 will depend on how much fraud occurs and how effective TWC is at recovering expended funds and penalties. However, based on fiscal year 2025 fraud data, the potential annual benefit to the state is approximately \$2.9 million in general revenue and \$1.6 million to the Unemployment Compensation Fund. The recommendation in Issue 9 eliminating the Texas Skill Standards program would result in an estimated annual savings of \$50,000 to the council, but this change would have no net fiscal impact on the state as the council is funded by its member agencies. Other recommendations in the report would require TWC staff time to complete but could be implemented using existing resources.