

# SUNSET ADVISORY COMMISSION

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## STAFF REPORT



**TEXAS WORKFORCE COMMISSION**  
**TEXAS WORKFORCE INVESTMENT COUNCIL**  
**PURCHASING FROM PEOPLE**  
**WITH DISABILITIES PROGRAM**

# SUNSET ADVISORY COMMISSION



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*Cover photo: The Texas State Capitol was completed in 1888. With the Goddess of Liberty atop the dome, the Texas State Capitol Building is 19 feet taller than the U.S. Capitol Building in Washington, D.C. The photo shows the south facade of the Capitol. Photo Credit: Janet Kountz*

**TEXAS WORKFORCE COMMISSION**

**TEXAS WORKFORCE INVESTMENT COUNCIL**

**PURCHASING FROM PEOPLE WITH  
DISABILITIES PROGRAM**

SUNSET STAFF REPORT  
2026-27  
90TH LEGISLATURE

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## HOW TO READ SUNSET REPORTS

For each agency that undergoes a Sunset review, the Sunset Advisory Commission publishes three versions of its staff report on the agency. These three versions of the staff report result from the three stages of the Sunset process, explained in more detail at [sunset.texas.gov/how-sunset-works](https://sunset.texas.gov/how-sunset-works). The current version of the Sunset staff report on this agency is noted below and can be found on the Sunset website at [sunset.texas.gov](https://sunset.texas.gov).

### **CURRENT VERSION: Sunset Staff Report**

The first version of the report, the Sunset Staff Report, contains Sunset staff's recommendations to the Sunset Commission on the need for, performance of, and improvements to the agency under review.

### **Sunset Staff Report with Commission Decisions**

The second version of the report, the Sunset Staff Report with Commission Decisions, contains the original staff report as well as the commission's decisions on which statutory recommendations to propose to the Legislature and which management recommendations the agency should implement.

### **Sunset Staff Report with Final Results**

The third and final version of the report, the Sunset Staff Report with Final Results, contains the original staff report, the Sunset Commission's decisions, and the Legislature's final actions on the proposed statutory recommendations.

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# SUMMARY OF SUNSET STAFF REPORT

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.

# TWC AT A GLANCE

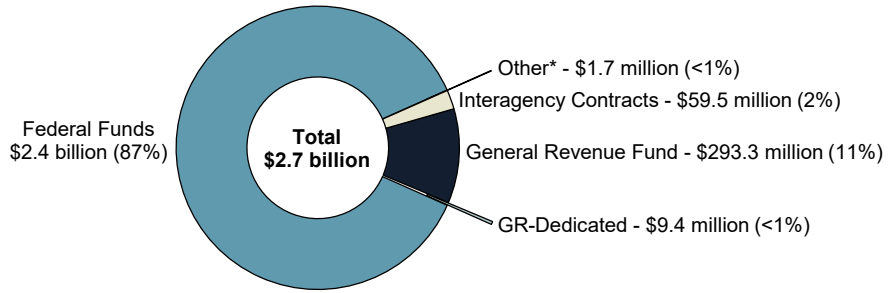
Created in 1995 by consolidating workforce programs from 10 other agencies, the Texas Workforce Commission (TWC) oversees and provides workforce development services. In 2016, the Legislature transferred the Vocational Rehabilitation (VR) program from the Department of Assistive and Rehabilitative Services to TWC through the Sunset process. Today, VR staff accounts for approximately 40 percent of TWC personnel. TWC's mission is to promote and support a workforce system that offers employers, families, individuals, and communities the opportunity to achieve and sustain economic prosperity. To achieve this mission, the agency performs the following key functions:

- Contracts with 28 local workforce development boards (LWDB) to provide services to employers and job seekers, including training, job referrals, and child care subsidies.
- Offers VR services to assist adults and youth with disabilities to prepare for and enter the workforce.
- Administers the state's unemployment insurance (UI) program and collects taxes for the Unemployment Compensation Fund (UCF).
- Oversees career schools and colleges.
- Enforces wage, child labor, and state laws to prevent and reduce employment and housing discrimination.
- Collects, analyzes, and distributes workforce and labor market data.

## Key Facts

- **Governance.** TWC is governed by a full-time, three-member commission that oversees all TWC functions, including hearing appeals and making decisions regarding unemployment compensation, wage claims, and child labor violations. The governor appoints the commissioners, one of whom represents the public, one of whom represents employers, and one of whom represents labor. The governor designates the chair for two-year terms. Six advisory committees and councils assist the commission by advising on programs, including adult education and VR.
- **Funding.** In fiscal year 2025, TWC operated on a budget of about \$2.7 billion. As shown in the *TWC Revenue* chart on the following page, 87 percent of the agency's funding came from federal funds. Another 11 percent of agency revenue came from the General Revenue Fund, which was largely spent on VR and the Child Care Services Program. The UCF, which pays benefits to UI claimants, is funded through employer taxes and therefore not represented in the chart.

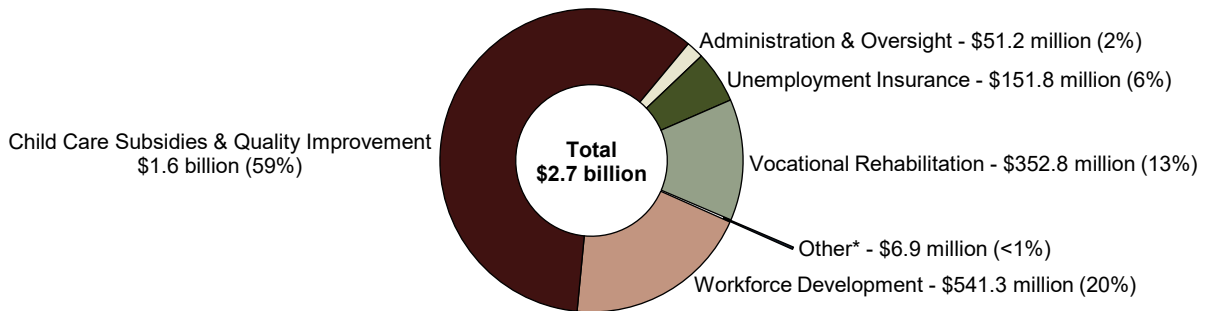
**TWC Revenue - FY 2025**



\*Other includes Blind Endowment Fund No. 493, appropriated receipts, and subrogation receipts.

As shown in the chart *TWC Expenditures*, TWC spent \$1.6 billion on child care subsidies and quality improvement. Within that total, TWC spent \$1.5 billion, or a little over half of its budget, on subsidized child care for low-income families, \$63 million on child care for children in the care of the Department of Family and Protective Services (DFPS), and \$55 million on child care administration and improvement, which includes increasing child care opportunities for children with disabilities and enhancing provider professional development. TWC spent its remaining budget primarily on providing workforce programs, VR services, and UI administration.

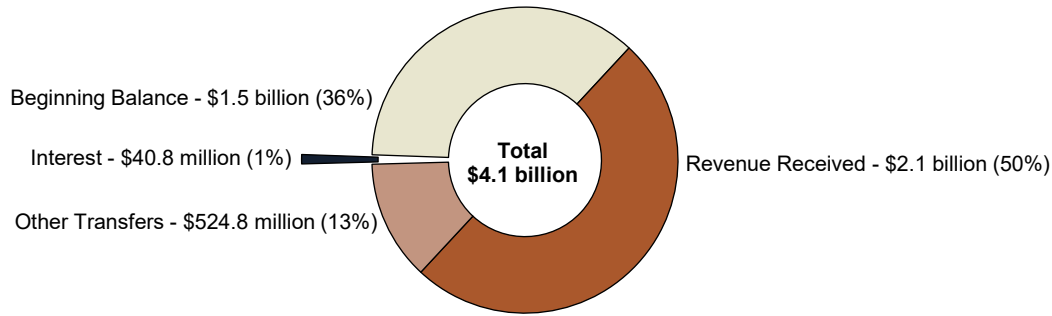
**TWC Expenditures - FY 2025**



\*Other includes advisory committees and the Labor Market Information Program.

TWC expended about \$3.2 billion on actual UI benefits paid to qualified claimants. Sources for the UCF, including employer taxes and unexpended funds from prior years, are shown in the chart *UCF Sources* on the following page. These totals do not equal benefits paid because the fund must maintain a minimum balance to be solvent. The fund’s unexpended balance from fiscal year 2025 rolled over into fiscal year 2026.

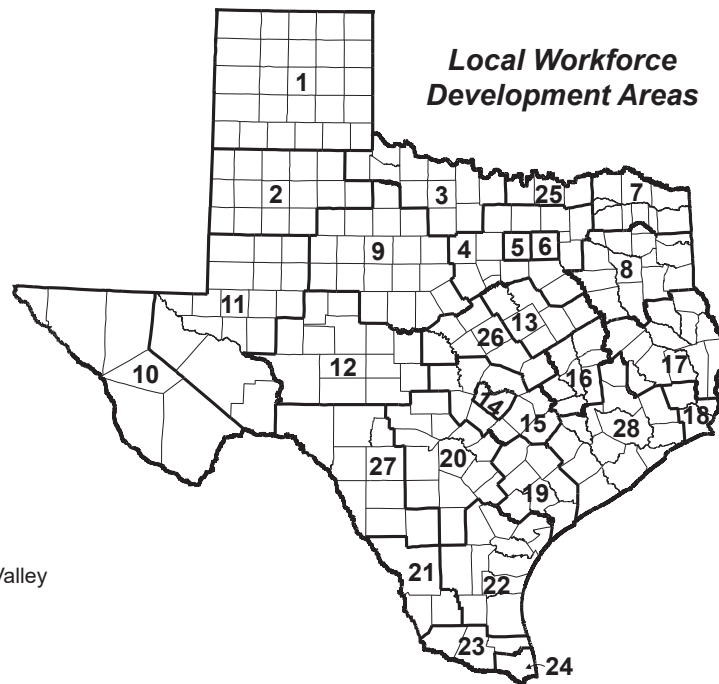
### UCF Sources - FY 2025



Appendix A describes TWC’s use of historically underutilized businesses in purchasing goods and services for fiscal years 2023 to 2025.

- **Staffing.** In fiscal year 2025, TWC employed about 4,700 staff, including approximately 1,900 VR program staff. The UI program has almost 1,300 staff, including about 600 employees to operate TWC’s four call centers across the state, which answered 2 million calls in fiscal year 2025. The remaining 1,500 staff works in workforce development services, child care, oversight, information technology, and administration. Appendix B compares the percentages of minorities and women in TWC’s workforce to the statewide civilian labor force for the past three fiscal years.
- **LWDBs.** A network of 28 LWDBs administer employment services and provide information tailored to local economic development goals to employers and job seekers. By statute, LWDBs may not directly provide workforce services, so LWDBs contract direct service providers to staff more than 170 Workforce Solutions offices statewide.<sup>1</sup> The following map shows the name of each LWDB and the area it covers.

1. Panhandle
2. South Plains
3. North Texas
4. North Central Texas
5. Tarrant County
6. Greater Dallas
7. Northeast Texas
8. East Texas
9. West Central Texas
10. Borderplex
11. Permian Basin
12. Concho Valley
13. Heart of Texas
14. Capital Area
15. Rural Capital Area
16. Brazos Valley
17. Deep East Texas
18. Southeast Texas
19. Golden Crescent
20. Alamo
21. South Texas
22. Coastal Bend
23. Lower Rio Grande Valley
24. Cameron
25. Texoma
26. Central Texas
27. Middle Rio Grande
28. Gulf Coast



- **Employment services.** Together with LWDBs and their contractors, TWC provides services to help job seekers find employment and help employers find qualified candidates. In fiscal year 2025, TWC and its partners provided over 787,700 job seekers with services, including job search, referral, and placement assistance. The same year, almost 45,000 employers received business services, including development of workforce training programs and assistance with applicant screening and job fairs. Additionally, TWC operates WorkInTexas.com, an online job-matching system, which in fiscal year 2025 posted approximately 470,000 job openings and 1.2 million active resumes.
- **Labor market data.** TWC collects, maintains, and publishes data to help employers and job seekers make informed decisions in the job market. TWC publishes monthly labor market reviews in print and video monthly and maintains 16 web applications designed for distinct purposes and audiences, such as helping veterans translate their military experience to the workforce and employers to determine locally competitive wages.
- **Education and training.** TWC provides education and training programs to equip the state's workforce with the skills necessary to enter high-demand professions. In fiscal year 2025, TWC spent about \$216 million to provide occupational training to over 19,100 workers unemployed through no fault of their own, disadvantaged youth, and unemployed or low-wage earning adults. The agency's adult education and literacy program helps adults with basic skill deficiencies improve their math, literacy, and English language abilities. Additionally, TWC facilitates the development and expansion of apprenticeship programs that create work-based learning opportunities for skilled trades and occupations. In fiscal year 2025, over 15,000 Texans participated in apprenticeship programs. TWC also provides grants to employers and educational organizations to upskill workers. Through the Skills Development Fund, TWC funds partnerships between employers and either LWDBs, community-based organizations, or education providers to train newly hired and current employees in specific skills. In fiscal year 2025, TWC awarded grants to 44 partners that provided job training for over 10,000 trainees.
- **Child care.** TWC subsidizes child care costs to enable parents to work or participate in job training programs. In fiscal year 2025, TWC funded child care services for an average of 149,000 children per day. TWC prioritized about 7 percent of participants for services because they were receiving or transitioning off public assistance or were formerly served by DFPS. TWC prioritized serving another 19 percent based on disability, veteran, or housing status. TWC also administers the Texas Rising Star program, a mandatory quality rating and improvement system for child care providers receiving child care services funding. Reimbursement rates are scaled to a provider's rating.
- **Vocational rehabilitation.** TWC's VR program provides direct services to Texans with disabilities to maximize their opportunities to get, retain, and advance in competitive integrated employment. VR counselors work with applicants to create individualized plans for employment and provide services, either directly or through contracted providers, such as counseling, training, medical evaluations, and assistive devices. In program year 2024, VR served almost 72,000 Texans, with 22,500 participants exiting the program by either gaining competitive integrated employment or through case closure.<sup>2</sup> Because VR cases typically take several years, the number of participants who exit will always be less than the total served. Approximately 48 percent of exiting participants in program year 2024, or about 11,000 VR customers, attained competitive integrated employment when they left the program and received pay, performed duties, and had promotion opportunities similar to employees without disabilities. The remaining VR cases closed unsuccessfully for a variety of reasons such as VR customers gaining employment but not in an integrated setting, medical issues barring them

from continuing the VR process, TWC being unable to contact the customer, or the customer losing interest in receiving further services.

- **Unemployment insurance.** TWC collects unemployment taxes from employers and provides temporary benefits through partial income replacement to workers who have lost their job or had their working hours reduced through no fault of their own. In fiscal year 2025, TWC approved 674,000 claims. Additionally, TWC's Fraud Deterrence and Compliance Monitoring Division maintains the integrity of the UI program by preventing, detecting, and investigating improper payments.
- **Career school regulation.** TWC licenses and regulates career schools and colleges, which are private postsecondary schools that teach vocations and job skills, to ensure the quality of programs and protect consumers. During fiscal year 2025, TWC oversaw 766 licensed career schools.
- **Unlawful labor practices.** TWC investigates and adjudicates alleged violations of state labor laws. Statute allows employees to seek compensation for unpaid or incorrect wages and protects children from hazardous work environments.<sup>3</sup> The Texas Payday Law requires employers to pay their employees in full, on time, and on scheduled paydays. In fiscal year 2025, TWC investigated over 13,000 Payday Law cases through which the agency collected about \$6.5 million in owed wages. The same year, between on-site and desk reviews, TWC inspected about 2,400 workplaces that TWC had good reason to suspect were violating the Child Labor Law and found 134 violations.
- **Employment and housing discrimination.** TWC identifies and deters discrimination in employment and housing, thereby enforcing Equal Employment Opportunity laws and the Texas Fair Housing Act, respectively. Training teams educate employers to prevent discrimination, and TWC staff reviews the personnel policies of state agencies and higher education institutions for potentially discriminatory practices. In fiscal year 2025, TWC received about 11,400 employment and housing discrimination complaints and found 12 percent to be within their jurisdiction. Complaints may take up to two years to resolve, so the 2,000 employment and housing discrimination complaints resolved in fiscal year 2025 include cases that began in fiscal years 2022, 2023, and 2024.

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<sup>1</sup> All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 2308.264, Texas Government Code.

<sup>2</sup> TWC, *Self-Evaluation Report*, September 2025, p. 145, accessed online April 19, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report_0.pdf). The 2024 VR program year ran from July 1, 2024, to June 30, 2025.

<sup>3</sup> Chapters 51, 61, and 62, Texas Labor Code.



# COUNCIL AT A GLANCE

The Texas Workforce Investment Council assists the governor and Legislature with strategic planning for and evaluation of the Texas workforce system. The council's mission is to promote the development of a highly skilled and well-educated workforce and advocate for an integrated workforce system that provides high-quality, relevant services that address the needs of Texas businesses and workers. In addition to fulfilling its responsibilities set in state law, the council also serves as the State Workforce Investment Board under the federal Workforce Innovation and Opportunity Act of 2014. To achieve this mission, the council performs the following key functions:

- Conducts strategic planning for the integration of systemwide workforce development services in Texas.
- Evaluates the workforce development system by collecting and reporting performance measure data from agencies and employers to identify how well the state's workforce system is meeting the needs of employers and job seekers.
- Produces research reports for the Office of the Governor, Legislature, and state agency partners on topics such as adult education and workforce trends.
- Reviews state and local workforce plans to recommend final approval by the governor.
- Administers the Texas Skill Standards Program.

## Key Facts

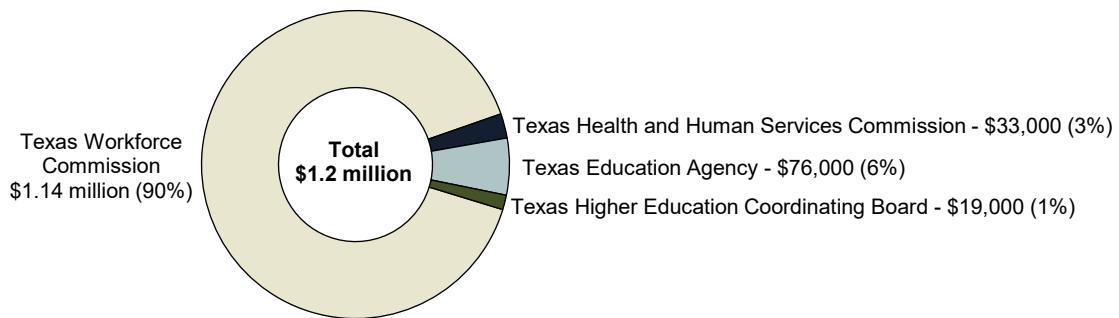
- **Governance.** The governor appoints 14 of the council's 19 members with five representing business, five labor, three education, and one community-based organization.<sup>1</sup> The remaining five are ex officio voting members representing workforce system partner agencies. The governor appoints the chair of the council from one of its business or labor representatives. Members serve six-year terms, except for ex officio members who serve as long as they are in the designated office. The council meets four times a year. The textbox below shows a breakdown of council composition.

### Council Composition

- Business (5 members, appointed by the governor)
- Labor (5 members, appointed by the governor)
- Education (3 members, appointed by the governor)
- Community-Based Organizations (1 member, appointed by the governor)
- Member Agencies (5 ex officio voting members, administrative head of agency)
  - Office of the Governor's Economic Development and Tourism Division
  - Texas Education Agency
  - Health and Human Services Commission
  - Texas Higher Education Coordinating Board
  - Texas Workforce Commission

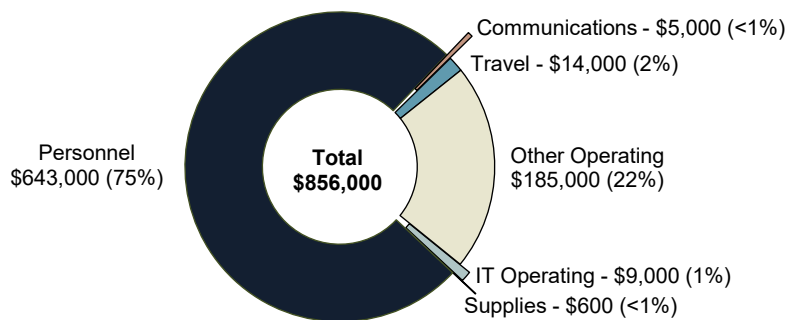
- Funding.** The council does not receive legislative appropriations for its operations; instead, it receives administrative support from the Office of the Governor and funding from its member agencies. Statute requires member agencies to contribute funds in proportion to their financial participation in the workforce system, which is calculated using a funding formula approved by the governor.<sup>2</sup> For fiscal year 2025, the council received \$1.2 million in funding from four of the council’s member agencies, as shown in the chart *Council Revenue* below. The Texas Workforce Commission (TWC) contributes the most funding — about 90 percent — to the council because it has more workforce system programs than the other agencies. The Office of the Governor’s Economic Development and Tourism Division does not contribute funds since it does not have workforce programs, but it does provide administrative support, offices, and economic data to the council. TWC funds the council’s expenditures upfront then proportionately bills the contributing member agencies throughout the year.

**Council Revenue - FY 2025**



The *Council Expenditures* chart below details the council’s expenditures in fiscal year 2025. Personnel costs made up the majority, or 75 percent, of the council’s expenses.

**Council Expenditures - FY 2025\***



\* The variance between revenue and expenditures in fiscal year 2025 reflects the impact of multiple staff turnovers and extended vacancies, which reduced personnel-related expenditures.

- Staffing.** The council has nine full-time staff and is administratively attached to the Office of the Governor. Because of the council’s small size, Sunset staff did not prepare an analysis comparing the council’s workforce composition to the overall civilian labor force.
- Strategic planning and capacity building.** The council does not administer programs, so its work is strategic rather than operational. The council’s main responsibility is to develop an integrated strategic plan for the workforce system. In the strategic planning process, the council — independent of member agencies and therefore in a neutral position — convenes agencies and other system stakeholders to collaborate on system-building initiatives and opportunities for improvement.

The council’s current strategic plan covers fiscal years 2024–31 and includes goals, objectives, and performance measures for the workforce system that involve programs of all state agencies that administer workforce programs.<sup>3</sup>

- **Evaluation and performance measures.** The council uses four key measures to assess participant outcomes across all workforce development programs within the system: educational achievement, entered employment, employment retention, and customers served. The council monitors overall system performance by aggregating these data from 23 workforce programs across seven of the council’s workforce system agency partners. See Appendix C for a full list of workforce system agency members, their workforce-related programs, and the groups these programs serve. The accompanying table lists key performance measures and the rate of success of participants in workforce system programs relevant to each measure as well as the total number of customers served in fiscal year 2025. The council also monitors agency partners’ progress toward implementation of the strategic plan and charts milestones toward meeting long-term goals in the plan. The council reports this performance information to the governor and Legislature in an annual evaluation report.

**Texas Workforce System Performance  
FY 2025**

Outcome Measure	Percentage (or Number) of Successful Participants
Educational Achievement	84%
Entered Employment	71%
Employment Retention	86%
Customers Served	4,467,560

- **Research.** The council researches and reports on emerging issues and workforce trends and publishes publicly accessible reports on the council’s website. Examples of council research reports are listed in the accompanying textbox.
- **Review of state and local workforce plans.** Federal law requires states to develop a state plan and local workforce development boards to develop local plans consistent with the state plan to receive federal funds.<sup>4</sup> The council reviews these plans and submits recommendations to the governor for final approval.

**Council Research Reports**

- *Apprenticeship in Texas: A Work-Based Learning Profile (2024)*
- *Veterans in Texas: A Demographic Study (2024)*
- *Vocational Rehabilitation Services: A Texas Primer (2025)*

- **Texas Skill Standards.** State law requires the council to advise the governor and Legislature on the development of a system of industry-defined and industry-recognized skill standards and credentials for all major skilled occupations that provide strong employment and earnings opportunities and require less than a baccalaureate degree.<sup>5</sup> The council formally recognizes workforce education programs to incentivize community and technical colleges to use skill standards. Colleges seeking the council’s approval must integrate industry-defined skill standards into their program curricula.

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<sup>1</sup> All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 2308.052, Texas Government Code.

<sup>2</sup> Section 2308.065, Texas Government Code.

<sup>3</sup> Texas Workforce Investment Council, *Accelerating Alignment - Texas Workforce System Strategic Plan, Fiscal Years 2024–2031*, accessed online November 7, 2025, [https://gov.texas.gov/uploads/files/organization/twic/Accelerating\\_Alignment\\_Texas\\_Workforce\\_System\\_Strategic\\_Plan\\_for\\_Fiscal\\_Years\\_2024%E2%80%932031.pdf](https://gov.texas.gov/uploads/files/organization/twic/Accelerating_Alignment_Texas_Workforce_System_Strategic_Plan_for_Fiscal_Years_2024%E2%80%932031.pdf).

<sup>4</sup> Workforce Innovation and Opportunity Act (WIOA) of 2014, 29 U.S. Code, Sections 3112 and 3123.

<sup>5</sup> Section 2308.109, Texas Government Code.

# ISSUE 1

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

### Background

The Texas Workforce Commission (TWC) manages the delivery of workforce programs through 28 local workforce development boards (LWDB) across the state. LWDBs oversee workforce training and services in their respective areas.<sup>1</sup> LWDBs also procure and monitor direct-service providers for federal workforce programs, including those described in the accompanying textbox, and serve as a single point of contact for local businesses to communicate their skill needs.<sup>2</sup> Statute prohibits LWDBs from directly providing services, except through a TWC waiver, and requires LWDBs to follow TWC guidelines when contracting with direct-service providers.<sup>3</sup>

Funding for TWC and LWDBs is deeply intertwined. Nearly 70 percent of TWC appropriations are allocated to LWDBs.<sup>4</sup> The majority of LWDB funding comes from the federal government and passes through TWC.<sup>5</sup>

Statutorily, TWC shares responsibility for overseeing LWDBs with the Texas Workforce Investment Council. LWDBs are directly accountable to TWC's Workforce Development Division (WDD).<sup>6</sup> WDD provides technical assistance to LWDB staff and may sanction boards for inadequate performance.<sup>7</sup> WDD imposes sanctions based on LWDBs' contracted performance measures and reports from the Subrecipient Monitoring (SRM) department within TWC's Fraud Deterrence and Compliance Monitoring (FDCM) Division. Of the LWDBs' 26 performance measures in board contract year 2026, the federal Department of Labor (DOL) decided 15 and TWC created the other 11. Both TWC and the council must provide LWDBs with technical assistance but have different options for addressing poor performance.<sup>8</sup>

#### Federal Workforce Programs

- Workforce Innovation and Opportunity Act (WIOA) – Programs that help job seekers access employment, education, training, and support services to succeed in the labor market. One program, Wagner-Peyser Employment Services (ES), focuses on connecting employers and job seekers.
- Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) – Helps SNAP participants obtain regular employment and meet state and local workforce needs. SNAP participants must register for SNAP E&T if they are between the ages of 16 and 59 and unemployed or working fewer than 30 hours a week.
- Temporary Assistance for Needy Families (TANF) Choices – Helps people who receive TANF benefits find jobs and become more independent.

### Findings

**TWC lacks the comprehensive tools necessary to effectively oversee LWDBs and does not consistently leverage existing tools, resulting in ongoing poor performance by LWDBs in some areas of the state.**

- **Split statutory authority.** Statute divides the responsibility for LWDB oversight and enforcement between the council and TWC, making it

The council does not exercise its penalty authority for poorly performing LWDBs.

difficult to ensure boards are effectively meeting the state’s workforce needs. The council fulfills the federal requirement that each state has a board to focus on state-level workforce strategic alignment.<sup>9</sup> However, state statute gives the council operational oversight over LWDBs, which is not a function federal law requires of state boards.<sup>10</sup> While TWC must develop corrective action plans for LWDBs, TWC and the council split the responsibility for providing them technical assistance to meet performance measures and contract provisions.<sup>11</sup> Furthermore, for certain egregious noncompliance, the council has the sole authority to reorganize LWDBs or cease the reimbursement of funds.<sup>12</sup> The table below shows which entity is responsible for each LWDB oversight function in state statute versus what typically happens in practice.<sup>13</sup> Though statute provides for potential reorganization and fiscal penalties for poorly performing boards, the council does not exercise this power.

**LWDB Oversight**

Function	Texas Statute	In Practice
Program Oversight	TWC	TWC
Technical Assistance	The council and TWC	TWC
Reorganization and Fiscal Penalties	The council	Authority not exercised

Despite the council’s statutory authority over LWDBs, the council is largely removed from LWDB oversight and has never taken a LWDB into receivership. The council “provides technical assistance” to LWDBs by reviewing their local workforce plan alignment with the state system strategic plan. Due to limited staff and limited visibility into TWC and LWDB performance, the council would not be able to conduct oversight without significant additional resources and empowerment. The existing oversight structure separates statutory authority from the agency with the staffing and visibility necessary for LWDB accountability. This governing model limits TWC’s enforcement capabilities and distracts the council from its primary role of strategic coordination.

Without sufficient accountability, some LWDBs can consistently fail to meet basic program goals.

- **Failure to apply graduated adverse actions.** To ensure LWDBs are effectively and efficiently serving their areas, TWC must apply graduated adverse actions and document this process well. Without sufficient accountability for performance, some LWDBs can consistently fail to meet basic program goals, which are to help Texans gain meaningful employment. Adverse actions are based on the TWC Monthly Performance Report of contracted performance measures and SRM reports. Many LWDB and TWC staff report having a positive and collaborative technical assistance history, partnering to improve service delivery and effectiveness. However, for serious, ongoing issues, TWC does not act decisively and cannot ensure LWDBs’ responsible use of funds and compliance with rules, as discussed further in the textbox on the following page.

### Lack of Action

- Between fiscal year 2021 and fiscal year 2025, certain LWDBs failed to meet a performance target for two consecutive years in at least 13 instances. TWC took an adverse action in only two of the 13 instances.
- Between 2015 and 2024, TWC put a LWDB repeatedly failing the same performance measure on three separate technical assistance plans (TAP) for a total of 42 months, or 35 percent of the time. TWC never escalated the matter to a higher-level sanction.
- The longest TAP for a LWDB was 29 months based on its failure to meet fiscal management and oversight requirements. TWC never escalated the matter to a higher-level sanction.

Certain LWDBs failed to meet a performance target 13 times for two years without consequences.

By rule, TWC’s adverse action system provides for two types of formal adverse action plans: technical assistance plans (TAP) and corrective action plans (CAP).<sup>14</sup> Based on certain performance failures, TWC may direct a LWDB to develop a TAP, which is then approved by TWC. TWC may develop and impose a CAP, which either signals TWC’s intent to sanction if performance does not improve or imposes sanctions at three different levels.<sup>15</sup> Theoretically, the higher the sanction level, the more serious and intensive oversight becomes.<sup>16</sup> The table on the following page describes the progressive sanctions available to TWC for use, as outlined in TWC rule and policy, and provides the number of times in the last decade TWC has exercised each adverse action.<sup>17</sup> In addition to the formal triggers listed in the table, TWC may impose corrective actions at any time for a LWDB’s failure to comply with contracted performance measures, contract provisions, or other TWC rulemaking.<sup>18</sup>

From 2015 to 2025, 76 percent of adverse actions never progressed beyond a TAP regardless of severity or how long the noncompliance persisted. TWC has only imposed a Level One sanction four times in the last decade and never imposed a Level Two or Level Three sanction during the same time period. Though flexibility in decision making is important, TWC’s reluctant approach to enforcement means LWDBs receive a slap on the wrist even if they are performing poorly for extended periods of time and can continue doing so with few substantial interventions.

It is important to note that TWC struggled to provide Sunset staff with comprehensive and accurate data regarding adverse action history. Due to TWC’s poor recordkeeping, these statistics may be incomplete. The agency’s difficulty in producing the requested statistics indicates TWC lacks ready access to LWDB historical performance when evaluating whether an adverse action is warranted.

Incomplete data on adverse action limit TWC’s oversight capabilities.

**TWC Adverse Actions**

Adverse Action	Triggers	Consequence	Frequency (Board Contract Years 2015-25)
TAP	If a LWDB: <ul style="list-style-type: none"> <li>• Has a programmatic or oversight issue unresolved for six months.</li> <li>• Fails to meet a non-WIOA contracted performance measure for four months.</li> <li>• Fails to meet a WIOA contracted performance measure by the end of a programmatic year.</li> </ul>	LWDBs develop a TAP for themselves, approved by TWC, to identify performance issues, assess technical assistance or training needs, and implement that assistance or training as necessary.	89
CAP: Intent to Sanction	A LWDB has been on a TAP for one year without progress.	TWC may initiate a CAP, performance review, or assistive activities with a specific timeline for implementation. A CAP may include: <ul style="list-style-type: none"> <li>• Technical assistance</li> <li>• Mandatory training</li> <li>• On-site monitoring</li> <li>• Modification of the LWDB's local plan</li> <li>• Appointment of a steward</li> <li>• Payment by reimbursement only</li> <li>• Other actions TWC deems appropriate</li> </ul>	24
CAP: Level One Sanction	If a LWDB: <ul style="list-style-type: none"> <li>• Fails to comply with technical assistance or other monitoring.</li> <li>• Breaches contract.</li> <li>• Fails to meet a contracted performance measure by greater than 10 percent of target.</li> </ul>		4
CAP: Level Two Sanction	If a LWDB: <ul style="list-style-type: none"> <li>• Fails to rectify a Level One sanction within six months.</li> <li>• Commits a second sanctionable act.</li> <li>• Fails to meet a contracted performance measure by greater than 25 percent of target.</li> </ul>		0
CAP: Level Three Sanction	If a LWDB: <ul style="list-style-type: none"> <li>• Fails to rectify a Level One sanction in one year or a Level Two sanction in six months.</li> <li>• Commits multiple sanctionable acts.</li> <li>• Fails to meet any contracted performance measure by greater than 25 percent for two consecutive years.</li> </ul>		0

**Better communication and coordination between TWC, LWDBs, and direct-service providers would avoid preventable problems, saving time and money for the state.**

- **No active statutory feedback channel.** While TWC and LWDBs communicate with each other in various ways, TWC has no active statutory channel to solicit feedback from LWDBs as a group on programs, policies, and rules that affect their operations and the local workforce delivery system. Given their number and size, the group of 28 LWDBs can struggle to present a consistent message about implementation concerns to TWC through bilateral communication. Furthermore, TWC staff is sometimes siloed, unaware of other departments' work and therefore unable to communicate consistently with LWDBs. The siloed nature of TWC and the structure of the workforce program delivery system means that while communication happens at many levels, accurate information may not be getting to the appropriate places at the right time, as illustrated in the textbox below. Although TWC has now provided clarity to boards regarding several of these issues, confusion could have been avoided with better communication channels between TWC, LWDB staff, and contractor staff.

Organizational silos complicate communication between TWC and LWDBs.

**Examples of Miscommunication**

- TWC notified LWDBs that a report would be temporarily unavailable due to a change in workforce case management systems. Two years later, LWDBs had neither access to the report nor an accurate update on when that information would become available. In the interim, contractor staff had to manually reconcile information in Excel spreadsheets, taking up valuable staff time that could have been used to serve customers.
- Lower-level TWC staff indicated to LWDBs that they would not receive an adverse action for underperformance in a specific measure, but later higher-level TWC staff did impose adverse actions. Inconsistent messaging from TWC led to LWDB confusion over which standards TWC was holding them accountable to and made it difficult for LWDBs to plan for how to appropriately address those concerns.
- TWC did not sufficiently and consistently communicate with LWDBs and contractors regarding the agency's response to ongoing federal changes that would impact staffing at Workforce Solutions (WFS) offices.

In the past, TWC did have a consistent, statutory communication channel for gathering feedback from LWDBs. In 2003, following a Sunset recommendation, the Legislature established a LWDB Advisory Committee to annually advise TWC.<sup>19</sup> Sunset based this recommendation on the ad hoc nature of TWC soliciting LWDBs' input and the fact that several LWDBs felt that TWC did not consult them on policies that directly affected them or only included them after development was complete.<sup>20</sup> Though the requirement for that committee remains in statute, the agency allowed the committee to expire, and the advisory committee was automatically abolished by operation of law four years after its creation.<sup>21</sup>

For many years, LWDBs were members of the Texas Association of Workforce Boards (TAWB), which advocated for local workforce flexibility and empowerment at the state and federal levels. However, some LWDBs left TAWB, and all LWDBs have now joined the Workforce Innovation Network Texas (WIN TX). Currently, the majority of LWDB executive

directors and some additional LWDB leadership meet virtually every other week with WIN TX to discuss systemwide challenges and solutions. Occasionally, WIN TX invites TWC staff to provide certain information or receive feedback, but this occurs ad hoc. Although WIN TX provides a forum to share best practices, statute does not require the group to meet regularly or develop feedback for TWC.

A lack of standard training can lead to inconsistent service delivery.

- **No direct-service provider training standards.** TWC does not require LWDB contractor staff — who directly provide services on TWC’s behalf — to attend basic training related to TWC program delivery. Instead, contractors are responsible for creating and implementing training for customer-facing employees. Without standardized basic requirements, however, each contractor may train their staff in a different manner, which can lead to inconsistent service delivery statewide and cause confusion for employers, individuals, and other organizations that interface with multiple LWDBs. While LWDBs use different contractors with different procedures, the essentials of workforce programs are the same across the state; therefore, all LWDBs should be able to use the same basic TWC training.

Furthermore, turnover at local offices necessitates additional upfront and ongoing training for new staff to understand the complexity of the workforce development system and its funding structures. Some service providers are not taught about TWC or LWDB programs beyond their daily work, undermining the effectiveness of LWDBs serving as a one-stop delivery system for workforce services. For example, some local service providers indicated a lack of understanding on when and how to refer a customer between workforce programs and Vocational Rehabilitation (VR), despite the programs operating out of the same office, as discussed further in Issue 3.

Helpful training options are cost prohibitive for LWDBs.

Through its website, TWC provides some free resources to contractors, including program guides, technical assistance bulletins, and videos on topics such as WIOA, information technology (IT) modernization, and LWDBs’ responsibilities regarding child care fraud.<sup>22</sup> However, while these resources cover many topics, they are not as specific or up to date as TWC’s curriculum-based, classroom-style trainings. Additionally, contractors must pay TWC for these trainings to learn the processes that TWC requires the contractors to use. These trainings typically cost between \$31 and \$163 per person and may include both soft skills such as conflict management and hard skills such as using the case management system for SNAP E&T. Contractors indicate that these curriculum-based trainings are significantly helpful when available but may be cost prohibitive for some LWDBs and contractors.

- **Unclear ES merit staff roles and responsibilities.** TWC’s inconsistent communication regarding the roles of Wagner-Peyser ES merit staff has led to operational confusion at LWDBs, disrupting the efficient delivery of customer services. Many contractor, LWDB, and TWC staff have expressed frustration and varying understandings of ES merit staff’s responsibilities. ES merit staff are state employees who work in local WFS offices under the

day-to-day management of contractors to provide job seeker and employer support services created by the federal Wagner-Peyser Act.<sup>23</sup> TWC's 2025 ES Guide states ES merit staff should provide employment services to job seekers and employers, including reemployment services for unemployment insurance (UI) claimants and staffing job fairs. Instead, some contractors use ES merit staff to fill administrative staff roles as needed. In other offices, ES merit staff's focus is so narrow that they refuse to help contractor staff with customer service even when they are not otherwise occupied.

DOL currently requires that by January 2027 states exclusively use ES merit staff to provide all Wagner-Peyser services; however, ongoing federal rulemaking may remove that requirement entirely, allowing services to be provided by contractors. In preparation for that potential change, in February 2026 TWC notified ES merit staff that TWC intends to implement a policy of attrition in which the agency will not hire any new ES merit staff going forward. Instead, TWC intends to allocate funding to LWDBs to support ES services locally, allowing LWDBs to replace ES merit staff who leave with contractor staff. TWC's 2026 ES Guide, created to reflect the agency's new staffing policy, removes what scant detail there was defining existing ES merit staff positions. TWC may lose these staff through attrition over time. However, in the interim the agency is responsible for clarifying remaining ES merit staff roles and responsibilities consistently with both their staff and WFS offices, particularly as this confusion can negatively impact customer service.

Poorly defined ES merit staff roles negatively impact customers.

### **Structural inefficiencies in SNAP E&T administration limit the state's ability to maximize federal funds and participants' access to services.**

Texas fails to effectively manage SNAP E&T and performs poorly in comparison to other states, as shown in the table on the following page. In federal fiscal year 2025, only 10 percent of participants required to complete SNAP E&T began any program participation, including orientation and assessment. Only 6 percent of required participants engaged in program activities. Because of limited SNAP E&T funds, many LWDBs direct their SNAP E&T participants to do a simple, online job search or unenriching volunteer activities which do not address long-term training or educational needs. The goal of the program is to help SNAP recipients become employed and self-sufficient, ultimately reducing or removing their need to be on public benefits. In practice, SNAP E&T has largely become an administratively burdensome "check-the-box" exercise rather than a meaningful way to connect Texans with resources.

SNAP E&T has become a "check-the-box" exercise.

### State SNAP E&T Participation, Federal FY 2025

State	Required to Participate	Began Participation	Began Activities
Texas	224,149	10%	6%
Idaho	14,708	90%	82%
New York	19,904	80%	53%
South Dakota	141	37%	37%
Utah	444	37%	30%
Florida	133,193	17%	11%
Kansas	10,663	5%	4%
Mississippi	15,686	1%	<1%

In 2017, the federal Food and Nutrition Service (FNS) required Texas to move SNAP E&T administration from TWC to the state’s Health and Human Services Commission (HHSC).<sup>24</sup> Today, HHSC awards funding to TWC to operationalize SNAP E&T through LWDBs.<sup>25</sup> Because the federal government requires Texas’ HHSC to administer the program, the state may not consolidate administration and service delivery under TWC. However, the activities and purpose of the program align better with TWC’s existing mission and local workforce program delivery structure than HHSC.

Texas potentially leaves millions in federal education and training funds on the table.

- **Missed opportunity for federal funds.** By forgoing opportunities to intentionally leverage third-party partnerships (TPP), Texas is potentially leaving millions of federal dollars on the table that could support education and training. Every state receives an initial formula-based appropriation of funds from FNS to administer SNAP E&T. While states must provide participant support services such as transportation or child care directly related to SNAP E&T, these base federal funds cannot be used for those services.<sup>26</sup> To fund these services, states can, however, access additional funding through 50/50 funds, which provide a 50 percent federal reimbursement for every dollar spent on allowable expenses.<sup>27</sup> Either by investing state general revenue funds or creating a TPP, the federal government may reimburse TWC and its partners at a rate of 50 percent. Historically, the state has almost exclusively paid for support services with general revenue instead of taking advantage of TPPs. Over the last five years, TWC spent \$4.8 million on average in general revenue to pull down federal funds. Under a TPP, a LWDB partners with a local entity, such as a community college or nonprofit organization, to provide SNAP E&T activities and support services, and the partnership may submit an invoice for the 50 percent reimbursement.<sup>28</sup> Part of this reimbursement goes to the partner entity, and LWDBs may use a portion of the reimbursement to cover administrative costs.<sup>29</sup>

For a decade, only one LWDB took the initiative to leverage the advantage offered by TPPs. While HHSC and TWC began a statewide TPP initiative

in calendar year 2024, participation in TPPs remains low. The initiative began with three LWDBs of different sizes and geographic locations. Later the same year, TWC presented the initiative publicly to all LWDBs and participation increased to six LWDBs for federal fiscal year 2026. While the initiative's original goal, as stated in TWC's first TPP Guide (2024), was for all LWDBs to participate by federal fiscal year 2029, staff from different agency offices seem confused over whether that is still the goal or even whether the program is mandatory for LWDBs.

Under the initiative's current set-up, some LWDBs have expressed concern about TPPs' administrative burden and the guarantee of reimbursement for administrative costs. LWDBs and their TPPs indicate that while SNAP E&T compliance requirements are high, there is insufficient guidance and standardization statewide. Therefore, LWDBs and TPPs must create complex processes such as dual case management and documentation from scratch. Community colleges, which are eligible TTP partners, operate on a school calendar with regular breaks throughout the school year. However, SNAP E&T's weekly activity requirement continues, meaning students may miss program requirements during breaks. TWC does not adequately provide contingency guidance in these instances, risking penalties for participants who are otherwise progressing well. Furthermore, one LWDB and their contractor had to absorb some of the cost from their TPP because TWC financial guidance was lacking, and the 50 percent reimbursement was not as large as the LWDB anticipated.

LWDBs and TPPs lack sufficient guidance to meet SNAP E&T's high compliance requirements.

- **Poor interagency coordination and administrative processes.** Communication between LWDBs and their local HHSC counterparts varies by area, often creating misunderstandings between staff and inconsistent messaging to customers. HHSC's 11 administrative regions and their local offices determine if an individual receives SNAP benefits and whether they must participate in SNAP E&T. LWDB contractor offices directly serve SNAP E&T participants, introducing participants to the program and connecting them with job search and training opportunities. TWC and HHSC do not mandate any specific standards or actively provide points of contact for communication to their local counterparts. Adding to the problem, written communication between LWDBs and local HHSC operational offices is archaic. For the majority of document sharing, LWDB contractors must fax documentation for each individual case to HHSC, which is a tedious, time-consuming, and outdated process.

LWDB contractors and HHSC staff use an archaic faxing system for documentation transfers.

Stakeholders indicate that customers are regularly shuffled between TWC and HHSC without resolution. If a SNAP E&T participant is sanctioned for failing to complete required activities, they lose their SNAP benefits.<sup>30</sup> The process for resolving this issue is not always clearly defined, resulting in repeated back-and-forth steps for the participant to regain benefits. If the participant does not appeal to TWC within 13 days, TWC can only refer the participant to HHSC for assistance. However, HHSC's sanction letter incorrectly directs participants to call TWC's hotline even though TWC cannot help them after 13 days, and if the participant calls HHSC's 2-1-1

hotline for information the 2-1-1 script also incorrectly refers participants back to TWC without mentioning HHSC's role. This endless loop prevents customers from accessing benefits for food or services to gain employment.

### **Statute currently allows for conflicts of interest among LWDB contractors.**

A LWDB contractor can maintain control over the LWDB's finances.

Statute does not explicitly prohibit a single entity from serving as both a LWDB fiscal agent and direct-service contractor. This structural overlap creates a conflict of interest in which a LWDB is functionally beholden to a contractor for funding and administrative decisions. In practice, such arrangements allow a single entity, such as a council of government, to simultaneously manage a board's fiscal operations, workforce programs, and child care programs. This creates an inherent oversight conflict. While the LWDB is responsible for monitoring contractor performance, the contractor effectively maintains control over the board's financial infrastructure. The lack of statutory separation allows for financial imbalances that could lead to high administrative and overhead allocations at the expense of direct services for job seekers and employers. Additionally, this structure lacks the necessary safeguards related to procurement, compromising the competitive bidding process. In these instances, contractors have been selected despite lower scores. Furthermore, the absence of functional segregation between the LWDB and contractor can lead to recurring compliance and reporting gaps. Audit findings in these types of dual-role arrangements have highlighted challenges in ensuring accurate expenditure reporting and maintaining a clear distinction between board-owned and contractor-controlled assets.

Ultimately, the lack of functional segregation in statute limits TWC's ability to perform objective oversight. By addressing this conflict-of-interest gap in statute, TWC would have the explicit authority necessary to ensure all LWDBs maintain the structural independence required for transparent and accountable governance.

### **UI customer service at the local level is insufficient, causing confusion for UI applicants.**

Texans requiring assistance with submitting UI applications do not receive it at LWDBs. Without local support, UI applicants struggle to apply for benefits that would assist them and their families following a loss of employment through no fault of their own. Statute requires TWC to provide for the filing of UI claims through WFS offices in each LWDB area.<sup>31</sup> In practice, the only assistance a UI applicant receives at a WFS office is access to a computer. According to TWC's understanding of federal regulations, while LWDB contractor staff may help a customer access the online application, only state employees may assist in completing the application and provide guidance.<sup>32</sup> Currently, ES merit staff at local offices does not have the training or system access to provide these services.

Without local options, UI applicants may only apply for benefits online or by phone. Years ago, TWC decided to pull UI staff out of local offices and into tele-centers to take advantage of efficiencies in technology. While this was an admirable goal, Texans often cannot get UI staff on the phone, and with no assistance at local offices, they are left frustrated with no additional options. Over the last four years, UI tele-centers have deflected an average of 350,000 calls per month, or 63 percent of all incoming calls. Each of these calls does not necessarily represent one individual, as one caller may be deflected more than once. Deflection means that the call center has reached capacity, and the caller receives a message to use alternative resources or try again later. Currently, UI customer service is measured by the average time customers spend in a phone queue waiting to connect to an agent. By not including deflected calls, TWC performance measures show that the average queue time was about 15 minutes in fiscal year 2025, which does not accurately reflect the average customer's experience. If applicants try to submit an online application, stakeholders indicate that the process can be difficult, particularly for individuals with low computer literacy.

UI tele-centers deflect an average of 350,000 calls per month.

### **TWC does not make sufficient performance information public as required by statute.**

Stakeholders and members of the public have an interest in greater transparency around LWDB performance. In statute, TWC must establish criteria and performance measures to evaluate LWDBs' ability to manage funds and deliver services.<sup>33</sup> Additionally, TWC must compile performance measure data on both LWDBs and WFS offices then post all information publicly and accessibly.<sup>34</sup> Currently, TWC only publishes LWDB-level performance data through an annual Oversight Capacity Scorecard, failing to meet statutory requirements.<sup>35</sup> The scorecard consists of a two-page standard, binary evaluation which offers little insight into areas for improvement.<sup>36</sup> Each standard is a yes or no question, such as "Does the Board have an effective formal procurement process, and has the Board been following this process?" If a LWDB does not meet a standard, the scorecard provides no additional details on the deficiency or strategies for improvement. Furthermore, for TWC to compile and publish data on each WFS office would require significant funding to build new data collection methods and visualizations. TWC designed their performance measures to be applied at the board-level so applying them at the WFS-office level could ultimately be misleading. Additionally, customers may move between WFS offices over time, so it is not always clear which office should get credit for good performance. LWDBs are already responsible for the performance of the contractors that operate WFS offices, and the performance of each WFS office is accounted for within the overall LWDB's performance report. TWC already collects significant data on overall LWDB performance and could fulfill stakeholders' desire for transparency by publishing existing data.

TWC publishes LWDB performance data that offer insufficient insight into areas for improvement.

## Sunset Staff Recommendations

### *Change in Statute*

#### **1.1 Transfer certain council authority and responsibility for LWDB oversight to TWC.**

This recommendation, assuming conformity with federal law, would transfer the following statutory duties from the council to TWC:

- Responsibility for recommending to the governor the designation or redesignation of workforce development areas for the local planning and delivery of workforce development.
- Responsibility for providing technical assistance to LWDBs that do not meet performance standards.
- Responsibility for developing and imposing a reorganization plan if a LWDB does not meet performance standards for two consecutive years. The plan may include restructuring the board, prohibiting the use of designated service providers, and merging the local workforce development area with another area.
- Responsibility to, if a LWDB substantially violates federal or state law or regulation, either issue a notice of intent to revoke all or part of the affected local plan; issue a notice of intent to cease immediately reimbursement of local program costs; or impose a reorganization plan under Section 2308.268, Texas Government Code, for the LWDB.<sup>37</sup>

This recommendation aligns statute with realities regarding visibility into LWDB performance and agency staffing levels and streamlines LWDB oversight for greater effectiveness. In addition to its other statutory duties, the council would retain authority to review federally required LWDB strategic plans and submit recommendations to the governor for final approval.

#### **1.2 Abolish TWC's expired advisory committee and require TWC to establish a new LWDB Advisory Committee in rule.**

This recommendation would remove the LWDB Advisory Committee from statute since it has expired by operation of law. In its place, this recommendation would require TWC to establish a new LWDB Advisory Committee in rule, including all 28 LWDB executive directors or their designees for the purpose of providing insight to TWC on the technical implementation of rules, policies, and practices relevant to the delivery of workforce services and the operations of LWDBs and their contractors. The committee should meet at least quarterly. The committee would be exempt from Chapter 2110, Texas Government Code, which automatically abolishes advisory committees that have not been continued four years after the committee was established.<sup>38</sup> The agency should consider conducting meetings virtually to encourage better attendance.

By creating a standing LWDB Advisory Committee, LWDBs will have a formal mechanism for collaborating with TWC on implementation issues and discussing the workability of changes to rulemaking and policy. TWC could create workgroups to discuss specific issues, such as integrating VR and WFS programs as discussed further in Issue 3 and problems with new IT systems as discussed further in Issue 4, and ensure the appropriate people from each LWDB or their contracted staff are able to contribute meaningfully. These workgroups could streamline the input TWC is already getting from multiple sources and offer a formal avenue for input TWC may not be receiving, both of which would improve the efficiency and effectiveness of the workforce system.

### **1.3 Prohibit a LWDB fiscal agent from simultaneously serving as the LWDB's direct-service contractor.**

This recommendation would update statutory language to explicitly prohibit a LWDB fiscal agent from also serving as a contractor for the provision of direct services. This recommendation would require TWC to expand established rules on LWDB contracting guidelines to ensure that if an entity acts as a fiscal agent for a LWDB, the entity does not contract with the same LWDB to provide workforce or child care services. The implementation deadline for LWDBs would be October 1, 2028, to align with the start of the board contract year. This recommendation standardizes the separation of fiscal and service functions across all LWDBs, eliminating current and future opportunities for conflicts of interest.

### **1.4 Update the requirement for TWC to publish LWDB performance data.**

This recommendation would update the statutory language requiring TWC to compile and post information on LWDBs. This recommendation removes TWC's responsibility for compiling and publishing data on each local career development center. Instead, this recommendation requires TWC to compile and publish existing performance measure data on each LWDB. Currently, TWC is in the process of launching online dashboards to visualize LWDB performance. Using this existing toolset, TWC should deploy a public version of the dashboards on its website, which would give the public more specific and detailed insights into LWDB performance than the current binary approach. Collection and publication of an organization's performance data allows local stakeholders to understand their LWDB's performance and increases accountability for the spending of public dollars.

## ***Management Action***

### **1.5 Direct TWC to reevaluate adverse action rules and policies to address repeat or long-term poor performance.**

This recommendation would direct TWC to reevaluate their rules and policies on adverse actions levied against LWDBs for failing to meet performance standards or failing to comply with fiscal and other regulations. The agency should create consistent performance expectations with clear consequences understood by both TWC and LWDB staff, which would prevent repeat or long-term failure to meet performance standards. The agency should create a documentation system for adverse actions to track which LWDBs repeatedly fail to meet standards and which standards are repeatedly not met, potentially indicating a systemic problem. The agency should use adverse action history as part of their holistic evaluation to determine present adverse actions. This recommendation would improve LWDB accountability in using public funds.

### **1.6 Direct TWC to create a minimum standard for contractor staff training.**

This recommendation would direct TWC to create a minimum standard for contractor staff training on statewide programs and procedures such as WIOA and VR. TWC should consult LWDBs on what information should be included in this training. TWC should particularly consider programmatic cross-training to encourage co-enrollment across programs. LWDBs and contractors should continue to have flexibility in customizing this training beyond these standards to ensure it accounts for local policies, initiatives, and interests. TWC could also consider providing their curriculum-based trainings free-of-charge to contractors. This recommendation would increase staff knowledge and ability to provide one-stop delivery services to customers and help standardize provision of certain services statewide.

### **1.7 Direct TWC to clearly define the roles and responsibilities of ES merit staff.**

This recommendation would direct TWC to clearly define the roles and responsibilities of ES merit staff for all workforce system entities. The agency should create a clear procedure for LWDBs, contractors, and merit staff to communicate promptly with ES merit staff supervisors on duties and disciplinary actions. This recommendation would improve the customer experience and cooperation between LWDB staff, contractor staff, and TWC staff.

### **1.8 Direct TWC to standardize guidance and procedures for TPPs.**

This recommendation would direct TWC to create standard TPP procedures and forms. The agency should decide, in consultation with LWDBs, on standardized templates for applications, budgeting, and case management documentation. Specifically, the agency should collaborate with LWDBs on how to best address common pitfalls such as serving community college students during school breaks. TWC should proactively collaborate across departments and with HHSC to provide comprehensive financial guidance to LWDBs. The agency should consider conducting virtual, statewide informational sessions for potential TPPs to promote a wider understanding of program benefits and requirements. This recommendation would increase meaningful resources to support SNAP E&T participants, improving their chances of finding long-term employment.

### **1.9 Direct TWC, in consultation with HHSC, to update SNAP E&T systems and procedures.**

This recommendation would direct TWC, in consultation with HHSC, to evaluate and update SNAP E&T documentation systems and communication procedures to reduce administrative burden and improve customer service. As part of this recommendation, TWC should:

- Review its rules and policies to identify changes that would remove administrative inefficiencies and improve the SNAP E&T program.
- Standardize case management and communication policies between LWDBs and local HHSC operational offices, including implementing a feedback loop to correct any inaccuracies or otherwise improve the information HHSC provides to SNAP E&T beneficiaries through its customer service channels.
- Establish clear points of contact between LWDBs and local HHSC staff.
- Eliminate the fax documentation system and develop a more efficient automated system.

This recommendation would reduce the administrative burden on LWDB and contractor staff, giving them more time to directly support SNAP E&T customers and improve customer experience.

### **1.10 Direct TWC to analyze the most effective use of FTEs to serve UI customers.**

This recommendation would direct TWC to conduct an analysis of the most effective use of TWC full-time employees (FTE) for UI customer service by December 1, 2026, and report the results of the analysis to the Sunset Commission, Legislative Budget Board, and Legislature. The agency should evaluate whether FTEs can more effectively and efficiently serve UI customers through tele-centers, as they do now, or if a portion of state staff need to be physically located in local WFS offices to take claims. TWC could consider using state employees at WFS offices to assist in-person UI customers. This recommendation provides the agency flexibility in how to address poor UI customer experience.

## Change in Appropriation

### 1.11 The House Appropriations and Senate Finance committees should consider adding a performance measure for Unemployment Services.

This recommendation would express the will of the Sunset Commission that the Legislature consider adjusting TWC performance measures for Unemployment Services to improve visibility into customers' experiences with UI call centers. Specifically, the committees should consider adding a performance measure reflecting the number of deflected calls to UI centers to better inform the Legislature about the agency's UI customer service.

## Fiscal Implication

Overall, these recommendations could have a fiscal impact to the state depending on how the agency implements them, but the exact gain or cost cannot be estimated at this time. Recommendation 1.8 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. TWC currently spends about \$4.8 million annually from general revenue on SNAP E&T activities and support services to draw down an equal amount of federal funds. Because the federal government allows states to offset this amount with local contributions, in the future, TWC may be able to use less general revenue. Recommendation 1.9 may have a cost if a new IT procurement is required, but the impact cannot be estimated at this time. TWC could implement all other recommendations using existing resources.

<sup>1</sup> All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 2308.253(a), Texas Government Code.

<sup>2</sup> Section 2308.303 (1) and (8), Texas Government Code; Texas Workforce Commission (TWC), *Self-Evaluation Report*, September 2025, pp. 186 and 193, accessed online April 13, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report_0.pdf); Texas Workforce Commission, *Supplemental Nutrition Assistance Program Employment & Training Guide*, pp. 6 and 28, August 28, 2025, accessed online April 29, 2026, <https://www.twc.texas.gov/sites/default/files/wf/docs/snap-et-guide-twc.pdf>; Texas Workforce Commission, "Choices Program," accessed online April 15, 2026, <https://www.twc.texas.gov/programs/choices>.

<sup>3</sup> Section 2308.264, Texas Government Code.

<sup>4</sup> TWC, *Self-Evaluation Report*, September 2025, p. 37, accessed online April 13, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report_0.pdf).

<sup>5</sup> Ibid.

<sup>6</sup> Section 2308.302, Texas Government Code.

<sup>7</sup> Section 302.002(a)(5), (a)(12), and (b), Texas Labor Code.

<sup>8</sup> Section 302.045, Texas Labor Code; Sections 2308.268 and 2308.269, Texas Government Code.

<sup>9</sup> Texas Workforce Investment Council, *Self-Evaluation Report*, September 2025, pp. 1-2, accessed online April 14, 2026, <https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Investment%20Council%20Self-Evaluation%20Report.pdf>.

<sup>10</sup> Sections 2308.268 and 2308.269, Texas Government Code; 20 Code of Federal Regulations, Section 679.130.

<sup>11</sup> Section 302.045, Texas Labor Code; Sections 2308.268 and 2308.269, Texas Government Code.

<sup>12</sup> Section 2308.269(2) and (3), Texas Government Code.

- 13 Sections 302.002(a)(12) and 302.048, Texas Labor Code; Sections 2308.302, 2308.268(a) and (b), and 2308.269 Texas Government Code.
- 14 40 Texas Administrative Code (TAC), Part 20, Chapter 802, Subchapter G, Section 802.121(d) (2014) (TWC, *Imposition of Corrective Actions and Corrective Action Plans*).
- 15 40 TAC, Part 20, Chapter 802, Subchapter G, Section 802.104(b) (2014) (TWC, *Performance Improvement Actions*); 40 TAC Section 802.121(f).
- 16 40 TAC, Part 20, Chapter 802, Subchapter G, Section 802.124 (2014) (TWC, *Penalties for Noncompliance with Requirements*).
- 17 40 TAC, Section 802.104(b); 40 TAC, Part 20, Chapter 802, Subchapter G, Section 802.122(a)(1) and (a)(2) (2014) (TWC, *Intent to Sanction*); 40 TAC, Part 20, Chapter 802, Subchapter G, Sections 802.123(a)(2), (a)(5), and (a)(7) and 802.123(b)(1), (b)(2), and (b)(4); and 802.123(c)(1)-(3) and (c)(5) (2014) (TWC, *Sanctions*).
- 18 40 TAC, Section 802.121(a).
- 19 Chapter 817 (SB 280), Acts of the 78th Legislature, Regular Session, 2003, pp. 18-19.
- 20 Sunset Advisory Commission, *Sunset Staff Report of the Texas Workforce Commission and the Texas Council on Workforce and Economic Competitiveness*, May 2002, pp.16-17, accessed online May 4, 2026, <https://www.sunset.texas.gov/public/uploads/files/reports/Texas%20Workforce%20Commission%20Staff%20Report%202002%2078%20Leg.pdf>.
- 21 33 *Texas Register*, p. 9659 (2008) (proposed repeal of 40 TAC Chapter 802) (TWC); 34 *Texas Register*, p. 856 (2009) (adopted repeal of 40 TAC Chapter 802) (TWC).
- 22 TWC, *Workforce Innovation and Opportunity Act Guidelines for Adults, Dislocated Workers, and Youth*, modified August 21, 2025, accessed online April 14, 2026, <https://www.twc.texas.gov/sites/default/files/wf/docs/wioa-guidelines-twc.pdf>; TWC, *Technical Assistance Bulletin 319*, May 29, 2025, accessed online April 14, 2026, <https://www.twc.texas.gov/sites/default/files/wf/policy-letter/ta/tab-319-twc.pdf>; TWC, *Workforce Development Letter 03-26*, March 12, 2026, accessed online April 14, 2026, <https://www.twc.texas.gov/sites/default/files/wf/policy-letter/wd/03-26-twc.pdf>.
- 23 20 Code of Federal Regulations, Part 652.
- 24 HHSC, *Self-Evaluation Report*, September 2025, p. 278, accessed online March 30, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Health%20and%20Human%20Services%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Health%20and%20Human%20Services%20Commission%20Self-Evaluation%20Report_0.pdf).
- 25 Texas Health and Human Services, *SNAP Employment and Training State Plan FFY 2026*, 2026, p. 7, accessed online May 1, 2026, <https://www.hhs.texas.gov/sites/default/files/documents/snap-et-state-plan-fy-2026.pdf>.
- 26 7 Code of Federal Regulations, Section 273.7(d)(4); HHSC, *Health and Human Services Commission Grant Agreement*, Contract #HHS001555100001, Attachment A, p. 3, March 2025.
- 27 HHSC, *Health and Human Services Commission Grant Agreement*, Contract #HHS001555100001, Attachment A, p. 3, March 2025.
- 28 TWC, "Funding," *Expansion of Texas' SNAP E&T Third-Party Partnership (TPP) Program*, accessed online April 21, 2026, <https://www.twc.texas.gov/sites/default/files/wf/docs/1245-Session314-SNAP-ET-TPP-%20WF-Forum-Presentation-LMedina.pdf>.
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- 30 TWC, *Supplemental Nutrition Assistance Program Employment and Training Guide*, August 28, 2025, p. 13, accessed online May 4, 2026, <https://www.twc.texas.gov/sites/default/files/wf/docs/snap-et-guide-twc.pdf>.
- 31 Section 2308.3122, Texas Government Code.
- 32 U.S. Department of Labor, Employment and Training Administration, "Unemployment Insurance Program Letter No. 12-01," December 28, 2000, accessed online May 2, 2026, <https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2001/UIPL12-01.html>.
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## ISSUE 2

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

### Background

The Texas Workforce Commission's (TWC) Career Schools and Colleges (CSC) program certifies and regulates career schools and colleges in Texas, which range from trade schools and truck driving programs to colleges not affiliated with or accredited by any other organization.<sup>1</sup> In fiscal year 2025, TWC certified 766 career schools and colleges that graduated over 63,000 students, and CSC collected over \$1.9 million in fees and penalties. The number of career schools and colleges in the CSC program has doubled over the past 20 years, with 345 new schools added in just the past five years. In that same time period, the program gained one full-time employee (FTE). TWC rule requires career schools and colleges to report completion, employment, and job placement information for all programs approved for an occupational objective.<sup>2</sup>

TWC coordinates with several state agencies to regulate career schools and colleges when the other agency's expertise is necessary to ensure students can meet licensure or certification requirements.<sup>3</sup> Statute requires TWC to inspect schools for initial certification, within three months after the school begins operations.<sup>4</sup> Statute also limits certificates of approval to a one-year term with annual renewal, meaning CSC must reinspect most schools each year.<sup>5</sup> There are at least 15 exceptions to the certificate-of-approval requirements, and statute also gives TWC some flexibility in certifying smaller schools.<sup>6</sup> While TWC is a large agency, CSC is a small function, with few staff and an operating budget of \$1.2 million in fiscal year 2025.<sup>7</sup> CSC is TWC's only true regulatory function.

The Sunset Advisory Commission has a long history of evaluating licensing and regulatory programs, as the increase of occupational regulation was an impetus behind the commission's creation in 1977. Since then, the Sunset Commission has completed numerous reviews of licensing and regulatory agencies, documenting standards to guide future reviews.<sup>8</sup> While these standards provide guidance for evaluating a regulatory program's structure and functions, they are not intended for blanket application. Instead, Sunset staff continues to refine and develop standards to reflect additional experience and changing needs, circumstances, or practices. The following material highlights areas where the program's statute and rules differ from these model standards and describes potential benefits of conforming to standard practices.

The Sunset Commission is required to analyze a regulatory agency's performance during the preceding 10 years or since its last Sunset review, whichever is longer, based on the agency's performance measures and related targets, including those listed in the General Appropriations Act (GAA).<sup>9</sup> As part of this analysis, Sunset assesses whether performance measure targets are aligned with an agency's mission, goals, and objectives and are appropriate for assessing the agency's achievement of the goals listed.<sup>10</sup> Finally, Sunset must make recommendations to improve the agency's key performance measures through the addition, amendment, or removal of the performance measures and related targets, including those listed in the GAA.<sup>11</sup> While some agencies have both regulatory and non-regulatory functions, Sunset staff's analysis focuses on performance measures associated only with the agency's regulatory functions.

## Findings

### Texas has a continuing need to regulate career schools and colleges throughout the state.

Regulation ensures only qualified schools provide education and training.

- Potential for harm.** Career schools and colleges must provide quality education for Texans. Improperly trained students will likely fail to meet state licensing requirements, creating a shortage of qualified professionals in the state’s workforce. Worse, poorly trained students may make mistakes or fail when providing services, creating a safety risk to the public. Furthermore, unregulated schools present an opportunity for unscrupulous operators to commit fraud, provide ineffective training, or abscond with students’ tuition. Regulation protects the public and strengthens the state’s workforce by ensuring only qualified schools provide education and training to Texans. Regulation also protects public funds, as many of these career schools and colleges are eligible to participate in student financial aid programs.<sup>12</sup>
- State-level regulation.** Texas, like all states, regulates career schools and colleges on a statewide level. Texas has regulated career schools and colleges since adopting the Texas Proprietary Schools Act in 1971.<sup>13</sup> In 1995, the Legislature transferred the regulation of career schools and colleges from the Texas Higher Education Coordinating Board to TWC to better align career and technical education with the state’s workforce development efforts.<sup>14</sup> The majority of states rely on education-related agencies to regulate career schools and colleges. As the table below shows, Texas is one of four states that regulate career schools and colleges through a workforce-type organization.

#### Regulation of Career Schools and Colleges in the United States

State Agency Type	State
Department of Education	DE, GA, ID, IA, KS, ME, MD, NE, NH, NJ, NV, NY, PA, VT, WY
Higher Education Organization	AK, AZ, AR, CO, CT, HI, IL, IN, LA, MN, MO, MT, NM, OR, RI, SC, TN, VA, WV
Community College Regulator	AL, MS, NC, OH
Workforce-Type Organization	KY, MI, TX, WA
General Licensing Organization	MA, UT, WI
Postsecondary Education Regulator	FL, ND, OK
Consumer Affairs Organization	CA, SD

### TWC’s current administration of the CSC regulatory program is insufficient and ill-equipped to protect students and the public.

Every Sunset review is guided by criteria that help Sunset staff assess the agency’s efficiency and effectiveness and the extent to which the agency achieves its mission. The primary role of state regulation is to protect the public, but the regulation should be no more burdensome than necessary to achieve that

objective. Given the clear need to regulate career schools and colleges, Sunset staff focused on whether TWC’s administration of CSC effectively protects students and the public.

The review found serious deficiencies in the agency’s CSC operations, which have been hampered by multiple changes in CSC leadership. With a rapidly growing regulated community, CSC struggles to accomplish even the most basic regulatory tasks such as renewing certifications, handling complaints, and ensuring compliance. Some of these problems stem from statutory requirements, but many issues arise from a program that poorly aligns with TWC’s primary functions.

CSC struggles to accomplish even the most basic regulatory tasks.

- **Insufficient resources for inspections and minimal enforcement.** An agency should have processes in place to evaluate the risk posed by entities subject to inspection and allocate more staff time and resources to the highest-risk areas. However, CSC struggles to conduct even its statutorily required inspections, leaving no resources to focus on higher-risk career schools and colleges. As the table below shows, CSC has been unable to keep up with inspections for the last five years. In 2025, over half of the schools that CSC certifies operated on an extension because CSC lacks the capacity to conduct inspections required for recertification in a timely manner.

**Career Schools and Colleges Extensions, 2021-25**

Calendar Year	Schools needing recertification	Schools on extensions	Percentage of schools on extension
2021	649	232	36%
2022	659	187	28%
2023	681	170	25%
2024	717	210	29%
2025	790	425	54%
Five-Year Average	699	245	35%

CSC has no inspectors and instead relies on Integrated Service Area Manager (ISAM) staff to conduct inspections. ISAM staff are TWC employees at regional offices who support multiple TWC programs, many of whom have little CSC-specific training. With responsibilities across multiple programs, ISAM staff has limited time to dedicate to CSC inspections. Furthermore, CSC lacks the staff resources needed to track risk factors such as unresolved or repeat violations, to evaluate the data, and to identify high-risk programs.

CSC lacks resources to identify high-risk programs.

Additionally, CSC cannot ensure career schools and colleges comply with state statute and TWC rules. Due to poor recordkeeping, data split across multiple databases, and paper records, CSC staff was unsure whether they could even assemble a sufficiently complete view of complaint and inspection

CSC does not monitor whether schools take corrective actions to address deficiencies.

data to support a compliance program. TWC rules allow CSC to impose administrative penalties or other sanctions for a variety of violations, including failure to provide information on instructors, facilities, equipment, and programs.<sup>15</sup> However, CSC does not monitor the corrective actions schools are required to take to address deficiencies found during inspections. While CSC has issued reprimands for administrative deficiencies such as late reports, CSC has not suspended or revoked a school's certificate in the last five fiscal years. By not monitoring whether deficiencies are corrected, CSC does not know if it is issuing certificates of approval or renewal to schools that do not meet requirements, failing to ensure that Texas students are being served by qualified schools providing quality education.

- **Failure to track exemptions.** CSC lacks the capability to review exemptions and identify whether an exemption is still valid. This lack of review creates a regulatory gap in which schools that should be regulated are not. As shown in the textbox below, statute provides at least 15 exemptions to state certification requirements.<sup>16</sup> With 1,029 schools exempt from TWC regulation in 2025, there are more career schools and colleges currently exempt from certification than there are certified schools. CSC lacks clear standards for granting exemptions and has not maintained records for why exemptions were granted in the past. Moreover, the agency's process for approving these exemptions is split between ISAM staff and CSC program staff without clearly defined roles or approval authority, making it difficult to even identify who granted the exemption, much less why the exemption was granted.

### Exemptions from CSC Certification

The career school or college is:

- Supported by local or state tax.
- Owned by a property tax-exempt religious institution.
- Purely avocational or recreational subjects.
- Run by employers for their own employees.
- Professional organization training for its members.
- Private colleges with credits transferable to state schools.
- Regulated and approved by a different law.
- Aviation schools approved by the Federal Aviation Administration.
- Exam and certification preparation courses.
- Private kindergarten, primary, or secondary schools.
- Electrical trade association training for licensure.
- Nonprofit youth drama and media training.
- Air Conditioning and Refrigeration (ACR) training approved by the ACR Contractors Advisory Board.
- Plumbing training approved by the Texas State Board of Plumbing Examiners.
- IT producers providing training for purchasers.

- **Inadequate management of CSC closing responsibilities.** Statutory limitations and insufficient policies, compounded by a lack of institutional knowledge at TWC, result in regulatory risks and inadequate management of CSC closures. When a career school or college ceases operation, statute provides options to protect students. Statute requires TWC to attempt to arrange a “teachout,” which gives students an opportunity to complete the same or a similar program at a different school, or provide students with a refund paid for from the CSC Tuition Trust Account (TTA).<sup>17</sup> The TTA is funded by annual fees TWC collects from career schools and colleges.<sup>18</sup> Statute requires that TWC attempt to provide a full refund from the TTA fund but allows the agency to pay a partial refund if TTA funds are insufficient.<sup>19</sup> Statute also limits refunds to a total of \$150,000 per campus, which may lead to students not receiving a full refund.<sup>20</sup> From September 2021 to December 2025, CSC recorded 179 school closures. Despite this volume, the agency arranged zero student teachouts and issued only three TTA refunds — all of which were processed in early 2026. Staff had no formal policy, procedures, or prior experience to guide them to make these payments, and CSC is only now working to establish and formalize the TTA refund process.

CSC does not document students who were provided teachouts or students eligible for TTA refunds.

Additionally, CSC does not maintain closed school records and does not document which students were provided teachouts or are eligible for TTA refunds. Since statute does not require schools to provide student contact data, CSC does not have basic information necessary to contact students and inform them about the TTA program. Statute also does not provide a time limit for students to apply for a refund. As a result, CSC cannot accurately determine the total number of refunds due to students, leaving the program unaware of potential claims and whether the TTA is sufficiently funded to pay full refunds. Statutory updates combined with formal policies and procedures could strengthen the management of the CSC closure process to minimize risk and better protect students.

- **Ineffective, bifurcated complaint process.** CSC cannot protect the public and licensees without ensuring complaints are tracked, consistently investigated, and appropriately resolved. Because of CSC’s limited resources, the program’s complaint process relies heavily on ISAM staff. Either ISAM or CSC program staff can receive complaints. If ISAM staff receives the complaint, they determine whether the complaint is jurisdictional and whether it should be investigated by ISAM or reported to CSC program staff. If ISAM staff does not report the complaint to CSC staff, it is not tracked, obscuring the full regulatory picture. If a complaint is reported directly to CSC staff, CSC staff tracks the complaint but lacks the ability to investigate. Instead, CSC staff must request that ISAM staff conduct the investigation. However, formal coordination between CSC and ISAM to execute this process is limited. Busy with other functions, ISAM staff may not be able to prioritize conducting CSC investigations. CSC also lacks oversight of the investigation and cannot ensure ISAM staff’s investigations are thoroughly conducted and fully documented. With this bifurcated

CSC staff may never even know a complaint existed, let alone if the complaint was properly evaluated, investigated, or resolved.

system, CSC staff may never even know the complaint existed, let alone whether the complaint was properly evaluated, investigated, or resolved. The amount of time from when a complaint is submitted to when the investigation is completed increased from 56 days in fiscal year 2021 to 102 days in fiscal year 2024.<sup>21</sup>

Inconsistent complaint documentation does not allow staff to identify trends and take action to prevent problems.

- **Insufficient complaint data.** Instead of documenting all complaints, ISAM staff documents only those they deem jurisdictional. Determining which complaints fall within TWC’s jurisdiction is a subjective decision that varies by complaint inspector, resulting in an inconsistent standard that can allow staff to overlook key problems. CSC also lacks a consistent process for reviewing documentation, escalating complaints when needed, and requesting additional information to independently look into specific issues.

CSC tracks complaints manually in an Excel spreadsheet, which is a time-consuming process vulnerable to human error. Furthermore, CSC does not have a process for analyzing complaint data. Because CSC’s bifurcated complaints process does not capture all complaint data, the program would be unable to identify trends and take action to prevent problems even if a process were in place. More complete complaint data would help program staff identify issues that could be addressed by offering additional training, statewide technical assistance memos, or clarifications through the rulemaking process.

- **Inaccurate and outdated employment rate data.** CSC does not use the information career schools and colleges are required by statute to report to improve the quality of schools and ensure that students get jobs for which they are paying to be trained. Employment rates are a key measure of quality and can identify poor performance. For example, the U.S. Department of Education uses state employment or continuing postsecondary education rates as a performance measure for state programs.<sup>22</sup> TWC rule requires CSC to place schools that do not achieve a 60 percent employment rate on a Performance Improvement Plan (PIP).<sup>23</sup> In practice, CSC neither evaluates employment information nor has a process or resources for implementing a PIP.

CSC does not evaluate employment information to identify and address under-performing schools.

Additionally, TWC rules require CSC to publish employment data on its website to help prospective students decide whether to enroll in a school.<sup>24</sup> The CSC webpage includes a search directory containing information about each certified career school or college, including employment rates.<sup>25</sup> However, the data were almost two years old at the time of this review.<sup>26</sup> Furthermore, a 2023 TWC internal audit identified significant errors in CSC’s employment rate calculations. CSC attributed the errors to the way its IT system calculated the data, stating that their new IT system would resolve the issue. Yet the new IT system does not meet the program’s needs — as discussed further in Issue 4 — and did not resolve the issue; in fact, it made it worse. The new IT system lacks the capability to process information for the search directory. CSC has not updated the search

directory since transitioning to the new system, so the directory is now both incorrect and out of date.

- **Limited financial oversight.** CSC staff has not met the statutory requirement to ensure schools are financially sound and capable of fulfilling training commitments by evaluating a school's financial statements.<sup>27</sup> Previously, CSC had an FTE position for a certified public accountant to perform this financial analysis. However, the program no longer has that position and currently relies on regular program staff, with some assistance from TWC's Finance Division for more complex cases, to fulfill the requirement. CSC data show that over fiscal years 2000-25, an average of 36 schools closed each year in Texas. CSC's inability to thoroughly review schools' financial stability may have contributed to these closures.

CSC does not sufficiently ensure schools are financially sound.

### **TDLR could more effectively regulate career schools and colleges than TWC.**

Sunset staff recommends significant changes in this issue, but even if those solutions were implemented, they would not overcome the fact that TWC is a service agency, not structured to support a regulatory function. This misalignment led Sunset staff to conclude that the Texas Department of Licensing and Regulation (TDLR) could better license and regulate career schools and colleges in Texas.

- **Mission and functional alignment.** TDLR's primary objective is delivering streamlined, effective administration of regulatory programs for more than a million licensees, providing customer service for licensees and the public and ensuring public safety through effective regulation.<sup>28</sup> With a staff of 937 FTEs, TDLR efficiently administers 41 programs.<sup>29</sup> As the state's primary occupational regulator, TDLR already regulates many of the trades for which career schools and colleges train students. Moving the CSC program to TDLR aligns occupational training with occupational regulation. Furthermore, TDLR already provides regulatory or license oversight for many career and technical education programs similar to those CSC regulates, as shown in the accompanying textbox, that are exempt from CSC certification.<sup>30</sup>

#### **Career Schools Regulation**

##### TDLR-Regulated Schools

- Electricians
- Air Conditioning and Refrigeration Certified Technician Training Programs
- Barbering and Cosmetology Schools
- Driver Education and Safety Providers
- Motorcycle Safety Schools

##### CSC-Regulated Schools

- Electrical Equipment Installers
- Heating, Air Conditioning, and Refrigeration Mechanics
- Make-up Artists
- Auto Mechanics
- Truck and Commercial Vehicle Driving

TDLR has the functional and geographic structure to effectively regulate career schools and colleges.

TDLR's ability to successfully manage occupational regulatory programs would allow it to resolve many of the problems identified in the CSC program. The most recent Sunset review of TDLR in 2021 found its enforcement program effectively ensures compliance with statute.<sup>31</sup> TDLR uses the Sunset Commission's Licensing and Regulation Model as a standard to evaluate whether its programs are efficient, effective, fair, and accountable and follow best practices.<sup>32</sup> Applying this model directly addresses CSC's most pressing deficiencies. For example, TDLR has staff dedicated to inspections and compliance, ensuring that programs meet standards and that violations are addressed quickly and effectively.

TDLR also has the functional and geographic structure to ensure effective regulation of career schools and colleges, including on-site visits, inspections, and compliance follow-ups.<sup>33</sup> Additionally, TDLR's size and functional internal alignment allow it to offer more training and skills development to its employees and plan for the long-term success of the agency.<sup>34</sup>

- **TEA and THECB are not appropriate options for transfer.** Sunset staff considered whether other state agencies could assume the responsibilities for regulating career schools and colleges but found no likely benefit to transferring some or all functions to those agencies. The Texas Education Agency (TEA) provides leadership, guidance, and resources to help schools meet students' educational needs.<sup>35</sup> TEA has regulatory functions, including compliance and enforcement. However, TEA focuses primarily on regulating academic institutions and has limited exposure to most career school-type programs. In 2015, as part of the Sunset process, the Legislature transferred the regulation of private driver training from TEA to TDLR because it distracted from TEA's core mission.<sup>36</sup> Regulating career schools and colleges, primarily trade schools, would also distract TEA from its core mission, which is academic education. TEA also lacks the robust regional structure needed to inspect career schools and colleges regularly.<sup>37</sup> The Texas Higher Education Coordinating Board (THECB) provides statewide leadership for Texas' public institutions of higher education to promote quality education and avoid unnecessary duplication among program offerings.<sup>38</sup> However, THECB is not a regulatory agency and lacks the institutional and geographic structure to regulate career schools and colleges effectively.<sup>39</sup>

TDLR is the best option for regulating career schools and colleges.

### **Nonstandard statutory provisions and agency procedures present unnecessary hurdles to licensees and reduce regulatory efficiency.**

Regardless of which agency regulates career schools and colleges, statute governing the CSC program contains provisions which inhibit efficiency and effectiveness and should be updated.

- **Subjective statutory qualification for licensure.** Qualifications for licensure should be clear and objective and should not unreasonably restrict entry into practice. The CSC program's statute contains language requiring the agency to find "the school's or college's administrators, directors, owners,

and instructors are of good reputation and character” before approving the school’s certification application.<sup>40</sup> While of course Texas wants CSC operators to be of good character, the phrase “good reputation and character” is inappropriately subjective and vague and could create barriers to certifying otherwise qualified schools. Removing this subjective requirement would better align the program’s evaluation of applicants with other, more objective and verifiable statutory requirements for licensure such as those related to criminal and business history.

- **Burdensome certification renewals.** A regulatory agency should have flexibility in its renewal process to most efficiently regulate activities subject to its jurisdiction. Statute requires career schools and colleges to renew their certificates annually.<sup>41</sup> Requiring annual renewals in statute is unnecessarily restrictive, creating an administrative burden and cost for the schools and limiting the agency’s ability to manage staff workload and streamline regulations. Authorizing the agency to renew certifications every two years rather than annually could ease the regulatory burden on career colleges and schools.
- **Inefficient inspection procedures.** An agency should have processes in place to evaluate the risk posed by entities and individuals subject to inspection and allocate most staff time and resources to the highest-risk areas. As the number of schools in the CSC program has grown, TWC has struggled to keep up with statutorily required inspections, resulting in a backlog that delays renewals and leaves little time for TWC to focus on higher-risk programs. Furthermore, TWC identified the small career schools and colleges, which are exempt from the renewal inspection requirement, as a greater risk. Program staff stated small career schools and college are more likely to be problematic due to tighter funding margins and limited administrative capabilities. Because TWC is backlogged with the required renewal inspections, the agency has limited capacity to conduct risk-based inspections, meaning the smaller, higher-risk schools never receive risk-based inspections. Additionally, the current schedule of required inspections is predictable, hindering CSC’s ability to minimize risk year-round. Set inspections allow schools to temporarily comply with standards when they know they will be inspected. Giving the agency greater flexibility to decide when inspections are necessary would focus efforts on high-risk career schools and colleges, better protect the public, and maximize limited inspection resources.
- **Restrictive fee authority.** As a general principle, agencies should be able to set fees as needed to cover the costs of operations and, when fee revenue greatly exceeds appropriations, lower fees for licensees. Fees for almost every aspect of certifying, maintaining, and renewing a career school or college’s certification are set in statute, limiting the agency’s ability to lower or raise fees based on administrative costs.<sup>42</sup> For example, fees for initial certification, renewal, name or address changes, or adding additional programs are set in statute, which has not changed since 2007. However, TWC did use its limited statutory flexibility to lower renewal rates in 2012. Because fees

Annual renewals are an unnecessary administrative burden for schools.

TWC cannot keep up with statutorily required inspections, much less conduct risk-based inspections.

are set in statute, the agency has limited flexibility to adjust fees and match the actual costs of administering the program. More flexibility in setting fees would allow the agency to ensure a funding structure that supports operations while also being fair to licensees, ensuring regulatory fees are appropriate for cost recovery.

The agency lacks measures that directly reflect the outcomes or efficiency of its regulatory activity.

### **The performance measure relating to career schools and colleges does not meaningfully reflect agency performance.**

TWC has only one regulatory performance measure — the number of licensed career schools and colleges — which is a key measure included in the GAA. For fiscal year 2025, the agency exceeded the target of 680 licensed schools by 86. TWC has met this performance measure target each fiscal year since the agency’s last Sunset review in the 2014-15 biennium. However, the agency lacks measures that directly reflect the outcomes or efficiency of its regulatory activity such as the percentage of licensees with no recent violations or the number of inspections completed. As such, the Legislature could benefit from assigning measures for regulating career schools and colleges that more closely align with the performance measures of other regulatory agencies, particularly TDLR.

## **Sunset Staff Recommendations**

### ***Change in Statute***

#### **2.1 Transfer the regulation of career schools and colleges to TDLR.**

This recommendation would transfer the regulation of career schools and colleges from TWC to TDLR no later than September 1, 2028. TDLR has the tools and resources to provide robust administrative support services and to efficiently regulate career schools and colleges, which would better protect licensees and consumers. This recommendation would include the following provisions:

- **Coordinate for administrative transition.** This provision would require TWC to provide TDLR access to all systems and information needed to effectively absorb the program, including licensing, revenue, and expenditure systems; rights to contracts and agreements; use of online renewal and new application systems; and review and resolution of pending judgments and outstanding expenditures.
- **Address legislative issues.** This provision would direct Sunset staff to work with staff from TDLR, TWC, and the Texas Legislative Council in the drafting of bill language to accurately account for any other legal and administrative aspects the transfer entails. To support the transition without any loss of services, the Legislature would need to enact appropriations contingency riders to allow for interagency financial agreements between TDLR and TWC.

#### **2.2 Remove barriers that limit the agency’s ability to ensure students receive refunds when career schools and colleges close.**

This recommendation would:

- Remove the statutory refund cap of \$150,000 per campus and instead require the agency to adopt a per-campus payout cap in rule. This recommendation would allow the agency flexibility to evaluate

potential liabilities and adjust the payout cap as necessary to ensure students are protected when career schools and colleges close.

- Require the agency to establish a time limit for students to apply for a TTA refund in rule. This recommendation would prevent the unending liability statute currently allows and better ensure the long-term sustainability of the TTA.
- Require the agency to identify in rule the information career schools and colleges must provide the agency when students enroll. This recommendation would allow the agency to ensure it has the necessary information to notify students of TTA refunds and other opportunities available to them if their school closes.

As a management action, this recommendation would direct the agency to develop comprehensive policies and procedures governing the agency's response to school closures, including procedures for contacting students and providing TTA refunds.

Taken together, these recommendations would better enable the agency to protect students when career schools and colleges close and ensure the TTA has sufficient funding.

### **2.3 Remove a subjective qualification for licensure from statute.**

This recommendation would remove the outdated requirement that the school's or college's administrators, directors, owners, and instructors are of good reputation and character, which is unclear, subjective, and difficult to enforce. The agency would still assess key school staff by reviewing criminal and business history information to determine eligibility for certification.

### **2.4 Authorize the agency to provide biennial renewal for career school or college certification.**

This recommendation would authorize but not require the agency to provide biennial renewal for career school or college certification. The agency would determine the appropriate renewal frequency for regulatory oversight. When considering whether to allow certificate holders to renew biennially, the agency should conduct a cost-benefit analysis to identify potential efficiencies in staff time and resources as well as any associated savings or losses based on the timing of renewals. This recommendation would provide flexibility for the agency to reduce time spent processing renewals and alleviate a burden on the regulated community without compromising agency oversight of the industry.

### **2.5 Require the agency to establish a risk-based approach to inspections.**

This recommendation would remove prescribed inspection schedules from statute and rule and instead require the agency to adopt policies formally guiding the prioritization of inspections based on risk to consumer welfare. In establishing these policies, the agency would develop an assessment tool to determine how frequently and intensively staff must be involved in various inspections based on key risk factors such as past and repeated violations and volume of complaints. This recommendation would also authorize the agency to use alternative inspection methods, such as desk audits or videoconferencing instead of in-person on-site visits, for inspections deemed low-risk. This recommendation would not adjust requirements related to pre-licensure inspections. Establishing a risk-based approach to inspections would ensure the agency efficiently allocates resources toward the highest risks to the public.

## **2.6 Remove restrictive fee authority from statute.**

This recommendation would eliminate the statutory fee amounts set for the CSC program. Instead, the agency would be authorized to set the fees in rule as necessary to recover the costs of administering the program. The Legislature would continue to oversee the agency's expenditures through the appropriations process to ensure fees generate appropriate revenue in the future.

### ***Change in Appropriation***

## **2.7 The House Appropriations and Senate Finance committees should consider adjusting performance measures for the regulation of career schools and colleges.**

This recommendation would express the will of the Sunset Commission that the Legislature consider adjusting performance measures for the regulation of career schools and colleges to align with those of other regulatory agencies, particularly TDLR. Measures such as number of inspections performed and percentage of licensees with no recent violations will better inform the Legislature about the efficiency with which the agency performs its licensing and enforcement activities.

## **Fiscal Implication**

While these recommendations will likely have a positive fiscal impact, the exact amount cannot be determined at this time. Transferring the CSC program to TDLR will have upfront costs, but these costs would be offset in the longer term by administrative efficiencies. Furthermore, several of these recommendations would reduce administrative burdens on program staff, creating additional administrative efficiencies.

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- <sup>1</sup> All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 132.001(1), Texas Education Code.
- <sup>2</sup> 40 Texas Administrative Code (TAC), Part 20, Chapter 807, Subchapter O, Section 807.284(a) (2021) (Texas Workforce Commission (TWC), *Reporting*).
- <sup>3</sup> TWC, *Self-Evaluation Report*, August 2025, p. 281, accessed online April 9, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report_0.pdf).
- <sup>4</sup> Sections 132.055(a), 132.056(d) and (f), Texas Education Code.
- <sup>5</sup> Section 132.056(b), Texas Education Code.
- <sup>6</sup> Sections 132.002 and 132.054, Texas Education Code.
- <sup>7</sup> TWC, *Legislative Appropriations Request For Fiscal Years 2026 and 2027*, September 6, 2024, p. 20, accessed online April 9, 2026, <https://www.twc.texas.gov/sites/default/files/finance/docs/legislative-appropriations-request-fy2026-2027-twc.pdf>.
- <sup>8</sup> Sunset Advisory Commission, *Sunset Licensing and Regulation Model*, November 2025, accessed online April 22, 2026, <https://www.sunset.texas.gov/public/uploads/2025-12/FY26-27%20Sunset%20Licensing%20and%20Regulation%20Model%20For%20the%20Web.pdf>.
- <sup>9</sup> Section 325.010(a)(3), Texas Government Code.
- <sup>10</sup> Section 325.010(a)(4), Texas Government Code.
- <sup>11</sup> Section 325.012, Texas Government Code.
- <sup>12</sup> Section 132.002(h), Texas Education Code.
- <sup>13</sup> Chapter 620 (HB 333), Acts of the 62nd Texas Legislature, Regular Session, 1971.
- <sup>14</sup> Chapter 260 (SB 1), Acts of the 74th Texas Legislature, Regular Session, 1995. (General and Special Laws of Texas), accessed online April 9, 2026, <https://lrl.texas.gov/legis/billsearch/BillDetails.cfm?legSession=62->.

- 15 40 TAC, Part 20, Chapter 807, Subchapter S, Section 807.351(a) (2022) (TWC, *Sanctions*); Section 132.152, Texas Education Code.
- 16 Section 132.002, Texas Education Code.
- 17 Section 132.242, Texas Education Code.
- 18 Section 132.2415(b), Texas Education Code.
- 19 Section 132.2415(d), Texas Education Code.
- 20 Section 132.242(e), Texas Education Code.
- 21 TWC, *Self-Evaluation Report*, August 2025, p. 284, accessed online April 9, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report_0.pdf).
- 22 U.S. Department of Education Office of Career, Technical, and Adult Education, “Indicators of Performance,” 3S1, accessed online April 9, 2026, <https://cte.ed.gov/accountability/core-indicators>.
- 23 40 TAC, Section 807.284(d).
- 24 40 TAC, Section 807.284(e).
- 25 TWC, “Licensed Career Schools and Colleges Directory Search,” accessed on April 9, 2026, <https://apps.twc.texas.gov/CSC/directory/search.do>.
- 26 Ibid.
- 27 Section 132.055(b)(9), Texas Education Code.
- 28 Texas Department of Licensing and Regulation (TDLR), *2025–2029 Strategic Plan Leading Texas to a Brighter, Stronger Future*, June 1, 2024, pp. 2-7, accessed online April 9, 2026, <https://www.tdlr.texas.gov/StratPlan/2024/TDLR-Strategic-Plan-FY-2025-29.pdf>.
- 29 TDLR, “Regulated Industries,” accessed online April 9, 2026, <https://www.tdlr.texas.gov/>; TDLR, *2025–2029 Strategic Plan Leading Texas to a Brighter, Stronger Future*, June 1, 2024, p. 31, accessed online April 9, 2026, <https://www.tdlr.texas.gov/StratPlan/2024/TDLR-Strategic-Plan-FY-2025-29.pdf>.
- 30 TDLR, “Regulated Industries,” accessed online April 9, 2026, <https://www.tdlr.texas.gov/>; TWC, “Licensed Career Schools and Colleges Directory Search,” accessed on April 9, 2026, <https://apps.twc.texas.gov/CSC/directory/search.do>.
- 31 Sunset Advisory Commission, *Texas Department of Licensing and Regulation Staff Report with Final Results*, June 2020, p. 1, accessed online April 9, 2026, [https://www.sunset.texas.gov/public/uploads/files/reports/Texas%20Department%20of%20Licensing%20and%20Regulation%20Staff%20Report%20with%20Final%20Results\\_6-30-21.pdf](https://www.sunset.texas.gov/public/uploads/files/reports/Texas%20Department%20of%20Licensing%20and%20Regulation%20Staff%20Report%20with%20Final%20Results_6-30-21.pdf).
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- 34 Ibid.
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- 37 Ibid., pp. 35-36.
- 38 Section 61.051(a), Texas Education Code.
- 39 Sunset Advisory Commission, *Texas Higher Education Coordinating Board Staff Report with Final Results*, July 2013, p. 7, accessed online April 9, 2026, <https://www.sunset.texas.gov/public/uploads/files/reports/Higher%20Education%20Coordinating%20Board%20Staff%20Report%202013%2083rd%20Leg.pdf>.
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# ISSUE 3

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

### Background

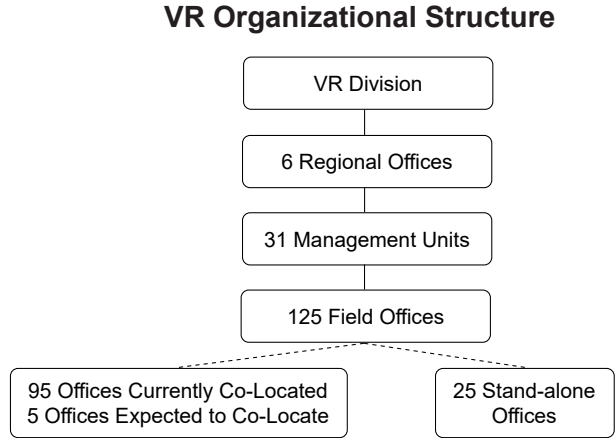
The Texas Workforce Commission’s (TWC) Vocational Rehabilitation (VR) program provides direct services to Texans with disabilities to maximize their opportunities to get, retain, and advance in competitive integrated employment (CIE).<sup>1</sup> CIE refers to work for which an individual with a disability interacts with and receives similar pay to employees without disabilities.<sup>2</sup> VR assistance must be customized to each customer’s unique strengths, resources, priorities, and informed choice.<sup>3</sup> Once a VR counselor (VRC) determines an individual is eligible for VR services, together the VRC and customer write an individualized plan for employment, which states the customer’s desired employment outcome and identifies the services needed to achieve that goal. Some common VR services are listed in the accompanying textbox.<sup>4</sup>

**Common VR Services**

- Making referrals to medical providers for surgeries.
- Helping buy hearing aids, wheelchairs, and prosthetics.
- Offering job placement and job coaching services.
- Covering the cost of a degree or certificate from a college, university, or vocational training program.
- Assisting with a vehicle modification.

As a result of the 2015 Sunset review, TWC has administered the VR program since 2016, following the abolishment of the Department of Assistive and Rehabilitative Services (DARS) due to serious concerns about its inefficient program administration.<sup>5</sup> At DARS, the VR program was split between divisions for rehabilitation services and blind services, each with its own field offices, regions, and processes.<sup>6</sup> One objective of the transfer of VR to TWC was program integration between these two services and between VR and the workforce system. Before the VR program’s transfer, local workforce development boards (LWDB) oversaw a variety of employment services programs at their Workforce Solutions (WFS) offices but with limited coordination for VR customers.<sup>7</sup>

The VR program’s organizational structure is depicted in the accompanying chart. TWC’s VR Division oversees the VR program along with several other programs, including the Older Individuals Who are Blind program. VR regions provide oversight, training, and administrative functions for their respective management units (MU), and VR regional offices house about 200 staff. MUs are responsible for direct service delivery to VR customers, and each MU serves between 741 and 3,478 VR customers. VR field offices house 1,065 core VR service delivery staff, including over 700 VRCs and about 350 rehabilitation assistants, who handle purchasing on cases. Some offices are not co-located due to special circumstances such as a VR office operating on a college campus.



## Findings

### TWC’s insufficient integration of VR with local workforce services creates barriers to effectively and consistently serving VR customers.

- Inconsistent service integration.** Over the last decade, TWC has failed to ensure VR services integrate with the broader workforce system, preventing VR staff and customers from leveraging the specialized resources and employer networks of LWDBs.<sup>8</sup> Following the transfer of VR services, TWC mainly focused on physical integration — namely, co-locating VR and WFS offices to fulfill the Legislature’s intent of having VR customers in the same physical space as employment services assistance.<sup>9</sup> However, TWC largely delegated its role in service integration to local VR and WFS staff with minimal oversight, failing to achieve the functional one-stop delivery model for employment services described in the textbox.<sup>10</sup> Though the majority of VR staff are co-located with WFS, co-location has not widely or consistently led to programmatic integration, which is necessary for creating a one-stop delivery system. Ideally, the one-stop delivery model promotes the co-enrollment of customers in multiple programs and better allows VR customers to benefit from WFS employment services and allows eligible WFS customers to receive VR services.

**One Stop for Employment Services**

The goal of a one-stop delivery system is a seamless service delivery network that enhances a customer’s easy access to programs’ services and improves long-term employment outcomes for individuals receiving assistance.

VR customers would benefit from WFS expertise during job placement.

The effectiveness of coordinating services for customers who are eligible for assistance across multiple programs varies widely across the state. Effective referrals and VR’s ability to use the employment expertise of WFS during a VR customer’s job placement depends on individual staff initiative rather than standardized policy. In some local offices, VR integrates well with local WFS staff; in others, integration is practically nonexistent. Sunset’s statewide survey of VR and LWDB staff underscored this lack of uniformity and consistency, with respondents reporting a wide range of views on the effectiveness of the referral process, suggesting a systemic failure to establish consistent processes statewide. These inconsistent processes negatively affect co-enrollment rates. Some local offices developed referral processes that result in as many as 23 percent of customers being co-enrolled in services while other offices co-enroll zero customers. Given that the average co-enrollment of customers in the VR program statewide was about six percent in program year 2024, VR customers are largely not benefiting from WFS employment services and expertise during their job placement, impeding a customer’s informed choice and long-term employment outcomes.<sup>11</sup> Without full integration and coordination, VRCs are unable to maximize services for VR customers.

- No integrated service delivery model.** TWC has not yet developed a standard and comprehensive model for effective coordination between VR and WFS. Although the agency recently made progress towards this goal, more work is needed to ensure VR provides customers with effective

and consistent services. Recognizing the challenges some offices have with referrals, the VR program conducted a pilot project, which began in December 2024, with four MUs to develop and refine a standard referral process to improve customer co-enrollment and service coordination. The pilot identified successful factors in local referral processes and elements of service integration necessary to enhance employment opportunities and outcomes for co-enrollment, as listed in the textbox below.

### Elements of Service Integration

- Integrated service delivery for the range of services and activities available in local offices
- A referral process for co-enrolled WFS-VR customers: either a VR customer who may benefit from WFS employment services or a WFS customer who may be eligible for VR services
- Joint cross-training for WFS and VR staff to promote visibility into each other's services
- Data sharing between WFS and VR staff, especially data on co-enrolled WFS-VR customers
- Accessibility of all one-stop delivery centers, including physical, programmatic, and communicative accessibility for individuals with disabilities
- Employer engagement coordination
- Youth services collaboration

Based on the results of the pilot, the VR program created a template memorandum of understanding (MOU) that included the elements of service integration but stopped short of specifying how VR and WFS would work together to achieve each element. TWC intended for each LWDB to use the template to create an individualized MOU based on local processes, which would have resulted in 28 different MOUs and further perpetuated inconsistencies with VR integration. The VR program halted the project during the Sunset review in anticipation of potential recommendations in this area. Service integration should follow one standard statewide model that establishes best practices and promotes consistency, allowing the state to further the goal of offices becoming one-stop delivery centers for employment services.

Integration would better enable local offices to become true one-stops for employment services.

- **Reversing co-location.** TWC lacks a formal framework for addressing co-location, which has allowed some offices to begin returning to stand-alone operations, further fragmenting service delivery. In some regions, currently integrated WFS-VR offices are in the process of reverting back to separate facilities. This recent trend of reversing co-location jeopardizes the progress TWC has made towards integration. Although TWC contractually requires a LWDB to consult with VR at the onset of planning, a LWDB can unilaterally decide to choose an office that is unsuitable for VR. Some LWDBs are transitioning towards a new service delivery model by downsizing and relocating WFS offices to public buildings closer to WFS customers such as community libraries or industrial neighborhoods. These locations and spaces are insufficient to house VR staff or are geographically distant from VR customers, which will result in six co-located offices

Reversing co-location jeopardizes the progress TWC has made towards integration.

separating in fiscal year 2026. A TWC framework for co-location would offer consistent guidance regarding when reversing co-location is or is not appropriate and would obligate LWDBs and VR to consider the selection of new office sites and the renewal of leases together. A formal framework would consider the benefits of co-location compared with other local needs, such as WFS and VR population distributions, and the costs of co-location and reversing co-location. The framework would prevent LWDBs from making decisions that undermine the one-stop delivery system goal. Without an overarching framework by TWC and a joint agreement mechanism between LWDBs and TWC-VR, progress already made on co-location will regress, reducing the efficient and effective delivery of VR services.

- **Misalignment with LWDB areas.** TWC misaligned MU areas with LWDB areas and has not assessed the effectiveness and efficiency of this structure. Although LWDBs and MUs co-locate about 80 percent of offices, their geographic areas do not align, as shown in Appendix D. This misalignment is partially a holdover from DARS when TWC merged

**Misalignment of LWDBs and MUs by Region**

TWC-VR Region	LWDBs	MUs
Panhandle/West Texas	7	6
Dallas/Ft. Worth	4	7
Central Texas	5	4
East Texas	4	3
Gulf Coast	1	5
South Texas/Valley	7	6

rehabilitation and blind services and the VR program chose to create a new administrative structure — the management unit — that does not align with LWDB areas. MU borders are poorly defined, and TWC had difficulty creating an accurate map of MU borders for Sunset staff, suggesting the agency itself lacks full visibility on its MU structure. Conversely, LWDB boundaries are clearly defined, so MU borders would be easy to align. The accompanying table shows the misalignment between the number of LWDBs and MUs in each region. Aligning LWDB areas and MUs would streamline service integration processes, allowing VR to better serve its customers.

**VR’s inefficient administrative structure misallocates personnel and funding resources, exacerbating pressures at the local level to the detriment of customers.**

- **Outdated regional structure.** Although TWC largely maintained the DARS regional administrative structure to minimize disruption during the transfer, the agency failed to evaluate whether that structure remained operationally sound until late in the Sunset staff review. DARS’ regional offices originally served to bridge the gap when limited technology restricted the state office’s visibility into field office activity. This layer is no longer efficient for VR services, and resources currently used to maintain this structure could be redirected to better serve VR customers. Today, through technology advancements in videoconferencing and hybrid forms of communication, the state office maintains more direct supervision over MUs, largely reducing the need for the regional middle-management structure. Continuing this legacy regional administrative structure is an ineffective use of state resources.

- **Inefficient distribution of functions.** TWC failed to solidify the operational role and function of VR regional offices, resulting in a blurred delineation of duties between the state office, regional offices, and MUs. The regional office’s purpose is defined solely in the staff’s job titles and descriptions, instead of being a clear operational role established and communicated by TWC’s leadership. In practice, the regional structure unnecessarily splinters functions among the state office, regional offices, MUs, and field offices, as shown in the *VR Distribution of Functions* table.

### VR Distribution of Functions

Function	Inefficient Workload Distribution
Budget	The state office and MUs are responsible for budgeting, but regional staff reconcile budgets among MUs once a week.
Administration	The regional offices are involved in preparing management and productivity reports, but MUs also collect data and report performance measures.
Oversight	MU staff conducts about 11 types of case reviews while regional staff conducts two separate types of case reviews.
Training	The state office establishes new VRC training, but regional staff provide ad hoc trainings upon the request of a field office or MU.
Employer relations	The regional office performs outreach to potential employers of VR customers, but this role is similar to the work of WFS and its employer relations duties and capabilities.
Vendor relations	Multiple administrative levels and lateral regional positions feed into vendor relations, which includes but is not limited to service provider recruitment and assessment, contract management, and local hospital outreach.

Responsibility for vendor relations is particularly fragmented. For example, while regional staff recruit and assess new medical service providers and manage hospital contracts, TWC’s Procurement and Contract Services Department manages the actual hospital bids, and MU staff and VRCs conduct their own local hospital outreach to address immediate needs for individual cases or to address local needs that upper administrative levels do not pursue. Redistributing these regional staff responsibilities to the state office or the MU or aligning them with existing workforce system functions would eliminate this redundancy and allow the agency to establish a more efficient, clearly defined administrative structure to better support VRCs.

- **Overwhelmed local staff.** VR’s current administrative structure has failed to ensure field staff can appropriately focus on customers. Field office staff reports being pulled away from core duties to provide administrative or business development functions that should be handled at another organizational level. For example, VRCs and rehabilitation assistants have been forced to take on additional duties such as budget management, employer relations, and vendor outreach, leaving them unable to focus exclusively on customers. This practice has not only placed a strain on field staff, it has also led to increased frustration among VR customers and stakeholders who report a lack of timely responses from VR staff. Customers

VR’s administrative structure fails to ensure field staff can focus on customers.

indicate that there have been weeks or months-long delays in responding to time sensitive customer communications and failures to alert a VR customer to a change of VRC. Furthermore, lags in communication can lead to non-compliance with federal requirements to prepare an individualized plan for employment within 90 days of an eligibility determination. The VR program can alleviate this problem by redistributing some regional staff down to the local level to reduce pressures on core service delivery staff.

### **Inadequate upfront training for new VRCs exacerbates high turnover that negatively impacts VR customers.**

The current VRC training program does not frontload trainings and omits important training topics, which leaves new VRCs ill-prepared to manage the complexity and volume of an average VRC caseload. Critical training, such as on policy interpretations of the VR Services Manual (VRSM) or on case management software, is either delayed for months or omitted entirely. Without sufficient support at the beginning of the job, many new VRCs cannot keep pace with the work and choose to leave. Over the last four fiscal years, new VRC turnover has ranged from 20 to 35 percent annually. Cumulatively, this turnover has resulted in over half of VRCs being entry-level staff today. VRC turnover negatively impacts VR customers; the average length of a VR case is 2.4 years, so the compounding effect of annual turnover creates a cycle of disruption in service delivery to customers.<sup>12</sup> Turnover further compounds the staffing crisis as remaining VR staff inherit cases, which can double their workload. This prevents staff from taking timely action as they work to familiarize themselves with inherited cases, creating significant delays in service delivery for customers.

A VRC's average caseload has increased 34% over the last four years.

The average caseload for VRCs has increased 34 percent over the last four years, from 78 cases in fiscal year 2021 to 105 cases in fiscal year 2025. Despite this growth, a new VRC manages a caseload without basic training on fundamental VR processes, allowable expenses, and quality documentation. Furthermore, most trainings do not align with new VRC hire dates. This is particularly concerning given that a new VRC does not need a VR educational background and is not required to attain a graduate degree in VR for eight years following employment.<sup>13</sup> The table on the following page contrasts the timeframe and scope of the current training program with the needs of new VRCs.

### Training Program for New VRCs

Training Program Component	Timeframe	Problem
<b>TWC Training</b>	Two weeks beginning from hire date (protected time)	<b>Limited scope:</b> VRCs complete TWC-specific trainings such as cybersecurity, ethics, and fraud awareness. VRCs do not complete VR process trainings.
<b>VR Division Training</b>	Six months, beginning from hire date	<b>Delayed impact:</b> VRCs can manage a caseload immediately following the two weeks of protected time and before receiving formal trainings. The VR program requires four classes spread out over the six-month period on VR historical foundations, process fundamentals, quality documentation, and introduction to services, all of which occur too late after hire.
<b>Specialized VR Caseload Learning Plan</b>	Independent timeline and pre-scheduled office hours	<b>Inconsistency and delayed impact:</b> A learning plan includes a non-mandatory reading component of the VRSM for policies that relate to that VR specialization, such as for customers who are blind or visually impaired, and mandatory attendance of a VR program specialist's virtual office hours, during which the two discuss the program specialist's availability to staff cases or the program specialist provides guidance to the new VRC on how to adhere to policies when serving customers. There is no formal training on how to interpret VRSM policies, which leads to varying service delivery based on a VRC's individual interpretation. Subject matter expert office hours do not align with a new VRC's start date.
<b>Case Management System (RehabWorks)</b>	None	<b>Trial and error:</b> With limited training and no navigation manual for RehabWorks, which is a VRC's only software for case management, VRCs resort to trial and error to learn how to use it.
<b>Mentorship</b>	Six months, beginning from hire date	<b>Inconsistency:</b> Mentoring guidelines should be established at the state level rather than lower administrative levels to ensure consistency in VRC support.

A critical topic not covered in new VRC training is how to read and interpret the VRSM, which is over 800 pages long. The VRSM details all VR program policies and procedures to ensure that the program is compliant with federal, state, agency, and program rules and regulations. The VR caseload learning plan includes a non-mandatory reading component of specific sections of the VRSM. However, there is no training that provides guidance on how to interpret and implement VRSM policies. As a result, VRCs do not consistently apply VRSM policies statewide. The textbox on the following page describes a variety of VR policy interpretations not included in the training program.<sup>14</sup>

### VRSM Policy Interpretation Training Gaps

- **VR eligibility determination policy**

A potential VR customer must meet four eligibility criteria:

- Applicant has a physical or mental impairment.
- Applicant’s impairment constitutes a substantial impediment to employment.
- Applicant requires TWC-VR services to get, retain, or advance in employment.
- Applicant stands to benefit from services in terms of an employment outcome.

The VR program does not provide VRCs sufficient training on eligibility determinations, particularly whether a disability is a “substantial impediment to employment.” Although the first criterion is a more standard determination due to medical documentation requirements, the federal definition of a substantial impediment to employment is highly permissive, and VRCs lack practical guidelines on how to apply it. For example, one way to determine what is or is not a substantial impediment to employment would be an assessment of the functional limitation resulting from the individual’s disability and the impact it has on the customer’s employment, education, and independence — an assessment the training currently does not cover.

- **Comparable services and benefits policy**

Before providing any VR service, the VR program must determine whether comparable services and benefits are offered by any other program and are available to the customer. This policy ensures that VR expends funds efficiently when other resources are available and makes the VR program the payer of last resort. The VRSM lists 31 types of comparable services and benefits, none of which are comprehensively included in the VRC training program. For example, a deaf tuition waiver allows a student who is hearing impaired to attend a public, in-state university for free. However, some students request a waiver to this comparable benefit to go to a private, out-of-state, all-deaf college. Accommodating such a request does not comply with policy if an in-state, public college offers the student’s academic program of choice and provides all accommodations. Without proper training, some VRCs use their own discretion to grant waiver requests, which is a misapplication of policy that leads to VR customers receiving inconsistent services depending on the VRC.

- **“Unable to locate/contact” policy**

After three attempts to contact a nonresponsive VR customer, a VRC can close that customer’s VR case. However, some VRCs interpret this policy as only applicable before a VR participant starts to receive services and that to close a VR case, a VRC needs customer consent. In this case, if the VR customer does not respond to VRC communications, the case remains open indefinitely, and VR staff continues to dedicate time to locate a nonresponsive VR customer.

Texas VR is not alone in having high turnover rates for new VRCs or underdeveloped trainings. A national study on the training needs of state VR agencies identified a correlation between VRC attrition and lack of training opportunities.<sup>15</sup> In fact, employee training was reported as a top-three factor to enhance service delivery within state VR agencies.<sup>16</sup> To better serve VR customers and lower attrition, the VR program can run a more robust training program that properly supports VRCs.

**The current VR case review system is inefficient and limits the program’s ability to prioritize high-risk cases while diverting staff time from critical training and support activities for VRCs.**

VR case reviews involve a VR supervisor using guiding questions to check that a VRC’s actions comply with statute, rule, and policy and to assess the quality of their decision making.<sup>17</sup> Shortcomings with the current system undercut the effectiveness of reviewing cases to monitor compliance and using the results of case reviews to improve VRC performance.

- **10 percent threshold.** Statute requires the VR program to review a minimum of 10 percent of all cases annually, a practice that has become operationally unmanageable.<sup>18</sup> The 10 percent threshold resulted from the 2015 Sunset review of DARS, which found that the agency inconsistently reviewed VR cases across its 17 regions, from 1.9 percent to 39 percent of total cases.<sup>19</sup> As a result, Sunset recommended an across-the-board 10 percent minimum for the new uniform case review system.<sup>20</sup> The 10 percent threshold means that the number of cases for review increases proportionally to the total number of VR cases, which has steadily grown.<sup>21</sup> Over the past five state fiscal years, the number of VR participants increased from 78,617 to 86,125, representing a 9.6 percent increase. As the VR population continues to grow, the 10 percent threshold will no longer be sustainable for agency operations.

Replacing the current 10 percent threshold with a statistically valid sampling methodology is an industry-recognized approach. TWC has determined that this methodology significantly reduces the number of required annual case reviews its staff would have to perform. Using fiscal year 2025 data as a baseline, the total count of 86,125 cases would require 8,612 reviews under the 10 percent threshold. Transitioning to the statistical sampling model reduces the required reviews by more than half, to 4,272 cases. This approach maintains oversight regardless of whether the VR customer population continues to grow. TWC estimates using the statistical sampling methodology would reduce the time staff spends on case review from 30 to 10 percent. This operational change in the case review process would allow VR supervisors and other senior staff to focus more time on training and coaching VRCs, ultimately providing customers with better-trained VRCs to meet customer needs.

- **High-risk protocol.** VR’s current risk matrix fails to differentiate between varying degrees of risk, potentially allowing high-risk cases to go without review. The VR program has a matrix to determine which cases have a higher chance of being pulled for case review, but it omits important risks such as a conflict of interest. VR’s state fiscal year 2026 case review system included 11 risk focus areas, including VR eligibility determination and length of time a case remains open. If eligibility determination lasts longer than 90 days and therefore out of compliance with federal guidance, case review may provide VR leadership insight into process failures. The length of time that a VR case remains open could signal to the agency that customers may

As the VR population has grown, the 10% review threshold has become unsustainable.

VR’s current risk matrix fails to adequately differentiate between varying degrees of risk.

not be receiving adequate and timely services. However, VR’s risk matrix assigns the same risk level to a case open for 22 years — the oldest in the system — as it does to a case open for just over two years. The average VR case lasts 2.4 years, so most VR cases could trigger review based on the length of time the case has been open.<sup>22</sup> This results in an over-saturation of reviews for standard cases, decreasing VR’s focus on higher risk cases in this category.

TWC’s case review process omits cases with potential conflicts of interest.

Even more concerning, the current risk protocol omits case review guidance for VR cases with a higher potential for conflicts of interest. Currently, the VR program has cases involving family members of VR staff and 122 cases involving staff members who are themselves active VR customers. Although the VR program is in the process of updating its ethics policy to establish guardrails against conflicts of interest between its staff and customers, TWC should still review these types of cases to prevent potential fraud. Despite the inherent risk, TWC lacks a dedicated review process to ensure these sensitive cases are handled with appropriate oversight to limit the potential for VR staff or family members to receive unfair preferential treatment.

**The VR program restricts vendor certification options for job placement services, creating an unnecessary barrier to becoming a VR vendor and limiting vendor options for customers.**

While credentialing is key to ensure quality of services, it should not arbitrarily overburden vendors. The VR program already faces significant vendor availability and retention issues across the state, particularly in rural areas where “provider deserts” force some vendors to serve nearly twice as many customers as their urban counterparts. Vendor availability issues also negatively impact VR customers, who are put on waitlists and receive delayed services or have limited service options.

**UNT WISE Cost and Duration**

Credential	Cost	Duration
Job Skills Training	\$135	Six weeks
Job Placement	\$280	Six weeks
Supported Employment	\$420	Six weeks
Autism Endorsement	\$27	Self-paced
Blind Premium Endorsement	\$45	Self-paced
<b>Total</b>	<b>\$907</b>	<b>18+ weeks</b>

Job placement, job skills, and supported employment are VR services that tend to be for individuals who have an intellectual or developmental disability and require specialized support to successfully acclimate to new work spaces or for individuals who are blind and visually impaired and require additional assistance to orient themselves in a new environment.<sup>23</sup> For these services, the VR program exclusively accepts certification from the University of North Texas (UNT) Workplace Inclusion and Sustainable Employment (WISE) program.<sup>24</sup> The accompanying table shows the cost and duration of training to obtain the UNT WISE credentials.

A VR vendor must pay \$907 for each of its employees to become certified — a financial burden compounded by an employee’s inability to bill for services during the more than 18-week long credentialing period.<sup>25</sup> An individual

seeking certification may not enroll in the job skills, job placement, and supported employment credentials concurrently, as each is a prerequisite for the next.<sup>26</sup> This financial burden is even greater considering the VR rate for services does not reflect providers' costs and the current economic environment. A VR vendor who must spend thousands of dollars on certification is less likely to enter into new, costlier markets, such as in rural communities, where mileage reimbursements and long drive times create a financial disincentive to serve rural clients.

Accepting only the UNT WISE certification creates an unreasonable barrier to serving as a VR vendor given that other nationally recognized certification options exist that are not as expensive and time intensive. For example, the Association of Community Rehabilitation Educators (ACRE) endorses a multitude of entities to provide programs that last a minimum of 40 hours and cost a total of \$50.<sup>27</sup> Other states, including Pennsylvania, Tennessee, and South Carolina, currently accept ACRE certification to qualify their VR vendors.<sup>28</sup> In fact, the UNT WISE program is itself ACRE certified. Although DARS instituted this requirement for a UNT WISE certification around 2013, the VR program has not reassessed the policy since that time to account for alternative credentials or address the current provider shortage.

Other vendor certification options are not as expensive and time intensive.

## Sunset Staff Recommendations

### *Change in Statute*

#### **3.1 Require TWC to define TWC-VR integration and its objectives in rule.**

This recommendation would require TWC to define integration with VR in rule. The elements of integration that TWC must at a minimum include are:

- A co-enrollment referral process for dual customers of VR and WFS
- A data-sharing policy that facilitates the referral process as efficiently as possible
- Accessibility of all integrated WFS-VR spaces
- Joint cross-training for WFS and VR staff on each other's services
- Employer engagement
- Youth services programs

As a management action, this recommendation would also require TWC to develop a comprehensive framework on co-location that provides guidance on when reversing co-location is or is not appropriate, balancing the statewide priority to co-locate with local realities. As part of this framework, TWC must amend its contract with the LWDBs to require that boards receive TWC approval in instances where the boards intend to de-integrate an integrated office.

This recommendation would clearly and comprehensively define the elements of integration for standardization to ensure the efficient, consistent, and fair provision of services to VR customers across

the state. This recommendation would also elevate the VR program in the decision-making process regarding when de-integration is appropriate or not in the mutual interest of TWC, the LWDB, and VR.

### **3.2 Modify statute regarding the case review system from a 10 percent minimum requirement to a statistical sampling methodology.**

This recommendation would replace the statutory requirement that 10 percent of total cases by region be reviewed annually with a requirement that TWC instead use a statistical sampling methodology. Additionally, this recommendation would remove the required high-risk protocol in statute and require TWC to establish a high-risk protocol in rule. At a minimum, the rule must include a provision requiring review of cases for which the customer has a family member who is a VR employee, cases in which VR employees are customers, and cases that have been open for 10 years or more. TWC would retain the discretion to lower the 10-year minimum. This recommendation would refocus the current case review process from quantity to quality of cases, allowing reviewers to focus more time on coaching VRCs and prioritizing areas of highest risk. If the case reviewer finds suspected impropriety, the case reviewer must immediately forward the case to TWC's Fraud Deterrence and Compliance Monitoring Division.

### ***Management Action***

### **3.3 Direct the VR program to abolish its regional structure and redistribute regional personnel and resources.**

This recommendation would remove regions from VR's administrative structure. As part of this recommendation, TWC would close four stand-alone VR regional offices and downsize the one regional office currently integrated with a VR field office. The remaining regional office is part of TWC's main offices in Austin and would not need to be closed. This recommendation would give TWC discretion on the redistribution of about 200 regional full-time employees (FTE) and budget. The VR program should consider redistributing personnel and resources up to the state office or down to the management unit or field office to allow VRCs to focus on executing core duties.

### **3.4 Direct the VR program to align MUs with the 28 LWDB areas.**

This recommendation would direct VR to align its MU boundaries with the 28 LWDB areas and reallocate resources as necessary to ensure sufficient staffing in higher population MUs. It would not require the closure of any VR office that provides direct services. This recommendation would reduce coordination inefficiencies between TWC-VR and LWDBs. Furthermore, the recommendation would promote a seamless, customer-focused service network and a local one-stop delivery system in alignment with federal and state goals.

### **3.5 Direct the VR program to update training for new VRCs to improve curriculum and better prepare staff.**

This recommendation would direct the VR program to update the new VRC training to provide a more structured and supportive training curriculum, ensuring new VRCs receive appropriate training before taking on customer cases. When assessing the efficacy of this new training program, the VR program should solicit input and recommendations from VRCs, VR supervisors, and VR managers on gaps in the current training program and recommendations for additional training topics. The new training program must at a minimum:

- Expand the protected time for orientation from two weeks to one month.

- Require the completion of all four current VR division classes within the protected time.
- Require the curriculum to include VRSM policy interpretations, including eligibility determinations, comparable services and benefits, and unable to locate/contact policies.
- Require the curriculum to provide guidance on how to navigate RehabWorks.
- Establish statewide standards for the mentoring plan.

This recommendation would better prepare and support new VRCs to handle high-volume caseloads and mitigate VRC turnover that negatively impacts VR customers.

### **3.6 The VR program should accept alternative certification for job skills, job coaching, and supported employment services.**

This recommendation would direct TWC to amend standards for its providers policy and accept alternative industry-accepted credentials for employment services such as ACRE certification. This recommendation would remove unnecessary financial burdens on VR vendors and a barrier to entry for new providers, helping to improve limited VR vendor availability, especially in rural areas.

## **Fiscal Implication**

Recommendation 3.3 would have no fiscal impact to the state as VR funding is mostly federal with matching general revenue funds needed to draw down federal dollars. This recommendation would, however, enable TWC to more efficiently use available funds and personnel in the provision of services. The cost of five regional office spaces and about 200 FTE salaries and benefits total about \$10.6 million annually. The removal of the outdated regional structure would make additional funds available, though costs associated with professional fees and services, consumable supplies, travel, and other operating expenses cannot be estimated at this time. All other recommendations could be implemented using existing resources.

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<sup>1</sup> 29 U.S. Code, Section 701(b).

<sup>2</sup> 34 Code of Federal Regulations, Part 361.5(c)(9) (2025).

<sup>3</sup> 34 Code of Federal Regulations, Part 361.1 (2025).

- <sup>4</sup> TWC, “Vocational Rehabilitation – Adults,” accessed online April 20, 2026, <https://www.twc.texas.gov/programs/vocational-rehabilitation/adults>.
- <sup>5</sup> Sunset Advisory Commission, “Summary of Final Results,” *Sunset Staff Evaluation of the Department of Assistive and Rehabilitative Services*, July 2015, accessed online March 23, 2026, <https://www.sunset.texas.gov/public/uploads/files/reports/DARS%20Staff%20Report%20with%20Final%20Results.pdf>.
- <sup>6</sup> *Ibid.*, pp. 12-14.
- <sup>7</sup> *Ibid.*, pp. 42-43.
- <sup>8</sup> Sunset Advisory Commission, *Sunset Staff Evaluation of the Department of Assistive and Rehabilitative Services*, p. 42.
- <sup>9</sup> Sunset Advisory Commission, *Sunset Staff Evaluation of the Department of Assistive and Rehabilitative Services*, “Summary of Final Results”; Sunset Commission, *Report to the 84th Legislature*, February 2015, p. 2, accessed online April 19, 2026, <https://www.sunset.texas.gov/public/uploads/files/reports/TWC%20Agency%20Section.pdf>.
- <sup>10</sup> 20 Code of Federal Regulations, Part 678.300 (2025).
- <sup>11</sup> TWC, *Self-Evaluation Report*, September 2025, p. 145, accessed online April 19, 2026, [https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report\\_0.pdf](https://www.sunset.texas.gov/public/uploads/2025-09/Texas%20Workforce%20Commission%20Self-Evaluation%20Report_0.pdf). The 2024 VR program year ran from July 1, 2024, to June 30, 2025.
- <sup>12</sup> *Ibid.*, p. 147.
- <sup>13</sup> 40 Texas Administrative Code (TAC), Part 20, Chapter 850, Subchapter A, Section 850.11(e) (2024) (Texas Workforce Commission, *Qualified Vocational Rehabilitation Counselor*).
- <sup>14</sup> TWC, *Vocational Rehabilitation Services Manual (VRSM)*, “Part B, Chapter 4: Eligibility Determination,” accessed online May 19, 2026, <https://www.twc.texas.gov/programs/vocational-rehabilitation/vrsm#vrsm-part-b-full-4>; 34 Code of Federal Regulations, Part 361.53 (2025); TWC, *VRSM*, “Part C, Chapter 2.2: Comparable Services and Benefits,” accessed online May 4, 2026, <https://www.twc.texas.gov/programs/vocational-rehabilitation/vrsm#vrsm-part-c-full-2.2>; 34 Code of Federal Regulations, Part 361.18(c)(2)(ii)(A); TWC, *VRSM*, “Part B, Chapter 3: Initial Contacts and Applications,” accessed online May 4, 2026, <https://www.twc.texas.gov/programs/vocational-rehabilitation/vrsm#vrsm-part-b-full-3>; TWC, *VRSM*, “Part B, Chapter 10: VR Case Closure,” accessed online May 4, 2026, <https://www.twc.texas.gov/programs/vocational-rehabilitation/vrsm#vrsm-part-b-full-10>.
- <sup>15</sup> The George Washington University Center for Innovative Training in Vocational Rehabilitation, *Training Needs of State Vocational Rehabilitation Agencies (SVRAs)*, 2020, p. 3, accessed online April 20, 2026, [https://gwccre.org/resource/2020\\_08\\_NarativeReport\\_Training-Needs-of-SVRAs.pdf?is\\_citvr=true](https://gwccre.org/resource/2020_08_NarativeReport_Training-Needs-of-SVRAs.pdf?is_citvr=true).
- <sup>16</sup> *Ibid.*
- <sup>17</sup> All citations to Texas statutes are as they appear on <http://statutes.capitol.texas.gov/>. Section 117.092(b)(2)(D), Texas Human Resources Code.
- <sup>18</sup> Section 117.092(b)(2)(A), Texas Human Resources Code.
- <sup>19</sup> Sunset Advisory Commission, *Sunset Staff Evaluation of the Department of Assistive and Rehabilitative Services*, p. 26.
- <sup>20</sup> *Ibid.*, p. 30.
- <sup>21</sup> TWC, *Self-Evaluation Report*, p. 526.
- <sup>22</sup> *Ibid.*, p. 147.
- <sup>23</sup> UNT WISE, “TWC-VR Credentials and Endorsements,” accessed online April 1, 2026, <https://wise.unt.edu/programs/crptraining/index.html>.
- <sup>24</sup> TWC, *Vocational Rehabilitation Standards for Providers Manual*, “Sections 17.2 and 18.2,” 2025, accessed online April 20, 2026, <https://www.twc.texas.gov/programs/vocational-rehabilitation/sfp>.
- <sup>25</sup> UNT WISE, “TWC-VR Credentials and Endorsements,” accessed online April 1, 2026, <https://wise.unt.edu/programs/crptraining/index.html>.
- <sup>26</sup> *Ibid.*
- <sup>27</sup> ACRE, “Curriculum Endorsement,” accessed online April 1, 2026, <https://www.acreducators.org/curriculum-endorsement.html>.
- <sup>28</sup> ACRE, “State Requirements,” accessed online April 1, 2026, <https://www.acreducators.org/state-requirements.html>.

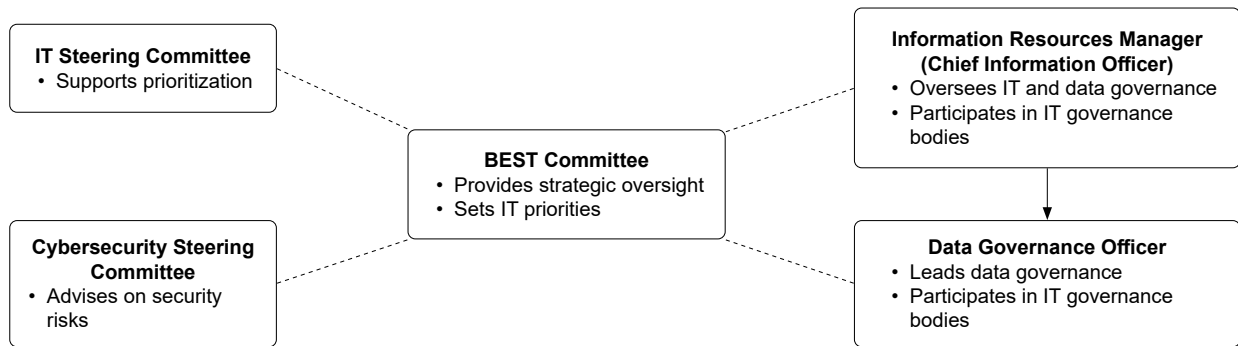
# ISSUE 4

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

### Background

The Texas Workforce Commission (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. TWC manages its IT systems through several divisions, committees, and strategic frameworks to oversee system modernization and data integrity. As shown in the chart below, the agency’s IT governance structure centers on the Business Enterprise Strategic Technology (BEST) committee which is charged with setting IT priorities and providing strategic oversight of IT initiatives. TWC’s deputy executive director chairs the committee, which is composed of agency executives.

**TWC IT Governance Structure**



The following table summarizes key roles supporting TWC’s IT and data functions.

**Key IT and Data Functions**

Title/Entity	Placement	Primary Role
Information Resources Manager (Chief Information Officer)	Head of IT Division	Oversees enterprise-wide IT and data governance and administration.
Data Governance Officer (DGO)	Reports to Information Resources Manager (Chief Information Officer)	Ensures agency data are consistent and reliable.
Project Management Office (PMO)	Within IT Division	Coordinates major technology projects and oversees Major Information Resource Projects (MIRP).
Information, Innovation, and Insight (I3) Division	Separate from IT Division	Uses data to support decision making and improve programs.

To address a history of delayed timelines in IT procurements, TWC developed a RASCI (Responsible, Accountable, Support, Consulted, and Informed) chart in 2022 through a rapid process improvement initiative. This chart designates the specific divisions or staff members who perform tasks or provide consultation during each stage of the IT procurement process, from the initial acquisition request to the final contract award.

Historically, TWC developed and maintained its major IT systems and applications in-house. However, over the last six years the agency has transitioned to retiring these legacy systems in favor of vendor-supported, commercial off-the-shelf products to reduce the number of distinct technologies requiring internal support.

TWC reduced its total number of IT systems from 103 to 90 between fiscal years 2023-25. Of these 90 systems, 56 systems currently meet standards for being up to date, while 19 are scheduled for replacement or upgrade in fiscal years 2026-27. TWC plans to replace an additional 13 systems in fiscal years 2028-29. One of the agency’s largest modernization efforts was the recent decommissioning of the Workforce Information System of Texas (TWIST), a legacy case management system that TWC and local workforce development boards (LWDB) used to track workforce program participant services and manage child care data. TWC replaced TWIST with two new systems: Workforce Case Management and Texas Child Care Connection (TX3C).

## Findings

### Recent modernization efforts have saddled TWC and stakeholders with cumbersome and costly systems that do not fully meet their needs.

TWC’s recent IT modernization efforts have resulted in systems that are delayed, scaled back, or prematurely deployed before they are fully functional. These systems often require ongoing fixes, create unreliable data, and increase administrative burden for the agency and stakeholders. As shown in the table below, five major IT projects in the last six years have had a number of significant problems and high costs.

**TWC IT System Issues**

System	Objective	Key Issues and Impact	Cost/Launch Status
TX3C (Child Care)	Replace the 35-year-old TWIST system with a modern case management system for child care services.	TX3C’s January 2025 release was plagued by provider payment delays and messaging bugs that broke waitlist data. TWC’s system launch proved to be premature, and its user acceptance testing was ineffective. Despite focused user acceptance testing over many months and a further six weeks of user testing by some LWDBs, the launch resulted in delayed and inaccurate payments to child care providers — who often operate on tight margins — to pay staff and cover operating costs. Additionally, a data error upon launch disrupted waitlist information, and more than a year post-launch TWC has not fixed the issue. As a result, TWC and policymakers lack reliable data on the size of the waitlist needed to inform policy and funding decisions.	Approximately \$20 million to date; project launched in January 2025 following a six-week testing period by all LWDBs.

System	Objective	Key Issues and Impact	Cost/Launch Status
Unemployment Insurance (UI) System Replacement	Replace legacy UI systems across tax, benefits, and appeals functions.	<p>The Legislature appropriated approximately \$40 million to fully modernize the system's three functions: tax, benefits, and appeals. However, TWC reduced the scope of the project to only cover the tax function while still using the full appropriation for only one-third of the intended functionality.</p> <p>TWC paused the project from 2023 to 2025 due to vendor litigation and has delayed launching the system multiple times, most recently pushing implementation to June 2026 and again to December 2026. The project continues to face challenges related to data center integration and user testing that is behind schedule.</p> <p>Additionally, delays in implementing enhanced employment records have prevented TWC from meeting recently enacted statutory requirements. Accurate employment records are needed by stakeholders, including community colleges, to inform program offerings and related funding decisions.</p>	\$40 million appropriated; project is ongoing since 2020 with multiple delayed implementation dates.
Workforce Case Management	Replace the legacy workforce case management system used to deliver workforce services.	Workforce Case Management is the agency's primary tool for managing workforce programs. In April 2024, TWC launched a new version of the system to replace a 35-year-old case management database. The transition was marred by data errors that incorrectly transferred thousands of customer records, preventing staff from seeing a job seeker's full history and making it difficult to provide appropriate services. The launch also disabled essential data dashboards, leaving LWDBs unable to track how effectively they were delivering services to their communities. Stakeholders report that the system is slow and prone to crashes, limiting their ability to perform core job functions efficiently.	\$9.5 million total implementation cost; project launched in April 2024.
EDvera (Career Schools and Colleges)	Manage licensing and regulatory oversight for Career Schools and Colleges.	TWC uses this proprietary, off-the-shelf software to manage the Career Schools and Colleges licensing program. Following a nearly year-long delay, the system launched in November 2024 with incomplete essential functionality due to a lack of cost-effective customization options. Most notably, TWC must use manual workarounds to meet the statutory requirement to publish enforcement actions online. TWC has also reactivated a legacy database to handle data EDvera cannot manage.	Approximately \$320,000; project launched in November 2024.

System	Objective	Key Issues and Impact	Cost/Launch Status
No Wrong Door Initiative (Customer Relationship Management)	Create a centralized “main door” for customers to access TWC services and help coordinate referrals and case activity across programs.	<p>Despite knowing the cost of the project would exceed TWC’s budget, the agency pursued a nine-month solicitation process in which all bids exceeded the budget by at least \$4 million. TWC subsequently canceled the solicitation and decided instead to contract with vendor SHI for a Microsoft Dynamics 365 platform. TWC had an existing contract with SHI, and SHI did not participate in the original request for offers for this solicitation.</p> <p>While the project has progressed in a limited form, the agency remains years away from achieving full system integration. LWDBs are experiencing ongoing challenges with reduced flexibility to manage day-to-day operations, such as scheduling and service coordination, limiting their ability to effectively deliver services. Most Texans do not distinguish between TWC, LWDBs, and contractors when accessing services. However, the limitations of No Wrong Door prevent TWC from delivering a coordinated, seamless experience, forcing customers to go through numerous channels for services.</p>	Initial solicitation cancelled; current \$3.2 million SHI contract supports limited implementation.

**TWC lacks a formal, agencywide IT strategic plan, resulting in fragmented and reactive modernization efforts.**

TWC lacks a comprehensive, agencywide IT strategic plan to guide its modernization efforts. Without a unified roadmap for technological improvements, the agency is stuck in a reactionary mode. Moreover, the lack of structured oversight allows ad hoc requests to disrupt planned modernizations and technical debt from failed implementations continues to accumulate without a formal plan for the future.

Several failed project implementations have saddled TWC with technical debt.

In the absence of a formal, agency-driven strategy, TWC relies on reactive, one-time legislative reports and required administrative reporting to the Department of Information Resources (DIR) to guide its modernization efforts. When asked to provide its IT strategic plans for the past five years, the agency pointed to a one-time IT modernization plan submitted to meet legislative requirements and routine reporting to DIR rather than a regular internal strategic plan.<sup>1</sup> This reliance on external mandates rather than internal strategy indicates that TWC does not maintain an independent, long-term roadmap for its technology infrastructure. At a time when TWC has 32 scheduled system replacements and upgrades, the agency does not maintain an IT modernization plan, limiting its ability to guide project prioritization and long-term IT investments. Without a commission-approved, two-year plan that aligns with the state budget timeline, TWC cannot maintain a consistent schedule for IT modernization and effectively address the issues currently plaguing recently launched systems.

## **TWC lacks consistent front-end project planning practices, resulting in poorly scoped initiatives and avoidable implementation challenges.**

The agency's inadequate project planning and insufficient risk mitigation have resulted in projects being abandoned or significantly reduced in scope without cost savings. Major IT projects lack the substantive front-end analysis necessary to account for preventable technical hurdles, forcing the agency into reactive modifications during or after implementation.

These planning gaps result in the state paying full-scale prices for partial-scale systems. For example, the cost of the UI system replacement remains at \$40 million despite the agency reducing the project scope from three modules down to only one. Similarly, due to a lack of planning, TWC spent nine months drafting the No Wrong Door initiative solicitation, only for all initial bids to exceed the budget by \$4 million. This approach led TWC to downsizing the project and awarding the contract to a previous vendor rather than pursuing a competitive or innovative solution.

These planning failures also impact state operations. In practice, some modernization efforts fail to materialize entirely. For example, reducing the scope of the UI system upgrade to no longer include UI appeals means in practice that TWC appellate services staff must continue to access at least 10 different systems requiring individual, redundant data entry. This specific problem reflects a broader pattern in which TWC's insufficient initial scoping limits the utility of new technology and leaves critical business needs of its staff unaddressed.

- **Lack of project owner.** Designating who is responsible for project success ensures critical oversight and prevents knowledge gaps. However, responsibility for major IT initiatives at TWC is often diffused across various divisions, which prevents effective accountability throughout the project lifecycle. While TWC has a PMO and DGO, the agency's organizational structure has not ensured consistent ownership of or accountability for project outcomes. Without a clear project owner to provide continuity, new leadership must often rebuild processes from the beginning following staff turnover. For instance, during the Workforce Case Management rollout, I3 leadership could only learn about previous task force decisions through external contractors because there was no project owner to document the project's history. This lack of accountability has direct impacts on performance monitoring. For example, TWC has lacked accurate reporting for Temporary Assistance for Needy Families metrics for two years since the transition to Workforce Case Management. However, no single individual is responsible for managing the fix, and the issue remains unaddressed.
- **No cost-benefit analysis.** State best practices call for agencies to conduct rigorous alternatives analysis and cost-benefit modeling to ensure technology investments align with agency needs and deliver value. TWC lacks this kind of formalized, data-driven process to evaluate whether building a system

Planning gaps result in insufficient systems.

Diffuse responsibility for IT projects prevents accountability for outcomes.

TWC has paid  
premium prices  
for limited,  
inflexible  
systems.

internally or purchasing a proprietary product provides the best long-term value. While DIR provides the Texas Project Delivery Framework to guide agencies through cost-benefit analysis and cost-benefit modeling, TWC often treats these processes as administrative milestones rather than strategic tools for informed decision making.<sup>2</sup> This focus on procedural compliance over substantive analysis leads TWC to committing to high-cost projects that the agency must later downsize or supplement with manual workarounds. This reactive approach forces the state to pay premium prices for diminished functionality while saddling staff and local partners with inflexible, fragmented systems.

Before deciding to outsource a major agency function, especially one previously performed in-house, the agency should carefully compare and document the costs of efficiently providing the service internally and the cost of outsourcing the function. TWC's procurement strategy currently defaults to "off-the-shelf plus customized" systems. However, this approach often lacks support from a rigorous analysis of whether vendors are able to develop solutions to fit specific agency and stakeholder needs in a cost-effective manner. This lack of comparative planning results in the purchase of systems ill-suited for the agency's business functions. Once implemented, TWC is trapped by proprietary software that cannot be modified cost effectively, forcing staff to use tracking systems outside the new software for basic operations. By failing to evaluate in-house development, the agency accumulates technical debt rather than building sustainable technology.

System  
limitations force  
staff into manual  
workarounds.

For instance, EDvera, the proprietary, off-the-shelf system for the Career Schools and Colleges program, lacks the functional capability to perform many of the regulatory tasks it was intended to manage. TWC internal audit findings describe EDvera as a system for data uploads rather than a licensing software, as it cannot generate reports, lacks workflow capabilities, and cannot perform tracking or monitoring. The system cannot track supporting documentation for school visits effectively or store critical data on school deficiencies and complaints, which are instead tracked via external spreadsheets. These limitations have forced staff into manual workarounds, including the use of custom Excel workbooks and the reactivation of the legacy PECOS database to handle data EDvera cannot manage. As a result, TWC is forced to operate dual systems and dedicate a staff member to maintain the legacy system, while also relying on manual processes to compensate for poor system functionality. Because essential data are often missing from the EDvera system, staff must search through paper records to complete compliance checks. Furthermore, EDvera is not integrated with the public directory, requiring staff to manually update lists of school revocations and penalties in a process hampered by a lack of time and personnel. Consequently, the agency is currently struggling to address a backlog of inspections and lacks the capacity for robust monitoring or enforcement, as further discussed in Issue 5.

**TWC’s IT procurement practices are uncoordinated and uninformed by subject matter experts, resulting in poorly defined requirements and systems that fail to meet agency and stakeholder needs.**

TWC’s IT acquisition processes are governed by a formal RASCI chart that structurally minimizes the role of program and data experts during the most critical phases of procurement. Currently, program areas and subject matter experts are listed only as “consulted” for most procurement tasks — a weak designation that allows IT leadership to draft contracts without requiring subject matter expert sign-off or technical buy-in. Even more concerning, critical divisions such as I3 and Fraud Detection and Compliance Monitoring (FDCM) are entirely omitted from the agency’s formal procurement processes. This structural exclusion from early stage drafting and statement of work development prevents those with the greatest technical and policy knowledge from ensuring the viability of a project. A deliberate policy decision to maintain vague, high-level statements of work compounds this issue, as vendors receive little guidance on the technical complexities of workforce policy.

TWC omits critical divisions from the formal procurement process.

For example, the broad statement of work for the TX3C system defined what the system should do but did not provide sufficient technical or operational detail on how those requirements should be implemented. Without clear direction or early involvement from the correct subject matter experts, the vendor was left to interpret functionality requirements. This resulted in a system that does not function effectively; TX3C launched with payment delays, data errors, and ongoing functionality issues that continue to disrupt child care services to Texans. The severity of the TX3C launch failure has created barriers for TWC and LWDBs to reconcile overpayments and underpayments. This administrative hurdle prevents the timely correction of payment records, effectively cutting off the cash flow necessary for child care providers to meet payroll or recover costs. Because providers already operate on tight margins, they may lack the capital reserves to weather these delays, potentially placing some providers at risk of closure.

Similarly, excluding data experts during the EDvera implementation resulted in a system that fails to meet the U.S. Department of Labor’s annual reporting requirement. This specific planning failure forced I3 staff to spend hundreds of hours manually cleaning data for a single federal report — a task that should have taken several hours. Because these stakeholders are not designated as “responsible” parties when technical requirements are drafted, I3 staff must frequently develop the same reports repeatedly as systems continue to change after launch to compensate for poor initial requirement gathering. These outcomes reflect the consequences of poor early requirement development in which critical needs were not considered when drafting the solicitation.

TX3C launched with functionality issues that continue to disrupt child care services.

**TWC’s IT project implementation practices prioritize timelines over readiness, resulting in unstable system launches and recurring operational failures.**

TWC advances projects without resolving issues.

TWC’s approach to IT system implementation has largely resulted in turbulent launches and operational strain on staff and stakeholders. Rather than ensuring systems are fully tested, coordinated across stakeholders, and supported by clear communication and accountability structures, the agency frequently advances projects despite the presence of unresolved issues. As a result, systems require significant post-implementation fixes and continue to disrupt operations and service delivery to Texans.

- **Communication siloes.** Without direct contact with vendors of off-the-shelf systems after a system goes live, technical staff frequently does not receive essential technical documentation for how to run the system, such as data dictionaries that define data columns and business rules. Without these dictionaries or direct vendor access, I3 analysts must guess at data structures, leading to months of manual validation and unreliable reporting. This lack of knowledge sharing creates a permanent communication silo in which staff must produce the same ad hoc reports repeatedly as system structures shift. For instance, technical I3 staff does not have direct contact with the TX3C vendor and must communicate technical bugs through program staff in multiple other divisions rather than speaking with the vendor developers directly. These communication barriers and the absence of clear technical deliverables force TWC staff to find time-consuming workarounds for problems that could be solved by more direct coordination and communication.
- **Rushed implementation.** TWC has prioritized arbitrary deadlines over functional readiness, leading to the deployment of incomplete systems that disrupt essential services for Texans. While major projects at TWC frequently suffer from development delays due to planning gaps, these extensions rarely translate into improved system stability. Instead, the agency tends to compress the time window for final testing and data validation to protect a predetermined launch date, such as for the new TX3C system.

Premature launches lead to critical service failures.

TWC lacks a standardized process to ensure that user acceptance testing — in which staff, LWDBs, or contractors verify the system works as intended using real-world scenarios — is completed effectively and that data mapping is verified before deployment. These premature launches lead to critical service failures such as the delayed child care payments mentioned above and the corruption of reporting tools used by LWDBs. For example, the Workforce Case Management conversion transferred historical data into the new system incorrectly, breaking the primary data-driven decision tools LWDBs rely on to serve customers. The administrative cost of remediating these errors was immediate and severe; in the 90 days following the launch date, the agency had to divert almost 600 IT staff hours and 2,400 program staff hours specifically to address launch-related defects. While the legacy TWIST system allowed LWDBs to reroute work during localized failures,

the new integrated environment causes all work to stop when Workforce Case Management goes down, further destabilizing local operations. Similarly, the TX3C system launched after only six weeks of user testing by some LWDBs, resulting in payment inconsistencies and a substantial backlog of defects. Post-launch remediation for TX3C required just over 1,600 IT staff hours and 6,600 Child Care and Early Learning program staff hours. As of March 2026, the system still carried approximately 200 open tickets, including 17 “critical” or “highest” priority defects that directly impact core functionality. By prioritizing a calendar date over the resolution of known critical or high-impact defects, the agency launches systems that require immediate and substantial manual remediations by agency staff, LWDBs, and contractors.

The agency prioritizes a calendar date over the resolution of known critical or high-impact defects.

- **Limited and inconsistent post-implementation reviews.** The absence of meaningful and consistently applied post-implementation reviews prevents TWC from retaining institutional knowledge and often leads to the repetition of past project failures. While statute requires agencies to submit post-implementation reviews for MIRPs, TWC does not consistently leverage these reviews to identify actionable lessons learned or inform future decision making.<sup>3</sup> TWC also does not conduct post-implementation reviews for non-MIRP initiatives, such as the EDvera project and the No Wrong Door initiative.

An agency should formally close out a contract in writing after verifying receipt of all deliverables and assessing the overall success of the contract, including the contractor’s performance. However, TWC often moves from one project to the next without systematically applying insights from prior efforts. For example, despite the No Wrong Door initiative suffering from a \$4 million budget miscalculation and five years of delays, the agency produced no evidence of a formal review that could be used to adjust strategies for subsequent systems.

Statute requires agencies to review contractor performance upon completion and report results to the Office of the Comptroller of Public Accounts. For contracts over \$5 million, agencies must review contractor performance annually and at key milestones such as design completion, testing completion, and project closeout.<sup>4</sup> TWC’s failure to consistently apply any lessons learned from these evaluations undermines its ability to improve future contractor selection. For example, the agency’s one-time IT modernization plan for fiscal year 2026 ignores widespread system issues, attributing delays solely to the pandemic rather than addressing documented implementation failures.

TWC fails to consistently apply lessons learned to improve future projects.

**TWC’s ineffective data governance structure and framework prevent the agency from generating accurate insights into program performance and workforce trends and leads to permanent data silos.**

Data governance should ensure that an agency’s data are accurate, secure, and usable for strategic decision making. A unified data governance structure

provides a central authority to establish agencywide standards, ensuring that information from across the agency is compatible. TWC lacks such a structure, a deficiency that prevents the agency from generating accurate, cross-program insights regarding service delivery and resulting in permanent data silos. While the agency has attempted to modernize its data governance, these efforts remain incomplete or misaligned with actual business needs. As a result, the agency cannot provide a comprehensive view of its operations, leading to technical inconsistencies, wasted administrative resources, and significant hurdles for local workforce partners who rely on this information to serve Texans.

TWC lacks the data visibility to understand workforce performance systemwide.

- **Lack of a unified data model.** Without comparable data across programs, TWC leadership and stakeholders lack a clear understanding of how programs are performing across the workforce system. As a result, the agency cannot fully evaluate whether it is working as an integrated system to serve Texans across programs or make informed decisions about where to improve. This problem stems from TWC's failure to implement a unified, agencywide data structure under centralized oversight. For years, TWC has struggled to connect its separate, program-specific systems into a single, agencywide framework. TWC's Rosetta project was intended to bring data together across programs, but it remains unfinished and is currently housed within the agency's I3 analytics division rather than with the DGO. This structure is not effective; by treating Rosetta as an analytics project rather than a foundational data governance effort, TWC prioritizes end-stage reporting over the consistent data standards needed to make that reporting accurate and reliable. This disconnect creates a gap between the DGO's policy-setting role and the technical execution of a critical data integration tool. As a result, systems intended to bring agency data together, such as TWC's Enterprise Data Warehouse (EDW), lack the consistent underlying structure needed to produce reliable, comparable information across programs.

While the DGO participates in major IT acquisitions and the BEST committee, its separation from projects like Rosetta limits its ability to enforce consistent data standards across programs. Furthermore, the agency still lacks a system to assign unique identifiers for customers across workforce service areas. Without these unique identifiers, TWC cannot effectively track an individual customer's journey through various programs, leaving leadership unable to evaluate the overall impact or efficiency of workforce services.

Data governance at TWC remains siloed and undermines modernization efforts.

- **Siloed data governance and misaligned business areas.** Data governance at TWC remains siloed as key business units, including budget, compliance, and the project management office, often operate independently of central data policies. This lack of internal alignment undermines the agency's ability to transition smoothly from legacy systems to modernized platforms. While the DGO is tasked with reviewing requests for offer and running data quality scripts, these efforts are frequently reactive rather than foundational. Because data standards are not integrated into the initial planning phases across all business areas, the agency continues to struggle with non-standardized

legacy data that make system conversion and data integration far more complex, costly, and time-consuming than leadership anticipates.

TWC's procurement practices further exacerbate these coordination gaps and often weaken or omit critical technical requirements during system implementation. Although TWC includes requirements for data dictionaries in its contracts, vendors frequently fail to implement those requirements effectively when translating the agency's policy into technical solutions. This breakdown occurs because TWC lacks a unified data governance framework that binds both internal business areas and external vendors to a single standard. Without this framework, vendors must apply varying interpretations to data fields. This inconsistent approach prevents true interoperability between systems, meaning that even as TWC invests in new technology, the underlying data remain trapped in isolated, incompatible silos.

- **Technical and security hurdles.** TWC intended the EDW to serve as the agency's central data hub, but the system has not achieved this goal. LWDBs still cannot access necessary data through the EDW or a separate secure analytics environment due to TWC's security restrictions. Additionally, stakeholder input indicates that data pulled from the EDW often fail to align with TWC's official performance measures. This forces LWDBs to manually clean up their local forecasting to match TWC's published numbers, wasting limited administrative resources.

LWDBs cannot access necessary data through TWC systems.

## Sunset Staff Recommendations

### *Management Action*

#### **4.1 Direct TWC to develop a two-year strategic modernization plan that aligns with the state budget timeline and requires formal commission approval.**

To ensure top-down commitment and resource stability, TWC should develop a routine biennial strategic IT modernization plan that requires formal approval from the commissioners and the agency's executive director. This recommendation would integrate leadership into the planning phase, ensuring TWC's IT modernization plan reflects the agency's highest priorities and reduces the need for ad hoc requests.

Additionally, TWC should establish a modernization work group that includes end users and stakeholders to develop an accountability and remediation plan for systems already launched that still have critical and high-impact defects. This accountability and remediation plan, which should include a thorough consideration of known bugs and a timeline for critical fixes, should be submitted to DIR and the Sunset Commission by September 1, 2028. This recommendation to develop a near-term accountability and remediation plan and to establish a routine biennial cadence for IT modernization planning would improve accountability for TWC's major IT investments, reduce rushed and incomplete system launches, and ensure modernization efforts are strategically prioritized and aligned with the state's budget timeline.

#### **4.2 Direct TWC to implement a scope-to-value alignment policy for all MIRPs.**

This recommendation would direct TWC to develop and implement a formal policy requiring a market feasibility and budget verification report for every MIRP during its initial planning phase. This report

should use the Quantitative Benefit Analysis from the DIR Business Case Workbook to ensure the requested scope is attainable within the allocated budget. The BEST committee must review and approve these reports before the agency initiates any solicitation. This process would ensure TWC identifies and resolves potential misalignments between project requirements and available funding during the planning stage.

**4.3 Direct TWC to assign a single, cross-divisional project owner for every MIRP who is responsible for documenting all technical decisions and reporting project status updates to the BEST committee for formal approval.**

To ensure continuity and accountability, this recommendation would direct TWC to designate one specific individual as the primary owner for each MIRP. This project owner would serve as the central point of contact across divisions and be responsible for maintaining a comprehensive record of all technical decisions and actions. This project owner would also provide regular, formal status updates to the BEST committee for approval, ensuring that project knowledge remains within the agency and that there is a single line of accountability for the system's ultimate functionality and performance.

**4.4 Direct TWC to implement a pre-procurement feasibility assessment to formally determine whether an off-the-shelf solution or in-house development provides more long-term value and effectiveness for the agency.**

This recommendation would direct TWC to perform and document a formal alternatives analysis as part of its pre-procurement process. For any major agency function, particularly those previously managed in-house, the agency must carefully compare the projected costs and operational impacts of internal development against the costs and risks of outsourcing to a vendor. This assessment should include a technical viability review to ensure any proposed solution can meet statutory reporting requirements and integrate with existing data structures without necessitating permanent manual workarounds. TWC must present this assessment to the BEST committee for approval before proceeding with a specific procurement path. This assessment would ensure TWC selects IT solutions that meet agency requirements, reduce reliance on costly manual workarounds, and improve the long-term value and functionality of the state's IT investments.

**4.5 Direct TWC to formally revise its IT procurement framework to include necessary staff.**

This recommendation would direct TWC to formally revise its procurement framework to ensure that divisions responsible for a system's ultimate output are involved in its creation. By designating program experts, data analysts from I3, and compliance staff from FDCM as responsible parties during the drafting of requests for offers and statements of work, TWC will ensure that technical requirements align with statutory mandates and business needs. This designation should be reflected in TWC's RASCI chart. This change would eliminate the critical gaps in current contracts that lead to significant post-launch failures and excessive manual workloads.

**4.6 Direct TWC to mandate that all IT contracts include a technical deliverables clause requiring vendors to provide updated data dictionaries and direct technical access for TWC data analysts.**

To eliminate data silos and ensure transparency, this recommendation would direct TWC to require that all IT vendors provide and maintain comprehensive technical documentation as a condition of the contract. This would include detailed data dictionaries that define the business rules and logic for all data

fields. Additionally, the contract should establish a clear protocol for direct technical communication between TWC's data analysts and the vendor's technical team. Providing this access would ensure that the agency can validate its own data and generate accurate reports.

#### **4.7 Direct TWC to implement mandatory, program-led Go/No-Go criteria for all major system launches.**

This recommendation would direct TWC to develop a formal policy requiring certification from both program directors and the BEST committee that all critical user acceptance testing is complete and data mapping is validated before any system launch, establishing these as minimum go/no-go criteria for system readiness. This policy would shift the focus from meeting arbitrary deadlines to ensuring functional readiness. The recommendation would further require the BEST committee to provide approval on project status updates prior to launch, ensuring leadership is fully aware of and accountable for any remaining technical risks before a system goes live. This recommendation would ensure systems do not launch with limited functionality or require staff to dedicate time to post-launch remediations.

#### **4.8 Direct TWC to implement a standardized, agencywide post-implementation review process for all major IT initiatives, including MIRPs and non-MIRP projects.**

This recommendation would direct TWC to formally close out all major IT projects in writing. This close-out process must include verifying the completion of all terms and assessing the overall success of the vendor's performance. The agency should use these evaluations to identify and document root causes, successes, and actionable lessons learned, and incorporate these findings into future project planning, procurement, and system design. For all major contracts, TWC staff must report the outcome, including any accumulated technical debt or unresolved defects, to the commission. This process ensures that TWC not only completes required reviews for MIRPs but also applies those insights across all initiatives, preventing repetition of past project failures.

#### **4.9 Direct TWC to prioritize the completion of a unified data model and ensure agencywide alignment with enterprise data governance policies.**

This recommendation would direct TWC to formalize a common data model as a foundational agency initiative to bridge program silos. To ensure the model functions as an agencywide standard, this project should be housed in the DGO. All core business areas, including budget, compliance, and the PMO, must adhere to these centralized data standards during project planning and procurement. Furthermore, TWC should develop and implement a collaborative strategy for the EDW or a separate secure analytics environment that establishes a secure, functional pathway for LWDBs to access real-time data. This strategy should specifically aim to eliminate the need for manual data reconciliation by local partners, ensuring that a single, accurate version of performance data is available across the entire workforce system. TWC should provide a formal progress report to Sunset staff regarding the status of these implementation efforts by September 1, 2028. This recommendation would enable TWC to produce consistent, comparable data across programs, improving agency decision making and reducing administrative burden on LWDBs.

## **Fiscal Implication**

While the exact savings cannot be determined at this time, these recommendations would likely result in significant cost savings for the state by ensuring the functional value of IT investments aligns with project expenditures. Implementing a strategic modernization plan may require additional resources.

However, any associated costs would depend on the scope of the plan and cannot be estimated at this time. The remaining recommendations can be implemented using existing agency resources.

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<sup>1</sup> Chapter 1037 (HB 4018), Acts of the 87th Legislature, Regular Session, 2021. All citations to Texas statutes are as they appear on <http://www.statutes.capitol.texas.gov/>. Section 2054.654, Texas Government Code.

<sup>2</sup> Texas Department of Information Resources, *Texas Project Delivery Framework Reference Guide*, accessed online March 2026, [https://dir.texas.gov/sites/default/files/2023-08/Framework%20Reference%20Guide\\_2023.pdf](https://dir.texas.gov/sites/default/files/2023-08/Framework%20Reference%20Guide_2023.pdf).

<sup>3</sup> Section 2054.306, Texas Government Code.

<sup>4</sup> Section 2054.1182, Texas Government Code.

## ISSUE 5

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

### Background

The Texas Workforce Commission (TWC) is statutorily required to develop procedures to prevent, detect, and investigate fraud, waste, and abuse in programs administered by the agency, an agency contractor, or an agency grant recipient.<sup>1</sup> Within TWC, the Fraud Deterrence and Compliance Monitoring (FDCM) Division is responsible for detecting and deterring fraud, investigating allegations, and supporting fraud prosecutions by local prosecutors when necessary.

### Child Care Fraud

TWC contracts with local workforce development boards (LWDB) to administer the child care subsidy program, which provided \$1.15 billion in subsidies to around 6,600 providers serving an average of 117,000 families per day in fiscal year 2025. TWC has specific statutory responsibilities regarding child care fraud, as shown in the accompanying textbox.<sup>2</sup> Statute requires TWC to ensure that potential child care fraud is fully investigated and, if substantiated, penalized and that fraudulent overpayments are recovered.

There are two main types of child care fraud: fraud committed by providers and fraud committed by parents. A 2022 federal report found that Texas is better at preventing child care fraud than most other states, with an improper payment rate of 0.44 percent compared to the national average of 3.96 percent.<sup>3</sup> TWC relies on LWDBs to investigate and prosecute child care fraud. Once FDCM or the LWDB substantiates the fraud, TWC rules require the LWDB to attempt to recover funds.<sup>4</sup> The accompanying table shows LWDB child care fraud investigation activity statistics for fiscal year 2025. Prior to March 2026, TWC did not require LWDBs to record recovered child care fraud overpayments in its tracking system, so the agency could not provide accurate data on recovered funds. In fiscal year 2025, TWC substantiated 181 cases of child care fraud, totaling over \$1.8 million in overpayments.

#### TWC Statutory Child Care Fraud Responsibilities

- Develop risk assessment protocols to identify and assess possible child care fraud.
- Ensure LWDBs implement procedures to prevent and detect child care fraud.
- Ensure corrective action is initiated against a child care provider or parent who commits fraud.
- Take any other action consistent with the intent of the governing statutes to investigate, prevent, or stop suspected fraud.

#### Child Care Fraud Statistics, FY 2025

Fraud Investigation Activity	Providers	Parents
Fraud Investigations	124	470
Substantiated Fraud	24	157
Overpayment Amount	\$194,330	\$1,613,345

On January 5, 2026, the governor directed TWC and the Health and Human Services Commission (HHSC) to identify any potential child care fraud in Texas, as detailed in the textbox on the following page, *Governor's Child Care Fraud Directives*.<sup>5</sup>

- Review current data collection efforts to ensure TWC and LWDBs are taking all possible steps to prevent, detect, and eliminate child care fraud.
- Identify high-risk child care providers and conduct additional site visits to ensure compliance.
- Ensure all TWC child care providers are accurately and verifiably reporting the number of children enrolled in the program.
- Review the Child Care Services program's oversight processes for LWDBs to verify that program standards are consistently being enforced and to take corrective action for LWDBs not meeting the standard.
- Enhance access to TWC's portal and hotline for easier child care fraud reporting.
- Submit all completed provider fraud investigations to federal or state prosecutors as appropriate.

TWC issued its final report, *Protecting Taxpayer Funds and Ensuring Program Integrity*, on February 27, 2026. The report details TWC's existing child care fraud protocols and highlights the agency's new efforts to prevent and detect child care fraud, as detailed below in the textbox, *TWC's Actions in Response to the Governor's Child Care Fraud Directives*.<sup>6</sup>

#### **TWC's Reported Actions in Response to the Governor's Child Care Fraud Directives**

- Improve data sharing with HHSC.
- Enhance Texas Rising Star assessment data collection.
- Develop a new child care provider high-risk report.
- Make each LWDB's fraud prevention point of contact responsible for each case.
- Reduce LWDBs' fact-finding timeline from 90 days to 30 days.
- Require LWDBs to develop and implement risk assessments to prioritize provider monitoring.
- Implement new data analytics.
- Develop a new attendance tracking report.
- Require providers to use TWC's attendance tracking system.
- Ensure LWDBs have procedures to prohibit parents who owe repayment from re-enrolling.
- Conduct Program Integrity Reporting Tracking System (PIRTS) training for key LWDB staff.
- Conduct weekly PIRTS training for LWDB investigators.
- Amend TWC rules to require LWDBs to seek prosecution for fraud.
- Enhance access to TWC's online portal and fraud hotline.

### **Unemployment Fraud**

Unemployment Insurance (UI) fraud is the most common type of fraud FDCM investigates, accounting for about 99 percent of FDCM investigations. There are three main types of UI fraud, as described in the textbox on the following page. The Unemployment Compensation Fund (UCF), which paid over \$3.2 billion in benefits to UI claimants in fiscal year 2025, is funded through employer taxes. In fiscal year 2025, out of 768,831 UI claims filed, TWC detected and prevented over 67,000 UI fraud attempts, saving the UCF over \$674 million. That same year, out of 75,001 confirmed or suspected fraudulent UI claims filed, TWC paid almost 9,000 identification, benefits, or fictitious employer fraud claims,

costing the UCF nearly \$36 million. Appendix E includes additional data on UI claims and UI fraud from fiscal years 2021 to 2025.

### Types of UI Fraud

- Identification fraud – Using a fake or stolen identification card or document to claim UI benefits.
- UI benefits claims fraud – Failing to report a change in status, such as incarceration or reemployment, to continue receiving benefits.
- Fictitious employer fraud – Creating a fictitious employer or an employer the claimant did not actually work for when filing a benefits claim.

When fraud is successful, TWC has limited authority to impose administrative penalties. While TWC works to recover fraudulent overpayments and may work with local prosecutors on certain cases, its effectiveness is limited. In fiscal year 2025, out of approximately \$36 million in fraudulent UI claims of all types paid, TWC recovered \$2.5 million, or about seven percent, all from benefits fraud cases. TWC did not recover any funds from UI identification or fictitious employer fraud cases. TWC can seek criminal prosecution for fraud, but such prosecutions are rare. Benefits fraud is only a class A misdemeanor, and TWC has a limited capacity to support local prosecutors in pursuing fraud cases. In fiscal year 2025, out of almost 9,000 fraudulent UI claims of all types, TWC sought prosecution in only 113 benefits fraud cases, resulting in 74 indictments, convictions, or settlements as well as 38 cases pending indictment and one unsuccessful prosecution.

## Findings

### TWC's oversight of child care fraud investigations needs improvement.

FDCM relies on LWDB staff and contractors to investigate child care fraud and determine whether a child care fraud allegation can be substantiated. LWDBs use board and contractor staff to conduct interviews, make site visits, and review records. Board and contract staff conduct fact finding, then enter data, including findings and documentation, into PIRTS, TWC's fraud reporting and case management system. TWC policy requires LWDBs to initiate an investigation within one day of becoming aware of potential child care fraud and complete fact finding within 30 days for provider fraud and 90 days for parent fraud. If the fraud allegation is against a parent, such as falsified eligibility records, a LWDB staff member determines whether the evidence substantiates fraud. If the fraud allegation is against a child care provider, FDCM determines whether the evidence is sufficient to substantiate child care fraud. LWDBs are also responsible for initial attempts to recover fraudulent overpayments from both parents and providers and for seeking prosecution if fraud exceeds \$15,000.

TWC has inadequate oversight of LWDBs tasked with investigating child care fraud allegations.

- **Historically limited oversight.** TWC has historically taken a hands-off approach to LWDB child care fraud investigations, engaging in limited oversight efforts to ensure boards conduct thorough, consistent, and accurate investigations. TWC's child care fraud training, policies, and guidance to LWDBs have increased over time, as described in the *TWC Child Care Fraud*

*Oversight Activity Timeline 2021-26* textbox. However, the agency did not begin regularly auditing child care fraud cases for LWDB compliance with TWC child care fraud rules, policies, and training until 2024. Because of the spike in UI fraud during the COVID-19 pandemic, the agency focused its efforts on UI fraud. TWC did not prioritize child care fraud until the governor's directive, four years after the spike in pandemic-related UI fraud ended. Though TWC has worked to make progress in child care fraud oversight, additional efforts are needed. Without sufficient oversight of LWDB child care fraud investigations, TWC cannot ensure investigations are consistent, fair, and effective.

### **TWC Child Care Fraud Oversight Activity Timeline 2021-26**

- 2021 – TWC updates child care fraud policies for LWDBs, including updating definitions of fraud, providing a desk aid on fact finding, and updating process requirements. TWC provides training on fact finding to LWDBs upon request.
- 2023 – FDCM begins retraining LWDB staff to use the updated PIRTS.
- 2024 – TWC enhances its LWDB guidance and requirements, including requiring PIRTS training to access the system. TWC also offers boards training on the fact-finding and collections process upon request. TWC establishes a procedure requiring FDCM investigators to review two randomly selected child care fraud cases for each LWDB monthly for compliance with TWC policies and rules.
- 2025 – TWC requires PIRTS training to include completion of a mock child care fraud case.
- 2026 – TWC strengthens child care fraud policies and guidance in response to the governor's directive and increases training to LWDBs.

Unlike other TWC programs that LWDBs administer, child care fraud investigations are not a TWC performance metric for LWDBs, creating

### **2026 Child Care Fraud Investigation Audit Results**

TWC audited 80 LWDB child care fraud investigations between January and the end of April 2026. Sixty audits noted deficiencies, including:

- Twenty-four investigations were missing financial information such as the amount of the overpayment or recoupment documentation.
- Twenty-one investigations had incomplete or missing fact finding, including four in which the facts did not support the LWDB's determination and four in which the audit questioned if any actual investigation had taken place.
- Fifteen investigations did not identify either the subject of the investigation or the allegation being investigated.
- In two investigations, the investigator had left the LWDB and the case was not transferred to another investigator.

little incentive for contractors or board staff to prioritize such a resource-intensive task. In practice, LWDBs' performance in fraud investigations is inconsistent. Because LWDBs decide what information is gathered and reported in the investigation, Texas effectively has 28 different standards for investigating child care fraud. For example, a review of TWC's child care fraud investigation audits for January to April 2026 showed at least four cases in which the fact finding did not support the LWDB's determination, as shown in the *2026 Child Care Fraud Investigation Audit Results* textbox. Different standards create the potential for inconsistent investigation, unfair enforcement, and accusations of bias.

Additionally, in its new policy developed in response to the governor's directive, FDCM designates each LWDB's child care fraud point of contact (POC) as the individual ultimately responsible for local child care fraud investigations. However, because the POC

is a LWDB employee rather than a TWC employee, FDCM lacks direct authority over them. Unlike TWC's other programs that have the ability to enforce compliance through quarterly performance measures and formal sanctions, FDCM has no specific fraud-related metrics to trigger penalties for LWDB poor performance in investigating child care fraud. When Sunset staff asked what sanctions FDCM had available to address a noncompliant POC, FDCM said they would speak to the LWDB's executive director. However, conversation is not a formal sanction.

With over 6,600 child care facilities and only 28 FDCM full-time employees (FTE), a lack of resources precludes FDCM staff from conducting all child care fraud investigations. However, once a fraud allegation is made, the agency should have a fair and consistent process to investigate, document, and, if necessary, take action. As the agency ultimately accountable for overseeing federally funded child care subsidies in Texas, TWC should not delegate final fraud determinations to LWDBs without clear, formal safeguards to ensure consistent, fair, and effective investigations.

- **Insufficient data analysis.** FDCM lacks an effective process for systematically analyzing child care fraud data, leaving the agency poorly positioned to ensure LWDB fraud reporting data are accurate or proactively identify anomalies that could indicate a problem with investigations. FDCM's primary oversight of LWDBs' child care fraud efforts happens through monitoring the data LWDBs enter in PIRTS. However, FDCM does not have a process to consistently monitor or analyze the fraud data in PIRTS, resulting in FDCM's failure to identify critical compliance and data issues. For example, a Sunset staff analysis of PIRTS data found that in fiscal year 2025, a LWDB investigated 87 allegations of child care fraud and substantiated none. In comparison, the average substantiation rate across all LWDBs in fiscal year 2025 was about 30 percent. Additionally, in 2026 another LWDB investigator investigated 21 cases in nine business days and determined that all were unsubstantiated. While these cases may be statistical outliers, FDCM's lack of a systematic practice to identify and analyze questionable child care fraud data jeopardizes the validity of statewide fraud reporting.

Furthermore, incomplete information in PIRTS prevents agency staff from analyzing trends and identifying repeat violators. When Sunset staff asked the agency to provide child care fraud data, FDCM reported three different counts of confirmed fraud cases because some LWDBs closed cases without recording a disposition. The agency did not realize its data were incomplete until Sunset staff requested the data in March 2026. This oversight further demonstrates the agency's lack of a reliable process to validate its data.

Despite conducting 31 PIRTS training sessions for LWDB staff from 2023 to 2025 and an additional five sessions in January-February 2026, PIRTS data remain unreliable. Sunset staff's review of 171 cases in March 2026, after TWC conducted additional training, found cases still missing key

TWC lacks a fair, consistent process to investigate, document, and act on confirmed allegations.

Incomplete information prevents TWC from analyzing trends and identifying repeat violators.

TWC lacks historical data to effectively evaluate child care fraud investigations.

pieces of data such as the child care facility license number and the dates the case was referred, opened, and closed. Additionally, LWDBs opened 43 cases that disappeared from the system without resolution. When Sunset staff asked about the disappearing cases, TWC indicated that it struggled to query the PIRTS database and had to manually add “missing” cases back. Furthermore, while TWC requires LWDBs to follow their investigatory timeline, the missing PIRTS data make it difficult to ensure LWDBs are complying with this requirement. Taken together, these discrepancies call into question both the accuracy of FDCM’s child care fraud data and the effectiveness of FDCM’s PIRTS training.

TWC also lacks the historical data to analyze trends over time. FDCM has archived all PIRTS data prior to 2022 and must contact a vendor to obtain the data. When Sunset staff requested five years of historical child care fraud data, the agency took several weeks to retrieve the archived data. The lack of access to comprehensive historical information makes it difficult for TWC to quickly and effectively identify fraud trends and repeat offenders or evaluate the overall performance of child care fraud investigations.

These problems and information gaps indicate FDCM lacks sufficient visibility into LWDB child care fraud investigations. The fact that FDCM did not notice the data discrepancies until Sunset staff identified them demonstrates FDCM’s lack of routine and effective oversight. The lack of readily accessible historical data indicates the agency has not been conducting long-term trend analysis for child care fraud.

TWC does not use audit findings to improve future investigations.

- **Insufficient audit process.** TWC’s audits of LWDB child care fraud investigations use an insufficient method for selecting cases and do not analyze and track audit findings to improve the quality of investigations. In fiscal year 2025, TWC staff randomly selected and audited 34 LWDB provider investigations and 87 parent investigations. While FDCM conducted these audits thoroughly and identified deficiencies ranging from minor administrative mistakes to failing to conduct a full investigation, the agency has not sufficiently used audit findings to make corrections or improve future investigations. TWC conducts audits four to five months after a case is opened, meaning that in most instances the cases are already closed. As a result, audits mainly clean up past administrative details rather than drive systemic improvements to ongoing and future investigations. Sunset staff’s review of the audits FDCM conducted from 2024 to 2026 found that LWDBs repeatedly made the same errors such as failing to list the allegation, failing to follow TWC policy, and failing to provide substantiating evidence. Furthermore, when FDCM identifies deficiencies from a case audit, the auditor emails the investigator, detailing the deficiencies and directing the investigator to make corrections when possible. This informal method relies on voluntary compliance rather than establishing formal accountability mechanisms or ensuring the quality of investigations.

TWC also does not collect or analyze audit results data. Analyzing these data would enable the agency to identify and address recurring issues among individual investigators or LWDBs. Regular data analysis would also enable TWC to identify issues across LWDBs that the agency could address by offering additional training, statewide technical assistance memos, or clarifications through the rulemaking process. Furthermore, TWC does not use a risk-based methodology to determine which child care fraud investigations to audit. Instead, TWC audits by targeting a specific month. If the LWDB opened child care fraud cases in the target month, TWC randomly selects up to two cases for audit. This across-the-board approach does not allow TWC to focus audits on areas of potential risk such as investigations led by new investigators or LWDBs that have had significant issues with previous investigations.

- **TWC investigation supervisors.** TWC could better ensure the agency conducts consistent, effective child care fraud investigations by using agency staff to directly supervise investigations. By using agency staff to supervise child care fraud investigations, TWC would have direct oversight of investigations, allowing the agency to make sure LWDBs conduct them fully, fairly, and consistently and in compliance with agency rules and policies. Supervisors would prevent errors, whereas audits only identify mistakes well after the fact. TWC investigation supervisors would also be able to ensure investigators are fully trained, know FDCM's requirements, and develop the experience necessary for competent, well-documented investigations. Using agency investigation supervisors would also remove the potential for accusations of local bias. Lastly, TWC investigation supervisors would be able to assist LWDBs with more complex investigations, prosecutions, and funds recovery, easing that burden on LWDBs.

TWC investigation supervisors would better ensure full, fair, and consistent investigations.

### **TWC's statutory authority for administrative penalties and collection tools is insufficient to deter unemployment insurance fraud, recover fraudulent overpayments, and collect penalties.**

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 has inflicted significant cost to the UCF, as shown in Appendix E.

- **Insufficient penalties.** An agency's statute should authorize a full range of penalties that scale to meet the seriousness of multiple or repeated statutory violations. However, TWC lacks the flexibility to scale penalties for fraudulent UI claims and assess larger penalties on repeat fraudulent claimants. As the accompanying textbox shows, statute authorizes TWC to use limited administrative penalties. Moreover, the 15 percent penalty used in Texas is the minimum penalty required by federal law. As the table on the following page shows, other states have set significantly higher penalties with increases for

#### **UI Fraud Administrative Penalties**

- Stop UI payments for the current benefit year.
- Require claimants to repay improperly received UI benefits.
- Require claimants to pay a penalty of 15% of the improperly received UI benefits.

repeat offenders. Other states with higher fraud penalties, such as Colorado, Idaho, Louisiana, and Montana, have reported that increased penalties have had a deterrent effect on both initial and repeat fraudulent UI claimants.

**Other States’ Fraud Administrative Penalties**

State	Current Fraud Penalty Amount Percentage of Improperly Received UI Benefits
Alaska	50%
California	30%
Colorado	65%
Connecticut	First offense 50% 100% for repeat offenses
Idaho	First offense 25% Second offense 50% Third offense 100%
Louisiana	25%
Montana	50%
New Hampshire	20%
Ohio	25%
Texas	15%
Wisconsin	40%

Fraudsters can use new benefits to pay penalties from previous fraud.

- **Failure to repay.** When TWC determines that a UI claim is fraudulent, the agency lacks the statutory authority to prevent the fraudulent claimant from filing again and potentially receiving benefits even if the claimant still owes repayment for a previous fraudulent claim. In fiscal year 2025, FDCM identified almost 1,200 fraudulent UI claimants who filed for benefits while still owing repayment for previous fraud. Other states, including Arizona, Connecticut, Idaho, Maryland, Michigan, Montana, New Hampshire, Ohio, and Utah, all require fraudulent claimants to repay any prior fraudulent overpayments and penalties before receiving additional benefits. In Texas, a fraud determination only cancels the fraudulent claimant’s benefits for the remainder of the current benefit year. Furthermore, statute does not require fraudulent UI claimants to repay the fraud penalty before receiving additional benefits in future benefit years, and the penalty amount cannot be recovered from future UI benefits payments, leaving little incentive to repay the penalty. In effect, the fraudulent claimant can use new benefits from the state to pay their debt from previous fraud committed against the state. TWC’s UI penalty collection rate of 16 percent from fiscal years 2021 to 2025 is lower than the national average, indicating the state’s current approach does not create a sufficient incentive to repay the state for fraud.
- **Insufficient authority for identification verification.** TWC lacks clear statutory authority to require UI applicants to comply with the agency’s identification requirements. While statute details clear requirements for

claimants to file for UI benefits, it does not clearly require claimants to verify their identity.<sup>7</sup> Recognizing that claimant identification verification is necessary to prevent fraud and ensure proper payment of benefits, TWC requires verification. If a claimant does not submit to TWC's verification process, TWC will deny the UI benefits claim. In fiscal year 2025, TWC's verification process stopped 65,732 UI identity fraud attempts, saving the UCF over \$674 million. However, TWC's statutory interpretation has never been tested in an administrative hearing or court. If TWC's interpretation did not pass legal muster, TWC would be required to provide UI benefits without clearly identifying the claimant. Not verifying a claimant's identification before issuing UI benefits would make preventing UI fraud difficult, if not impossible.

Furthermore, TWC lacks statutory authority to use available tools to quickly verify a claimant's identity. TWC uses driver's license information to verify claimants' identification. However, statute does not authorize the Texas Department of Public Safety (DPS) to share social security numbers (SSN) with TWC. Instead, DPS provides TWC with a database including names and birthdays which then TWC must attempt to match to claimants' data. Due to variations in data such as names, nicknames, and misspellings, this matching process can be inaccurate when driver's license information matches more than one SSN. In fiscal year 2025, 6,352 driver licenses matched 32,966 SSNs, forcing TWC to attempt to determine which name matched with which number.

- **Identity theft UI fraud.** TWC's administrative penalty authority for UI fraud based on identity theft is unclear. Statute authorizes the agency to impose administrative penalties if the claimant fails to disclose or misrepresents a material fact to receive UI benefits. However, statutory language requires the misrepresentation or omission to be made by "the person or for the person by another."<sup>8</sup> Since the misrepresentation in identity fraud is not made for the person by another, TWC interprets this provision as excluding fraudulent claimants using a stolen identity. As a result, TWC does not issue a fraud determination in cases involving identity theft, thereby preventing the agency from imposing an administrative penalty. All TWC can do is stop paying the benefits. Identity theft is the most common type of UI fraud, with over 72,000 suspected or confirmed attempts in fiscal year 2025. Of those attempts, over 7,000 were successful, costing the UCF \$25.4 million. Clarifying TWC's authority to issue administrative penalties for UI fraud based on identity theft gives the agency another tool for more effective deterrence.

Statute prohibits TWC from accessing critical data for identification verification.

TWC's administrative penalty authority is unclear.

### **Additional statutory authority would help TWC recover fraudulent UI overpayments and collect administrative penalties.**

TWC struggles to and is largely ineffective at recovering fraudulent UI overpayments and even less successful at collecting penalties. Fraudulent UI

overpayments occur when ineligible recipients, such as individuals who are incarcerated or reemployed, fail to report their change in status to TWC and therefore continue to receive benefits. In fiscal year 2025, TWC substantiated almost 1,700 cases of fraudulent UI benefits overpayments, costing the UCF more than \$10 million. As the table below shows, TWC recovered just a quarter of fraudulent UI benefits payments in fiscal year 2025. That same year, TWC also levied over \$1.15 million in administrative penalties for UI benefits fraud but collected only seven percent, costing the state an additional \$1.09 million.

### Fraudulent UI Overpayment

	Fraud Overpayment	Fraud Overpayment Recovered	Percent Recovered	Fraud Admin Penalties Sought	Fraud Admin Penalties Recovered	Percent Penalties Recovered
FY 21	\$11,305,142	\$4,051,399	36%	\$1,063,094	\$278,233	26%
FY 22	\$20,463,390	\$7,945,004	39%	\$2,091,230	\$332,127	16%
FY 23	\$19,346,335	\$5,942,862	31%	\$2,014,501	\$313,633	16%
FY 24	\$14,275,089	\$5,370,911	38%	\$1,587,268	\$259,468	16%
FY 25	\$10,153,136	\$2,505,868	25%	\$1,169,443	\$82,933	7%
<b>Total</b>	<b>\$75,543,092</b>	<b>\$25,816,046</b>	<b>34%</b>	<b>\$7,925,536</b>	<b>\$1,266,395</b>	<b>16%</b>

This poor recovery rate is largely due to the limited number of statutory tools TWC has to recover fraudulent UI benefits overpayments. The agency initially notifies the fraudulent claimant and seeks voluntary repayment. If voluntary repayment is unsuccessful, TWC can:

- Offset the overpayment against future payments if the fraudulent claimant files for benefits again.
- Seek a warrant hold on any funds the fraudulent claimant might receive from the state such as lottery winnings.
- File a notice of assessment.
- Bring a case in civil court.<sup>9</sup>

As the table shows, these methods have had limited success, with TWC recovering an average of about 16 percent from fiscal years 2021 to 2025. TWC’s inability to collect these funds has cost the UCF over \$56 million during this same time period.

Other states such as Idaho and Wisconsin have successfully used bank levies, which allow the state to recover fraudulent overpayments directly from the fraudulent claimant’s bank account. TWC has the statutory authority to use a bank levy to collect unpaid UI employer taxes but does not have that authority for fraudulent UI benefits overpayments.<sup>10</sup>

In FY 2025, TWC recovered a quarter of fraudulent UI benefits payments and seven percent of penalties.

## Sunset Staff Recommendations

### *Change in Statute*

#### **5.1 Require TWC to establish UI fraud administrative penalties in rule.**

This recommendation would amend statute to require TWC to set the administrative penalty for UI fraud in rule, starting at 50 percent of the fraudulent overpayment and increasing thereafter for repeat violations, with the additional funding returned to general revenue. This increase in administrative penalties would strengthen the agency's ability to deter potential UI fraud claimants.

#### **5.2 Require full fraud and penalty repayment as part of UI eligibility.**

This recommendation would help prevent UI fraud by requiring full repayment of any improperly obtained UI benefits and penalties prior to becoming eligible to receive new UI benefits. This requirement would prevent claimants from paying off old fraud with new benefits.

#### **5.3 Clearly authorize TWC to require identification verification for UI claimants.**

This recommendation would authorize TWC to require identification verification as a condition of eligibility and provide a firm statutory basis for TWC's prevention efforts for UI fraud based on identity theft. This recommendation would also authorize TWC to receive social security information from DPS for identity verification. This recommendation would help prevent fraudulent payments and make the identification process more efficient by enabling TWC to quickly verify claimant identification.

#### **5.4 Authorize TWC to use bank levies to recover fraudulent overpayments.**

This recommendation would improve TWC's ability to recover fraudulent overpayments and penalties by authorizing the agency to levy against an ineligible recipient's bank accounts and directly recover overpayments and penalties. The agency would establish rules governing bank levies to ensure it is the recovery method of last resort and establish a threshold to safeguard against TWC seizing funds necessary to pay for personal essentials such as rent or medication.

### *Management Action*

#### **5.5 Direct TWC to develop clear, detailed procedures for agency staff to supervise child care fraud investigations.**

This recommendation would direct TWC to develop procedures for agency staff to serve as investigation supervisors for LWDB child care fraud investigations, ensuring child care fraud investigations in Texas are conducted consistently and effectively. The agency should expand its written procedures to include instructions on the role of an investigation supervisor and how TWC staff should supervise child care fraud investigations. The agency should also establish clear guidelines on what investigatory information must be submitted to the agency's database, required documentation, and standards for substantiating an allegation of child care fraud. The investigation supervisor's responsibilities should include at a minimum:

- Monitoring LWDB child care investigations to ensure they comply with TWC's policies and procedures.
- Reviewing LWDB investigative documents for completeness, accuracy, and the use of appropriate investigative methods for arriving at conclusions, findings, and recommendations.

- Ensuring conclusions are based on sufficient findings of fact and conform with statute, rule, and TWC policy.
- Working with LWDB investigators to develop investigative plans and ensure investigations adhere to TWC timelines.
- Monitoring, reviewing, and evaluating the LWDB's investigations process; making recommendations to improve the efficiency and effectiveness of investigations as needed; and assisting TWC in developing corrective actions when necessary.
- Compiling periodic status reports for TWC on the progress of investigations.
- Assisting in conducting training for LWDB investigators.
- Providing ongoing coaching, mentoring, training, and feedback to LWDB investigators and program staff on child care fraud.
- Providing technical guidance to LWDB investigators regarding investigative procedures and techniques.
- Assisting LWDB investigators in coordinating and conducting more complex child care fraud investigations.
- Assisting LWDBs in child care fraud prosecution and the recovery of improper overpayments.
- Ensuring all TWC requirements are complete before a case is closed.

This recommendation would ensure that TWC thoroughly, fairly, and consistently investigates allegations of child care fraud while making the best use of the agency's limited resources. TWC should adopt these procedures by September 1, 2027.

#### **5.6 Direct TWC to enhance its existing fraud data management processes to include requirements for tracking, analyzing, and reporting child care fraud data.**

This recommendation would direct TWC to update its child care fraud data management processes to include tracking and analyzing child care fraud data, including fraudulent overpayment recovery. TWC's updated process should include:

- Establishing detailed categories of alleged violations.
- Requiring investigators to complete documentation before closing a case.
- Tracking data on the recovery of fraudulent overpayments.
- Evaluating child care fraud data regularly to identify trends and potentially problematic performance issues.
- Reporting child care fraud data periodically, including trends and analysis, to the commission to help guide decision making.
- Making the same information provided to commission members on child care fraud available to the public to the extent possible.
- Tracking and analyzing child care fraud investigation audit data to improve investigations.

As part of this recommendation, TWC should consider ways to use its database to more effectively capture and analyze data on child care fraud. This recommendation would enable the agency to better use its limited resources and ensure the agency meets its statutory obligations.

## Fiscal Implication

Overall, these recommendations are designed to prevent fraud and increase TWC's ability to recover funds and penalties when fraud occurs. The exact fiscal impact of these recommendations cannot be estimated at this time because it depends on how much fraud actually occurs and how effective TWC is at recovering expended funds and penalties. However, based on the 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 UCF. While implementing these recommendations and related agency processes would incur upfront costs, preventing fraud will result in additional savings for the state and the UCF.

Recommendation 5.1, which increases administrative penalties for UI fraud, both deters fraud and increases the state's potential penalty recovery. This recommendation increases the UI penalty from 15 percent to 50 percent of the improperly received benefit amount, a 35 percent increase. In fiscal year 2025, this would have increased UI fraud penalties for first-time fraudulent filing from \$1.2 million to \$3.9 million, a \$2.7 million positive fiscal impact. Additionally, by deterring fraud, this recommendation would result in savings to the UCF, but the full fiscal impact cannot be estimated at this time.

Recommendations 5.3 and 5.4 would have a positive fiscal impact to the UCF, although the exact amount cannot be estimated at this time. These recommendations would improve TWC's ability to prevent fraud, reducing UI funds going to ineligible recipients. The full fiscal impact of Recommendation 5.4 will depend on the extent of fraud and TWC's effectiveness in recovering expended funds and penalties. However, based on the fiscal year 2025 fraud data and TWC's average levy recovery rate of 16 percent for UI employer taxes, the agency would recover an additional \$1.6 million in fraudulent overpayments for the UCF and \$187,000 in penalties for general revenue.

Recommendation 5.5, which requires TWC staff to supervise child care fraud investigations, could be achieved by the agency reallocating existing resources. Given the limited number of child care fraud investigations, TWC could supervise investigations with existing FTEs. Improving child care fraud investigations increases the likelihood that TWC effectively responds to allegations of child care fraud and improves the agency's ability to recover fraudulent payments. Ultimately, improved child care fraud investigations would help reduce Texas' annual \$1.8 million costs in child care fraud.

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<sup>1</sup> All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 301.201, Texas Labor Code.

<sup>2</sup> Sections 301.191 and 301.192, Texas Labor Code.

<sup>3</sup> TWC, “Child Care Improper Payment Report (AFC-404),” accessed online May 20, 2026, <https://www.twc.texas.gov/programs/child-care/data-reports-plans>.

<sup>4</sup> Texas Administrative Code (TAC), Part 20, Chapter 809, Subchapter F, Section 809.117. (2019) (Texas Workforce Commission, *Recovery of Improper Payments to a Provider or Parent*).

<sup>5</sup> Texas Workforce Commission, “Protecting Taxpayer Funds and Ensuring Program Integrity,” February 27, 2026, p. 5, accessed online March 15, 2026, <https://www.twc.texas.gov/sites/default/files/ccel/docs/cc-fraud-final-report-to-governor-022726.pdf>.

<sup>6</sup> Ibid, pp. 13-19.

<sup>7</sup> Section 207.021, Texas Labor Code.

<sup>8</sup> Section 214.001, Texas Labor Code.

<sup>9</sup> Section 214.002, Texas Labor Code.

<sup>10</sup> Section 213.059, Texas Labor Code.

## ISSUE 6

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

### Background

The Texas Workforce Commission (TWC) is the state's lead agency administering the Child Care and Development Fund (CCDF), a block grant issued through the U.S. Department of Health and Human Services.<sup>1</sup> Through the CCDF and additional general revenue funds, the state subsidizes child care, regulates child care facilities and programs, and engages in quality improvement efforts through multiple agencies, as seen in the accompanying textbox.<sup>2</sup> CCDF funding for certain functions, like child care regulation under the Texas Health and Human Services Commission (HHSC) and child care for children under the Department of Family and Protective Services' (DFPS) jurisdiction, flows from TWC to other agencies via budget rider or interagency contracts.<sup>3</sup>

#### State Agencies Involved in Child Care

- HHSC: Regulates child care facilities and programs.
- TWC: Distributes child care subsidies and administers quality improvement programs.
- DFPS: Coordinates child care for children under DFPS jurisdiction.
- Texas Education Agency (TEA): Regulates pre-kindergarten and early childhood education partnerships.
- Texas Department of Agriculture: Administers a child care food program.

TWC distributes child care subsidies through local workforce development boards (LWDB) which use contractors to determine eligibility for services and make payments to child care providers. State statute requires providers participating in TWC's child care subsidy program to also participate in Texas Rising Star (TRS), which provides higher subsidy rates to providers maintaining quality of care beyond the state's minimum licensing standards.<sup>4</sup> DFPS and its Community-Based Care contractors refer children to these providers for day care through LWDBs, using both federal and state funds to pay for child care subsidies, but these referrals are typically shorter than the 12-month eligibility period for child care required when using CCDF money.<sup>5</sup> In cases where CCDF is used, LWDBs pay for the child care for the remainder of the 12 months. Periodically throughout the year, TWC sends invoices for child care to DFPS, and the agencies reconcile any differences between the care DFPS requests and the actual child care provided.

Federal regulations require all states receiving CCDF to conduct a periodic market survey to determine the average cost of child care.<sup>6</sup> States may decide what methodology to use, taking into account variations in geography, providers, and the age of children being served.<sup>7</sup> TWC contracts with a third party to perform the survey that collects data from licensed and registered child care providers.<sup>8</sup> TWC uses these data to set provider subsidy rates and inform agency appropriation requests to the Legislature.<sup>9</sup>

### Findings

Sunset staff received significant input throughout the review about various problems related to child care in Texas. Some concerns, such as the availability and affordability of child care in the state, involve wider policy and funding

decisions inappropriate for Sunset staff to address. Recognizing ongoing challenges associated with child care, in 2025 the Legislature established a new commission and task force — in addition to an existing workgroup and council — to coordinate and address certain issues concerning child care, as described in the table below. These new groups had not yet been fully established prior to the start of the Sunset review, so an analysis of their effectiveness would be premature.<sup>10</sup>

### Interagency Child Care Initiatives

Name	Member Agencies	Description
Quad Agency Child Care Initiative Commission	TWC, DFPS, HHSC, and TEA	The Legislature established the commission through HB 4903, 89th Legislature, to coordinate and streamline regulations between participating agencies that govern child care. The commission first met in November 2025.
Governor’s Task Force on Early Childhood Education and Care	TWC, DSHS, HHSC, TEA, Head Start, and child care stakeholders	The Legislature established the task force through HB 117, 89th Legislature, to address the governance and operational challenges of early childhood education. The governor named the task force members in January 2026.
Early Childhood Interagency Workgroup	TWC, DFPS, Department of State Health Services (DSHS), HHSC, and TEA	Member agencies established the workgroup in 2018 to coordinate monthly meetings on projects and stay informed on other agencies’ actions. The Legislature formalized the workgroup in statute in 2025 through HB 3963, 89th Legislature, to develop an integrated data system between childhood programs across state agencies.
Texas Early Learning Council	TWC, DSHS, HHSC, Head Start, Children’s Learning Institute, and child care stakeholders	Former Governor Perry established the council in 2009 as a requirement of the Improving Head Start for School Readiness Act of 2007. The council’s goal is to increase coordination and collaboration between state agencies and providers to improve the quality of and access to early childhood services. Governor Abbott has maintained the council, which last met in April 2026.

Sunset staff considered whether a structural change to TWC’s child care program administration is needed but concluded that a consolidation or transfer of functions at TWC would be more disruptive than beneficial. Instead, this issue focuses on targeted improvements to TWC’s administration of the child care subsidy program not being addressed elsewhere. Other child care stakeholder concerns are addressed in Issue 5, which focuses on TWC’s fraud efforts more broadly, and Issue 4, which focuses on TWC information technology modernization.

### Insufficient communication and training between TWC and DFPS puts the state at risk of misusing federal funds.

As the lead CCDF agency in Texas, TWC is responsible for ensuring that all CCDF-funded programs comply with federal requirements.<sup>11</sup> This includes

ensuring that all state agencies using CCDF operate according to the established rules.<sup>12</sup> As part of this oversight function, TWC should have a clear view of how other agencies use CCDF and should ensure staff are trained on how to properly use those funds. TWC transfers CCDF money to DFPS to provide child care subsidies for children under DFPS jurisdiction.<sup>13</sup> If these funds are improperly spent, Texas could have to repay the federal government or have money withheld from future CCDF payments.<sup>14</sup>

- **Lack of visibility into use of CCDF.** TWC lacks sufficient visibility and oversight over which funds DFPS uses for child care, preventing TWC from ensuring that all federal CCDF funding is being used properly. DFPS uses TWC-contracted day care through LWDBs to provide child care for the programs listed in the textbox below, *Types of DFPS Child Care*. There are three sources of funding available to DFPS to pay for this child care: state general revenue, federal Title IV-E, and federal CCDF money.

TWC was unaware of how DFPS used CCDF funding.

#### Types of DFPS Child Care

General Protective Day Care: Used to reduce the risk of abuse and neglect during family-based safety services, investigations, and alternative response.

Relative Caregiver Day Care: Used for children in DFPS' custody where children are placed with relatives and kinship caregivers.

Foster Day Care: Used for children in DFPS' custody where children are placed with a foster family. Some foster children are eligible for funding through Title IV-E federal funds.

Throughout the review, Sunset staff observed confusion amongst the two agencies regarding eligible and actual use of funds. For example, early in the review TWC staff believed DFPS only used CCDF to pay for general protective day care. In practice, DFPS used the federal funds more broadly. In fact, TWC was unaware DFPS had used CCDF to pay for relative care since 2020 and non-Title IV-E foster day care since 2021, despite DFPS reaching out for confirmation before such use at the time. Although both agencies have since worked to address this breakdown in communication, more work is needed to ensure lasting coordination between TWC and DFPS and that frontline staff are utilizing funds correctly.

- **Lack of adequate training on eligibility requirements.** TWC does not provide adequate training for DFPS staff and DFPS contractors who make referrals for child care using CCDF, creating an environment susceptible to the improper use of federal funds. TWC's rules state that DFPS determines eligibility for children referred to LWDBs for child care subsidies.<sup>15</sup> As detailed in the *Federal CCDF Eligibility for Children* textbox on the following page, federal eligibility requirements include the age of the child, family income, and citizenship and immigration status of the child.<sup>16</sup> A child deemed eligible retains their eligibility for 12 months in all but a few circumstances.<sup>17</sup>

Staff making child care referrals lacks adequate training on CCDF requirements.

### Federal CCDF Eligibility for Children

- Is under 13 years old or under 19 years old if physically or mentally incapable of caring for themselves or under court supervision.
- Resides with a family whose income does not exceed 85% of the state's median income and whose assets do not exceed \$1,000,000.\*
- Resides with a parent working or attending a job training or educational program OR receiving protective services.\*
- Is a U.S. citizen or legally in the U.S.

Eligibility may not be re-determined before 12 months and cannot be discontinued unless there is:

- A parent loss of work, job training, or educational program not constituting a temporary change.
- Excessive, unexplained absences.
- Change in residency outside of the state.
- Substantiated fraud or intentional program violations.

\*TWC waives the income eligibility and job activity requirements for families whose children receive or need to receive protective services.<sup>18</sup>

TWC has not sufficiently ensured DFPS staff and DFPS contractors fully understand these complex eligibility requirements. Without adequate training, DFPS staff may not be aware of the 12-month eligibility requirement, the impacts of changing the funding source for referrals originally made with CCDF, and other CCDF requirements, which may endanger the state's use of CCDF. TWC has historically provided guidance documents to DFPS upon their request to explain certain aspects of the child care subsidy program. However, TWC does not yet conduct periodic training for DFPS staff and DFPS contractors covering a holistic view of CCDF and its various requirements. Both agencies have recently developed a training on the referral process, which they offered to staff on two days in May 2026. However, this one-time training will be unsuccessful at improving the referral process unless TWC understands how DFPS uses CCDF money and unless DFPS understands the restrictions and requirements placed on that funding source.

TWC's market rate survey relies on phone interviews.

### Improving the child care market rate assessment methodology and timing would provide the agency and Legislature with better quality data for decision making.

TWC's market rate survey provides essential information for the agency and Legislature to make decisions regarding child care appropriations, including whether to invest available state or federal funds to meet additional child care needs. TWC's contractor conducts this survey of child care providers annually to gather information on current child care rates.

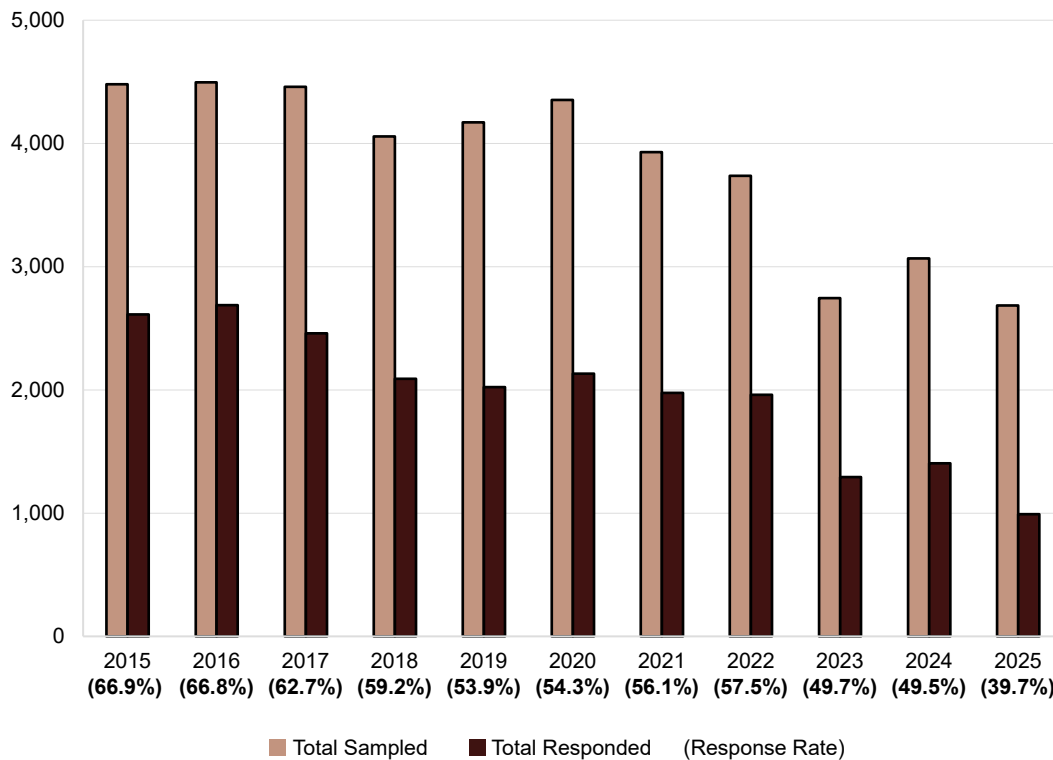
- **Outdated survey methodology.** TWC's current survey methodology likely results in incomplete baseline data being used to calculate child care subsidy rates. TWC seems satisfied with its long-time contractor for the market rate survey. However, this contractor has not updated the methodology for surveying providers in more than a decade and instead has operated off

annual or biennial contract extensions.<sup>19</sup> TWC could not verify the date on which it last put the market rate survey out for new contract proposals and suggested it was around 2016 or 2017. Since then, the survey has had declining response rates and limited outreach. This failure to update creates the potential for bias and poor data quality in the market rate survey as it uses a single surveying method — phone calls — to collect data from fewer and fewer child care providers.

Starting in 2015, the contractor has annually surveyed providers from September to April, publishing its report in June so TWC could incorporate the results in its biennial appropriation requests in addition to adjusting the subsidy rate every year.<sup>20</sup> During the survey period, research staff call providers during working hours to conduct the survey.<sup>21</sup> Interviewers ask questions over the phone, write down the provider’s answers, and then enter the results into a database after the interview is concluded. Over the last 10 years, the contractor has reduced the number of providers sampled and has received fewer responses, resulting in a declining response rate for the survey as seen in the chart below.<sup>22</sup> Meanwhile, the total number of child care providers who could be surveyed or receive subsidies has remained relatively stable.<sup>23</sup>

The number of providers surveyed and responding has steadily decreased.

**Providers Surveyed and Response Rate, 2015-25**



This methodology biases itself towards those providers who prefer to answer questions over the phone and have staff available to answer a survey during working hours. Additionally, the surveyors contacting the provider speak

Hybrid surveying techniques could increase response rates.

to whoever answers the call and do not necessarily contact the owner of a facility who may have more time or information on the child care operation. Offering alternate survey methods, such as an online survey tool, would make the survey more accessible to those who are unlikely or unavailable to answer a phone call during the work day or those who find digital platforms more accessible. Using a single point of contact for multiple providers, such as owner contact information that TWC and HHSC regulatory staff already collects, could increase response rates and allow for greater input from multiple locations owned by a single owner. Additionally, modernizing survey techniques could allow the contractor to avoid human error and gain efficiency by allowing for electronic gathering of survey responses instead of relying on handwritten notes. Sunset staff reviewed the most recent market rate surveys from all 50 states and found that at least 19 states have adopted some form of hybrid surveying techniques using online tools in addition to mail, phone calls, or both. From that group, of the 12 states that publish their response rates, eight were above 50 percent, which exceeds Texas' response rate for the last three years.

Outdated market rate data undermine legislative oversight.

- **Timeliness of information.** The market rate survey provides information in June that is nearly a year out of date by the time legislators meet to make appropriation decisions in the spring of each regular legislative session. Out-of-date data hinder the Legislature's ability to make informed policy decisions and set appropriations based on current trends in child care costs. Basing these decisions on outdated information can lead to unintended consequences when the market rate for child care shifts unexpectedly. For example, in 2025 the Legislature allocated an additional \$106.8 million in unexpended Temporary Assistance for Needy Families (TANF) money to support child care subsidies.<sup>24</sup> However, the 2025 market rate survey, which was published in June just after the 89th Legislative Session concluded, reported a 9 percent increase in the market rate for child care across the state.<sup>25</sup> Typically, TWC sees about a 5 percent increase year to year. TWC estimated that the additional appropriations could serve about 5,000 children per year over the biennium; however, the influx of TANF money only maintained the status quo by covering the unexpected rate increase.<sup>26</sup> In an effort to provide more accurate data to the Legislature, TWC and its contractor have begun planning to provide a preliminary report shortly before each regular legislative session on what the market rate may look like statewide. Given the importance of having up-to-date information, this interim report before the legislative session should be made a permanent feature of the market rate survey. To ensure that policy makers have the best information possible, TWC should design a survey that produces complete information in a timely manner.

## Sunset Staff Recommendations

### *Management Action*

#### **6.1 Direct TWC to require DFPS to provide a breakdown of the amount and source of funds spent for TWC-contracted day care.**

This recommendation would direct TWC to include language in its interagency contract with DFPS requiring a periodic breakdown of what source of money was used to pay for what type of child care and establish a formal verification process. As part of this recommendation, DFPS should include how much general revenue, CCDF, and Title IV-E funds it used to pay for general protective, relative, Title IV-E foster, and non-Title IV-E foster child care. This recommendation would provide TWC visibility into what money is being spent on child care subsidies for DFPS referrals, enabling TWC to know which children under DFPS' care are receiving child care subject to federal requirements and afforded 12 months of child care eligibility. This recommendation would direct TWC to use the reports to perform periodic assessments to ensure the state remains in compliance with federal rules. These assessments will align with and aid the periodic reconciliation between the agencies' records. TWC should update its interagency contract with DFPS to include this new reporting requirement by October 1, 2027, to align with the start date of the next interagency contract with DFPS.

#### **6.2 Direct TWC to conduct periodic training on CCDF federal requirements and the child care subsidy program for key DFPS staff and contractors.**

This recommendation would direct TWC to develop training programs and materials for DFPS staff and Community-Based Care contractors to ensure they are aware of current eligibility requirements of CCDF-funded child care and the child care subsidy program generally. This recommendation would require training for DFPS regional day care directors, DFPS staff involved in making child care referrals, Community-Based Care contractor staff, and other staff and contractors as the two agencies deem necessary. TWC should conduct this training at least annually and as needed throughout the year to ensure that training keeps DFPS staff up to date on any changes made to federal guidance or the subsidy program and that new staff receive training as soon as possible. As part of this training, TWC should create a quick reference guide for DFPS staff and contractors that details key eligibility requirements. At a minimum, the training should cover:

- Federal requirements and implications for the use of CCDF money.
- The Texas child care subsidy program and the roles of TWC, LWDBs, and contractors.
- The process for DFPS staff referring children for child care subsidies.

This recommendation would help ensure that everyone involved in making referrals for CCDF-funded child care are aware of that program's requirements, give staff and contractors a holistic understanding of the child care subsidy program, and help Texas stay in compliance with federal rules.

#### **6.3 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.**

This recommendation would direct TWC, in anticipation of the expiration of its current contract, to post a new request for proposal that would require any bid to include hybrid, up-to-date methods for conducting the market rate survey. This hybrid method should incorporate an option to take the survey

online at any time during which the survey data are being collected. This recommendation would direct TWC to take a more modern approach to collecting market data, including conducting an evaluation to maximize use of available and reliable contact information that TWC and HHSC already possess for providers, which would likely result in increased response rates, higher quality survey data, and a more useful and accurate appropriations tool for the Legislature and the agency.

#### **6.4 Direct TWC to require the market rate survey contractor to provide a preliminary report on the anticipated rate change for child care in January of odd-numbered years.**

This recommendation would direct TWC to include a requirement for a preliminary report on anticipated changes to the market rate of child care statewide in the next contract term or in a new contract with the vendor performing the market rate survey. TWC should work with its contractor to provide the preliminary report to the Legislature by January 31 of each odd-numbered year and should provide policymakers updated information based on the most recent responses gathered through the survey. By providing a snapshot of the most recently available data, legislators will be better informed about potential changes to the child care subsidy rate over the upcoming biennium. This recommendation will make TWC's newly conceived interim report a permanent part of any future market rate survey.

## **Fiscal Implication**

Overall, these recommendations would make TWC more effective in its oversight role over the child care subsidy program and ensure there are no disruptions to drawing down available federal funding. Recommendation 6.3 may have a fiscal impact to the state, but the amount would depend on the results of a new request for proposal for the market rate survey contract. Using an online or electronic surveying method likely includes costs for licensing software; however, using more modern surveying technologies could also reduce the time and staff needed to complete the survey itself, which could offset costs. Additional recommendations will require staff time to complete but can be implemented using existing resources.

<sup>1</sup> Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services, "About ChildCare.gov," June 4, 2025, accessed online April 30, 2026, <https://childcare.gov/about>.

<sup>2</sup> DFPS, Item B.1.3 Strategy: TWC Contracted Day Care, Article 2, Page II-1; HHSC, Item H.2.1 Strategy: Child Care Regulation, Article 2, Page II-37; TEA, Rider 26, Page III-16, Article 3; TWC, Items A.3.1 Strategy: Local Child Care Solutions, A.3.2 Strategy: Child Care Quality Activities, A.3.3 Strategy: Child Care for DFPS Families, and B.3.2: Strategy Child Care Administration, Article 7, p. VII-31; and TWC, Rider 24, Page VII-37, Article 7, Chapter 1185 (SB 1), Acts of the 89th Legislature, Regular Session, 2025 (General Appropriations Act), accessed online April 2, 2026, [https://www.lbb.texas.gov/Documents/Appropriations\\_Bills/89/Conference\\_Bills/Conf\\_CCR\\_GAB\\_89R.pdf](https://www.lbb.texas.gov/Documents/Appropriations_Bills/89/Conference_Bills/Conf_CCR_GAB_89R.pdf).

<sup>3</sup> TWC, *Interagency Cooperation Contract with the Texas Department of Family and Protective Services*, Contract #2926INT001, Attachment A, September 2025; DFPS, Item B.1.3 Strategy: TWC Contracted Day Care, Article 2, Page II-1.

<sup>4</sup> All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 2308.3155(a), Texas Government Code; TWC, *Texas Rising Star Certification Guidelines*, 2025, pp. 7-8, accessed online April 21, 2026, <https://www.childcare.texas.gov/sites/default/files/texas-rising-star/documents/texas-rising-star-certification-guidelines-twc-2026.pdf>.

<sup>5</sup> DFPS, "Child Protective Services Handbook: 8235 Child Day Care Services," Sections 8235.32, 8235.34, 8235.4, 8235.44, 8325.52, and 8235.54, accessed online April 2, 2026, [https://www.dfps.texas.gov/handbooks/cps/files/CPS\\_pg\\_8235.asp](https://www.dfps.texas.gov/handbooks/cps/files/CPS_pg_8235.asp). Community-Based Care is the initiative to transition from a state-run foster care system to a privatized model by contracting out foster care case management at the regional level.

- 6 45 Code of Federal Regulations, Section 98.45(c).
- 7 Ibid., (c) and (d)(1).
- 8 TWC, *Interagency Cooperation Contract with the University of Texas at Austin*, Contract #3124CCA003, Article I: Terms of Contract Amended, Section 1.03, revised September 2023.
- 9 Ibid., Attachment IIIA, Deliverables-Market Rate Survey and Table 2: Annual Timeline for the 2-Year Contract Term.
- 10 Chapter 1114 (HB 4903), Acts of the 89th Legislature, Regular Session, 2025; Chapter 916 (HB 117), Acts of the 89th Legislature, Regular Session, 2025; Office of the Governor, “Governor Abbott Launches Task Force on Early Childhood Education and Care,” January 20, 2026, accessed online April 30, 2026, <https://gov.texas.gov/news/post/governor-abbott-launches-task-force-on-early-childhood-education-and-care>; Chapter 1088 (HB 3963), Acts of the 89th Texas Legislature, Regular Session, 2025; Texas Early Learning Council, “Welcome to the Texas Early Learning Council Website,” “About the Council,” “Texas Early Learning Council Members,” and “Texas Early Learning Council Meetings,” accessed online April 2, 2026, <https://www.earlylearningtexas.org/index.html>.
- 11 45 Code of Federal Regulations, Section 98.11(a), (a)(1), and (b)(4).
- 12 Ibid., 98.11(b)(8).
- 13 TWC, *Contract with DFPS*, Attachment A, September 2025.
- 14 45 Code of Federal Regulations, Section 98.66(c)(1) and (h).
- 15 40 Texas Administrative Code (TAC), Part 20, Chapter 809, Subchapter C, Section 809.49(a) (2016) (TWC, *Child Care for Children Receiving or Needing Protective Services*).
- 16 45 Code of Federal Regulations, Section 98.20.
- 17 Ibid., Sections 98.20 and 98.21(a)(1), (a)(2)(i), and (a)(5).
- 18 TWC, *Child Care and Development Fund (CCDF) Plan for Texas FFY 2025-2027*, Section 2.2.2 (g) and (h), accessed online May 4, 2026, [https://www.twc.texas.gov/sites/default/files/ogc/mtg24/commission-meeting-material-041624-item17b-draft-ccdf\\_state-plan-ffy-2025-2027-twc.pdf](https://www.twc.texas.gov/sites/default/files/ogc/mtg24/commission-meeting-material-041624-item17b-draft-ccdf_state-plan-ffy-2025-2027-twc.pdf).
- 19 Ray Marshall Center and Texas Institute for Child and Family Wellbeing at the University of Texas at Austin, *2025 Texas Child Care Market Rate Survey Final Report*, 2025, pp. 6-7, accessed online April 2, 2026, [https://txicfw.socialwork.utexas.edu/wp-content/uploads/2025/07/TWC-2025-Final-Report\\_22Jul2025.pdf](https://txicfw.socialwork.utexas.edu/wp-content/uploads/2025/07/TWC-2025-Final-Report_22Jul2025.pdf); Ray Marshall Center and Child and Family Research Institute at the University of Texas at Austin, *2013 Texas Child Care Market Rate Survey Final Report*, 2013, pp. 4-5, accessed online April 2, 2026, <https://txicfw.socialwork.utexas.edu/wp-content/uploads/2016/08/2013-Texas-Child-Care-Market-Rate-Survey.pdf>. In 2018, the contractor began using TWC’s database of rates charged by providers to increase the precision of the rate estimates for the market rate survey.
- 20 Ray Marshall Center and Child and Family Research Institute at the University of Texas at Austin, *2015 Texas Child Care Market Rate Survey Final Report*, 2015, p. 6, accessed online April 2, <https://txicfw.socialwork.utexas.edu/wp-content/uploads/2016/08/2015-Texas-Child-Care-Market-Rate-Survey.pdf>; Ray Marshall Center, *2013 Market Rate Survey*, p. 4; TWC, *Contract with UT Austin*, Attachment IIIA, Table 2, p. 38, revised September 2023. In 2015, the contractor surveyed providers from September to March but eventually extended the survey period to April.
- 21 Ray Marshall Center, *2013 Market Rate Survey*, pp. 4-5; and Ray Marshall Center, *2025 Market Rate Survey*, p. 7.
- 22 Texas Institute for Child and Family Wellbeing, University of Texas at Austin, “Child Care Studies,” accessed online April 2, 2026, <https://txicfw.socialwork.utexas.edu/research/project/child-care-market-rate-survey/>; TWC, *Contract with UT Austin*, Study Methods; Texas Child Care Connection, “Child Care Scholarships,” accessed online May 1, 2026, <https://www.childcare.texas.gov/for-families/child-care-scholarships>. Sunset staff reviewed the market rate surveys and used the total number of providers sampled and total number of providers who responded to calculate the response rate per year.
- 23 HHSC, “Child Day Care Licensing (DCL) Data Book,” accessed online May 1, 2026, [https://etts.hhs.texas.gov/t/DAP-RSDA/views/ChildCareRegulationDataBook\\_16509025073390/TableofContents%3Adisplay\\_count=n%3Aembed=y%3AisGuestRedirectFromVizportal=y%3Aorigin=viz\\_share\\_link%3AshowAppBanner=false%3AshowVizHome=n](https://etts.hhs.texas.gov/t/DAP-RSDA/views/ChildCareRegulationDataBook_16509025073390/TableofContents%3Adisplay_count=n%3Aembed=y%3AisGuestRedirectFromVizportal=y%3Aorigin=viz_share_link%3AshowAppBanner=false%3AshowVizHome=n). HHSC’s online data on this page only go back to 2016. From 2016 to 2025, there were over 18,000 to just under 16,000 licensed child care centers and homes and registered child care homes every year.
- 24 Legislative Budget Board, *Summary of Conference Committee Report for Senate Bill 1, Appropriations for the 2026-27 Biennium*, 2025, p. 53, accessed online April 27, 2026, [https://www.lbb.texas.gov/Documents/Appropriations\\_Bills/89/Conference\\_Bills/CCRSB1\\_Summary.pdf](https://www.lbb.texas.gov/Documents/Appropriations_Bills/89/Conference_Bills/CCRSB1_Summary.pdf).
- 25 Texans Care for Children, *Inside Texas’s \$100M Child Care Investment: What Happened, and What Comes Next*, November 4, 2025, p. 2, accessed online April 29, 2026, <https://txchildren.org/wp-content/uploads/2025/11/100M-Child-Care-Investment-Nov.-2025.pdf>.
- 26 Ibid.



## ISSUE 7

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

### Background

The Texas Workforce Commission (TWC) oversees and provides workforce development services through employment and training programs and by administering the state's unemployment insurance (UI) program. TWC also provides a range of other programs, including child care subsidies and vocational rehabilitation (VR) services for people with disabilities. TWC's mission is to promote and support a workforce system that creates value and offers employers, families, individuals, and communities the opportunity to achieve and sustain economic prosperity. To achieve this mission, the agency performs the following key functions:

- Contracts with 28 local workforce development boards (LWDB) to provide services to employers and job seekers, including training, employment connection services, and child care subsidies.
- Offers VR services to assist adults and youth with disabilities to prepare for and enter the workforce, including administering the Purchasing from People with Disabilities (PPD) program.
- Administers the state's UI program and collects taxes for the Unemployment Compensation Fund.
- Enforces wage and child labor laws and oversees career schools and colleges.
- Collects, analyzes, and distributes workforce and labor market data.

In fiscal year 2025, TWC employed about 4,700 staff and operated on a budget of about \$2.7 billion. TWC is governed by a full-time commission that consists of three governor-appointed members, one of whom represents the public, one of whom represents employers, and one of whom represents labor.<sup>1</sup> TWC will be abolished on September 1, 2027, unless continued by the Legislature.<sup>2</sup> TWC's authority to administer and oversee the PPD program has a separate statutory abolishment date, which is also September 1, 2027.<sup>3</sup>

### Findings

#### Texas has a continuing need for the workforce development, UI, and other services TWC provides.

TWC's workforce development services contribute to and strengthen Texas' economy, and UI support provides a stopgap against economic hardship for those who qualify. Additionally, the multitude of other TWC programs and services, such as child care subsidies and VR programming, benefit the state's workers. Federal law requires and funds some of the programs TWC administers, with about 87 percent of the agency's funding coming from the federal government in fiscal year 2025. Key TWC programs include:

- **Workforce development.** Along with 28 LWDBs, contracted service providers, and community partners, TWC provides necessary services to Texans. Workforce development programs include training, education, and job matching and placement. In fiscal year 2025, TWC, LWDBs, and

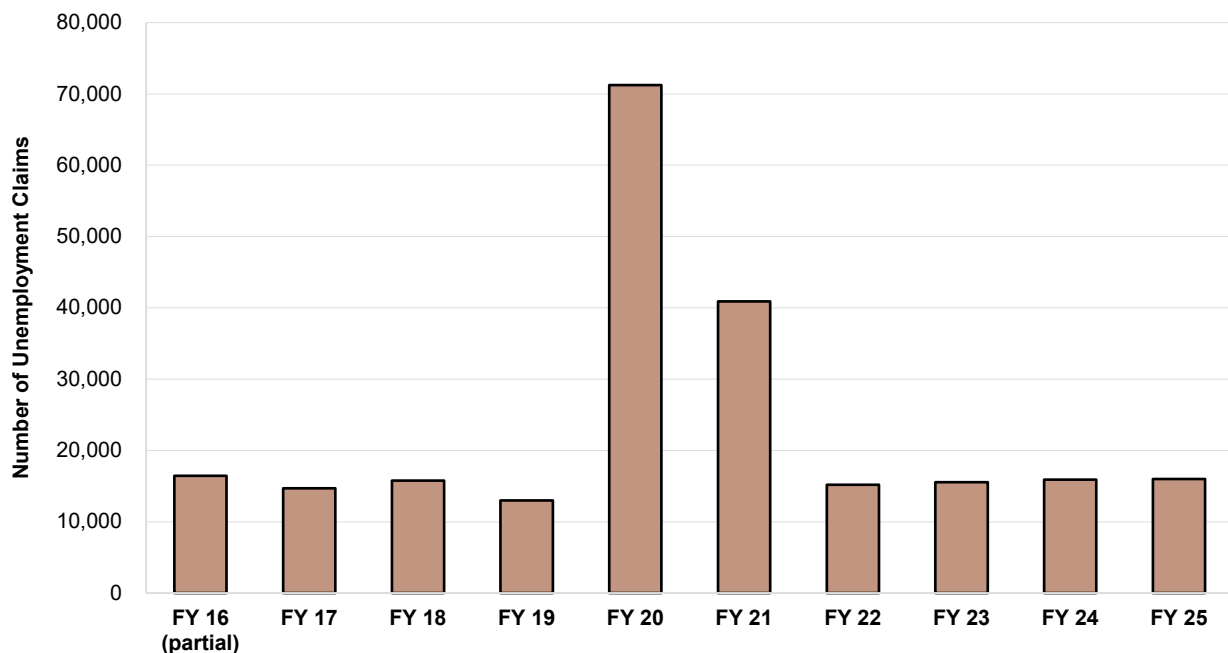
TWC programs and services continue to benefit and support Texans.

In 2025, 84% of career and training program participants were still employed after six months.

other partners provided employment services to over 787,700 job seekers and business services to almost 45,000 employers. In fiscal year 2025, 84 percent of career and training program participants retained employment six months after exiting the program or were enrolled in further education or training between six months and a year after exiting the program. As part of its workforce development efforts, TWC operates WorkInTexas.com, an online job-matching system. These workforce development services and programs enhance the skills of Texas’ workers and improve their economic self-sufficiency. Eliminating these programs would negatively impact the state’s ability to remain a competitive business environment because a capable workforce is essential to supporting business expansion and relocation within the state.

- **Unemployment insurance.** UI benefits provide a financial stopgap for individuals who lose their job, providing important temporary support while claimants look for other employment. In fiscal year 2025, TWC approved about 674,000 UI claims and paid about 92 percent of claimants in a timely manner. TWC also identifies and investigates potential UI fraud, and in fiscal year 2025, identified 506 fraudulent registrations and prevented fraudulent claims on about \$427 million in wages. Although Texas’ economic growth has generally been strong in the last decade, continued UI support is important in the event the state experiences an economic downturn. As shown in the chart below, TWC has handled a relatively stable number of weekly initial unemployment claims in the last decade, with the exception of fiscal years 2020-21. During the economic downturn resulting from the COVID-19 pandemic, TWC handled more than 71,000 claims per week in fiscal year 2020 and nearly 41,000 claims per week in fiscal year 2021.

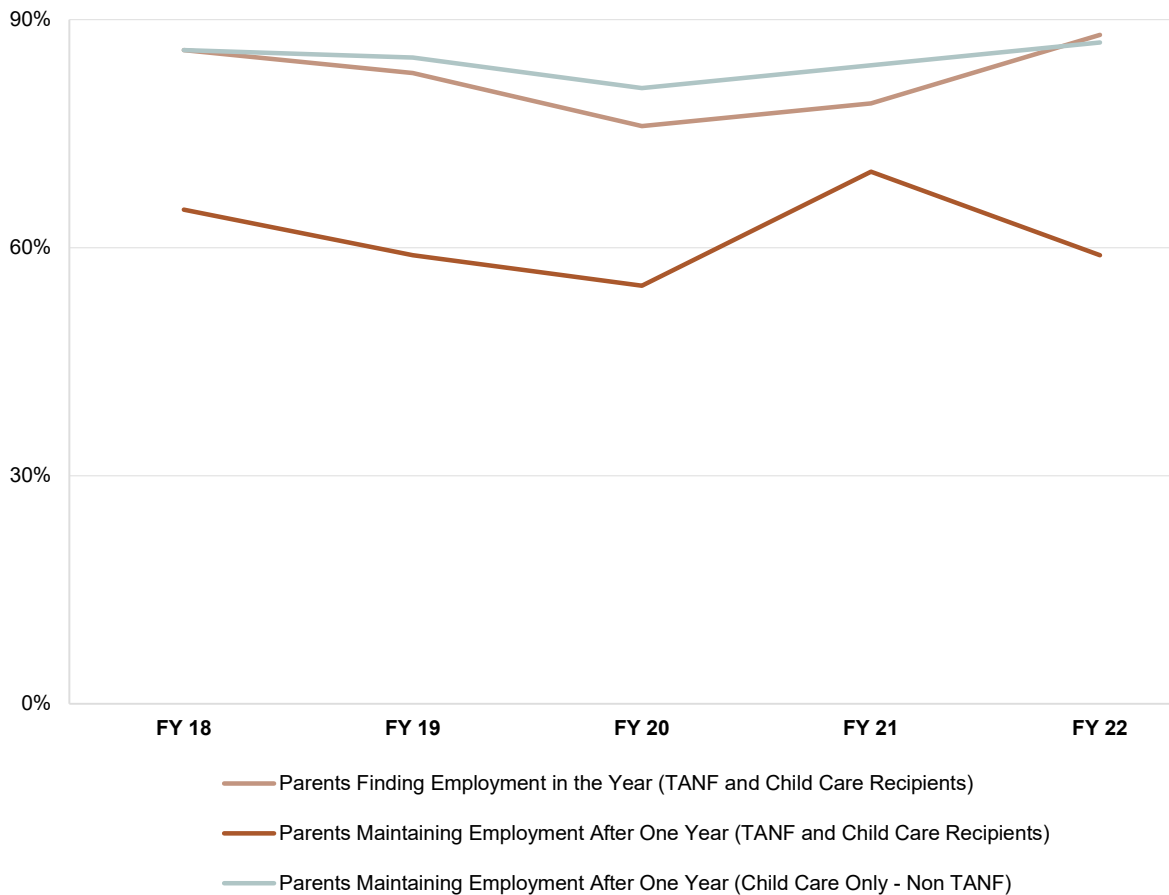
**Average Weekly Initial Unemployment Claims, FYs 2016-25**



- Child care and early learning.** TWC benefits the state’s workforce by improving access to affordable and quality child care. In fiscal year 2025, TWC funded child care services for an average of 149,000 children per day. TWC is Texas’ lead agency for the federal Child Care and Development Fund and administers the Child Care Services program through the 28 LWDBs. These subsidized child care programs contribute to Texas’ economy by helping working parents secure reliable and quality child care. The chart below shows the most recently available data for the percentage of parents finding and maintaining employment, including parents who receive child care support and are both eligible and not eligible for Temporary Assistance for Needy Families (TANF) funding.<sup>4</sup> Generally, most parents receiving child care support have found and maintained employment, with data showing consistent rates over the most recently available fiscal years. Additionally, the agency’s Texas Rising Star (TRS) program is a mandatory quality rating and improvement system for child care providers receiving TWC’s services. Because TRS-certified programs often include children from families who do not receive subsidized child care, TWC supports improving services beyond the state’s minimum standards for all families with children in TRS-certified programs, whether they directly receive TWC support or not.

Subsidized child care programs help working parents contribute to Texas’ economy.

**TWC Child Care Program Employment Data, FYs 2018-22**



Texas' VR program generally performs better than programs in other populous states.

- Vocational rehabilitation.** VR helps eligible individuals with disabilities gain employment and live as independently as possible by connecting them to counseling, services, and support. VR services assist adults and youth with disabilities by helping them achieve their work, education, and independent living goals. Programs under VR also assist employers by connecting them with qualified candidates with disabilities and by helping remove barriers to employing people with disabilities. As part of VR, TWC administers the PPD program. In fiscal year 2025, TWC worked with 110 nonprofit community partners to support people with disabilities in producing products or performing services through training and employment opportunities. As shown in the table below, among other populous states Texas' VR recipients are generally employed at higher rates within six months to one year after exiting the program, suggesting TWC's VR services typically result in stable employment.<sup>5</sup>

**Other States Comparisons for Employment Rates After VR Program Exit Program Year 2024\***

State	Employed Six Months After Exit	Employed One Year After Exit
CA	47%	46%
FL	54%	51%
GA	67%	46%
IL	57%	50%
NY	47%	47%
OH	61%	59%
PA	57%	56%
TX	60%	58%

\* Program year data is federally reported and covers July 1, 2024, through June 30, 2025. Data have a 12-month lag, meaning 2024 data covers participants who exited in 2023.

**No substantial benefits would result from changing TWC's organizational structure.**

Texas' integrated workforce system continues to be an appropriate structure.

Sunset staff considered organizational alternatives for administering TWC's programs but concluded no substantial benefit would result from transferring major functions or merging TWC with another agency. Transferring major programs would also deviate from past Legislative efforts, including through previous Sunset reviews, to consolidate programs at TWC to support the efficient delivery of workforce development services. TWC now oversees integrated workforce system programming in cooperation with 28 LWDBs, local education providers, and several other state agencies. While Sunset staff found areas of improvement during its review and TWC faces many challenges, overall the agency is functioning as the Legislature intended. Furthermore, because many programs TWC administers are federally funded, Sunset staff concluded there would be neither cost savings to the state nor major efficiencies gained from a substantial organizational restructure of TWC's key functions and programs.

## TWC continues to be the appropriate agency to oversee the PPD program.

The PPD program, commonly referred to as the State Use Program, assists individuals with disabilities transitioning to independence and offers services in participants' communities. A 2015 Sunset review found the previous administrative structure was insufficient to adequately oversee PPD and questioned how Texas can determine the success of the program due to a lack of data and performance measures. In 2015, the Legislature transferred the administration of PPD to TWC and subjected TWC's authority to administer and oversee the program to Sunset review in 2021.<sup>6</sup> In 2019, the Legislature moved that date to align with Sunset's current comprehensive review of TWC.<sup>7</sup>

In the years since the 2015 Sunset review, TWC successfully absorbed the program from another state agency and now supports a 13-member advisory committee that works with the commission to establish performance goals and criteria for certifying community rehabilitation programs for program participation.<sup>8</sup> In 2023, the advisory committee, with support from the commission, adopted six PPD performance measures and targets for TWC to evaluate how well the program is meeting its statutory objectives. Statute also requires TWC to annually report information about the number of people with disabilities employed, wages, geographic data, and other information on program activities to the governor and Legislature.<sup>9</sup> As shown in the table *PPD Employment*, the PPD program has served over 6,000 people with disabilities in each of the last five fiscal years.<sup>10</sup>

**PPD Employment, FYs 2021-25**

Fiscal Year	People with Disabilities Employed Through Program
2021	6,517
2022	6,396
2023	6,459
2024	6,478
2025	6,137

Furthermore, the PPD program has positively impacted the state's economy. People with disabilities earned about \$82.9 million in direct wages and benefits through the program in fiscal year 2025. The table on the following page *Economic Impact of the PPD Program* shows the program's impact in fiscal years 2019 and 2020 based on findings from a 2022 study that TWC contracted with an outside entity to perform.<sup>11</sup> The PPD program added about \$601 million in output to the state's gross domestic product (GDP) in the two years studied. The study also identified indirect benefits, with each in-state dollar paid by the program translating to about \$2.20 in income for Texans, and for every job directly created by the program, an additional 1.29 jobs were supported elsewhere in Texas. These indirect benefits result from the program when participants purchase goods and services from other Texas businesses.

The PPD program positively impacts Texas' economy in direct and indirect ways.

### Economic Impact of PPD Program, FYs 2019-20

	FY 2019 Direct*	FY 2019 Indirect	FY 2020 Direct	FY 2020 Indirect
Output added to state GDP	\$154,548,811	\$149,841,525	\$150,891,749	\$145,741,097
Personal income generated	\$75,005,614	\$92,314,900	\$73,894,974	\$88,861,717
Jobs created	7,324	2,101	6,865	2,008
State and local sales tax revenues generated	\$3,378,628	\$4,158,325	\$3,328,599	\$4,002,776

\* Direct effects measure outputs from the actual operation of the program such as hiring staff and paying those workers wages and benefits. Indirect effects measure results from program participants' purchases of goods and services.

### While organizational structures vary, all 50 states provide workforce development programs and administer UI benefits.

All 50 states provide workforce development programs and administer UI benefits under federal law.<sup>12</sup> While federal law requires these programs, states have some flexibility in administrative structure. Sunset staff found Texas' structure to be highly consolidated when compared to all 50 states. As seen in the table below, Texas is similar to other populous states in administering interconnected workforce development programs and UI benefits through the same state agency. This structure supports TWC's efforts to serve the diverse needs of individuals seeking the services the agency and its partners provide. Beyond those two major areas, comparisons to other states become difficult for specific programs such as VR and child care due to the variety of approaches used.

### Workforce Development and UI Program Other States Comparison

State	Agency Name	Employment & Training Services	UI Services
CA	Employment Development Department	✓	✓
FL	Department of Commerce	✓	✓
GA	Department of Labor	✓	✓
IL	Department of Employment Security	✓	✓
NY	Department of Labor	✓	✓
OH	Department of Job and Family Services	✓	✓
PA	Department of Labor and Industry	✓	✓
TX	Workforce Commission	✓	✓

## Sunset Staff Recommendations

### *Change in Statute*

#### **7.1 Continue the Texas Workforce Commission for 12 years.**

This recommendation would continue TWC until September 1, 2039.

#### **7.2 Remove the Sunset date from the Purchasing From People With Disabilities statute.**

This recommendation would remove the separate Sunset date in statute for the PPD program. As a result, TWC would continue to administer and oversee the program, and PPD would be part of TWC's next Sunset review.

### Fiscal Implication

Continuing TWC would require an annual appropriation from the Legislature, which was about \$364 million in state funds in fiscal year 2025. The recommendations in this issue would not result in any additional fiscal impact to the state.

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<sup>1</sup> All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 301.002, Texas Labor Code.

<sup>2</sup> Section 301.008, Texas Labor Code.

<sup>3</sup> Section 122.0012, Texas Human Resources Code.

<sup>4</sup> TWC, "Evaluation of the Effectiveness of the Subsidized Child Care Program," January 15, 2025, accessed online March 25, 2026, <https://www.twc.texas.gov/sites/default/files/ccel/docs/evaluation-of-the-effectiveness-of-child-care-report-to-89th-legislature-twc.pdf>.

<sup>5</sup> Rehabilitation Services Administration, "Accountability: WIOA Performance Assessment Results," February 12, 2026, accessed online March 25, 2026, <https://rsa.ed.gov/performance/accountability>.

<sup>6</sup> Chapter 672 (SB 212), Acts of the 84th Texas Legislature, Regular Session, 2015.

<sup>7</sup> Chapter 596 (SB 619), Acts of the 86th Texas Legislature, Regular Session, 2019.

<sup>8</sup> Section 122.0057, Texas Human Resources Code.

<sup>9</sup> Section 122.022, Texas Human Resources Code.

<sup>10</sup> TWC, "Supplemental Annual Report – 2024," accessed online March 25, 2026, <https://www.twc.texas.gov/sites/default/files/enterprise/docs/2024-supplemental-annual-report-twc.pdf>.

<sup>11</sup> Rebecca Davis, Mikhail Kouliavtsev, and Mark Scanlan, "Economic Impact of the Purchasing From People With Disabilities Program on Texas," Department of Economics and Finance: Stephen F. Austin State University, February 2022, accessed online March 25, 2026, <https://www.sfasu.edu/docs/cber/economic-impact-study-texas-workforce-commission-2022.pdf>.

<sup>12</sup> 26 U.S. Code, Sections 3301–3311; 29 U.S. Code, Chapter 32; 42 U.S. Code, Sections 501–506.



## ISSUE 8

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

### Background

Over the years, Sunset reviews have evaluated state agencies in terms of a number of standard elements. These standard review elements derive from three main sources: directives from the Sunset Commission, statutory requirements added by the Legislature to the criteria for review in the Sunset Act, and general law provisions imposed on state agencies. This review identified changes needed to conform the Texas Workforce Commission's (TWC) statutes to standard Sunset language generally applied to all state agencies, address the need for TWC's reporting requirements, update statute to reflect the state's person-first respectful language initiative, and address inactive programs in TWC's statute. The review also identified the need to address TWC's four-year rule review process and its use of artificial intelligence (AI) systems.

- **Sunset across-the-board recommendations (ATB).** The Sunset Commission has developed a set of standard recommendations that it applies to all state agencies being reviewed unless an overwhelming reason exists not to do so.<sup>1</sup> These ATBs reflect an effort by the Legislature to enact policy directives to prevent problems from occurring instead of reacting to problems after the fact. ATBs are statutory administrative policies adopted by the Sunset Commission that contain “good government” standards. The ATBs reflect review criteria contained in the Sunset Act designed to ensure open, responsive, and effective government.
- **Reporting requirements.** The Sunset Act establishes a process for the Sunset Commission to consider if the reporting requirements of agencies under review need to be continued or abolished.<sup>2</sup> The Sunset Commission has interpreted these provisions as applying to reports that are specific to the agency and not general reporting requirements that extend well beyond the scope of the agency under review. Reporting requirements with deadlines or reporting requirements that have expiration dates are not included, nor are routine notifications or notices or posting requirements.
- **Person-first respectful language.** Statute requires the Sunset Commission to consider and recommend, as appropriate, statutory revisions in accordance with the person-first respectful language outlined in general law.<sup>3</sup> The stated intent of the law is to try to affect society's attitudes toward people with disabilities by changing the way the language refers to them. Sunset only changes language that occurs in chapters of law that are opened by the Sunset Commission's recommendations.
- **Inactive programs.** The Sunset Act requires the Sunset Commission to assess the extent to which an agency's mission, goals, and objectives have been achieved and if the problem or need justifying the mission, goals, and objectives has been addressed.<sup>4</sup> As part of this assessment, Sunset considers if the agency's statute reflects its current activities and programs and if removing inactive programs from statute would provide the public and Legislature with a more accurate view of actual agency activities.
- **Four-year rule review.** The Sunset Act directs the Sunset Commission to assess each agency's rulemaking process, including the extent to which agencies encourage public participation in rulemaking.<sup>5</sup> As part of this assessment, Sunset considers an agency's compliance with statutory

requirements in the Administrative Procedure Act, including an agency’s review and consideration of the continuing need for each of its rules every four years from the date each rule took effect.<sup>6</sup> The Sunset Act requires the Sunset Commission, if the commission’s recommendations include any identified deficiencies or recommendations for improvement in a regulatory agency’s rulemaking process, to recommend that a limited review of the regulatory agency’s rulemaking processes be conducted prior to the agency’s next Sunset review.<sup>7</sup>

- **AI systems.** The Sunset Act requires the Sunset Commission to assess each agency’s use of AI systems in its operations.<sup>8</sup> As part of this assessment, Sunset considers an agency’s oversight of the use of AI systems by persons under its jurisdiction and the impact these AI systems have on the agency’s ability to achieve its mission, goals, and objectives.<sup>9</sup>

## Findings

### TWC’s statutes do not reflect standard language typically applied across the board during Sunset reviews.

- **Presiding officer designation.** TWC’s commission members serve six-year terms, and the governor designates TWC’s chair to serve at the pleasure of the governor for a two-year term.<sup>10</sup> However, standard Sunset language typically applied to state agencies specifies the presiding officer serves at the pleasure of the governor without listing a specific term. Having the governor designate the presiding officer of agency commissions without a specific term ensures a more direct connection between the commission and the state’s highest elected official and increases the agency’s accountability to state leadership by ensuring commissioners serve at the will of the governor.
- **Commission member training.** TWC’s statute contains language requiring commission members to receive training and information necessary for them to properly discharge their duties.<sup>11</sup> However, statute does not contain newer requirements for all topics the training must cover such as a discussion of the scope of and limitations on the commission’s rulemaking authority. Statute also does not require the agency to create a training manual for all commission members or specify that commission members must attest to receiving and reviewing the training manual annually.
- **Public testimony.** TWC’s statute requires the commission to provide the public an opportunity to appear and speak at open commission meetings, but TWC’s statute lacks standard language requiring the commission to develop and implement policies providing for a reasonable opportunity to speak.<sup>12</sup> While TWC does include public comment on the agenda for its commission meetings, including language requiring the commission to develop and implement such policies would ensure people affected by the commission’s decisions have an opportunity to provide meaningful input to the commission.
- **Complaint information.** TWC’s statute contains language requiring the agency to maintain complete information on complaints and make information on complaint procedures available to the public.<sup>13</sup> Instead of

Statutory  
commission  
member training  
requirements are  
out of date.

containing standard language on the agency's need to have a system to address complaints, TWC's statute includes an unnecessary requirement for the agency to maintain a file on each written complaint. Statute also includes an unnecessary and burdensome requirement for TWC to provide quarterly updates on the status of an investigation instead of the standard language requiring periodic notifications.

**TWC has three reporting requirements that are no longer necessary and five reports that should be included in its overall annual report.**

State law requires TWC to produce 23 reports that are specific to the agency and meet the parameters described above. Many of these reporting requirements continue to be useful, and Appendix F lists all of TWC's reporting requirements and Sunset staff's analysis of their need. However, three of TWC's required reports are no longer needed, and five reports should be included in the overall annual report to ease the agency's administrative burden.

Statute requires TWC to publish a supplemental annual report at the same time as its overall annual report, which is no longer needed as a separate requirement.<sup>14</sup> The supplemental annual report contains information about three programs for which there is an ongoing need for a reporting requirement: College Credit for Heroes, Texas Purchasing from People With Disabilities, and Skills Development Fund. Sunset staff concluded the supplemental annual report should be abolished and that these reports should be included in the agency's overall annual report rather than published separately.

The supplemental annual report also requires TWC to report on the Trade Adjustment Assistance program, which is a federally funded program that expired on July 1, 2022.<sup>15</sup> TWC and local workforce development boards continue to assist a small number of customers deemed eligible before the program's termination, but the program will soon be completely inactive. As a result, the reporting requirement is no longer needed.

Statute also requires TWC to report on the Career Opportunity Grant Program in its supplemental annual report. However, this program is dormant, and TWC last reported on it in 2012.<sup>16</sup> Sunset staff found the reporting requirement as well as the program itself could be abolished, as addressed later in this issue.

Additionally, statute requires TWC's Workforce Development Division (WDD) to report on its activities, and the agency complies by including this information in its overall annual report.<sup>17</sup> Statute also requires TWC to produce a report on the Texas Industry-Recognized Apprenticeship Programs Grant Program.<sup>18</sup> Sunset staff again found a continuing need for these reports but concluded this information should be published as part of TWC's overall annual report instead of separately to ease the agency's administrative burden.

Some reports could be eliminated and others combined to ease the administrative burden on TWC.

**TWC’s statute does not use appropriate language when referring to persons with disabilities.**

The governing statutes for TWC contain terms that are not consistent with the person-first respectful language initiative. The commission’s Sunset bill should revise the statutes to use person-first respectful language.

**TWC has 10 programs in its statutes that are inactive.**

Statute requires or authorizes TWC to administer 10 programs that are no longer active because program statute has either been superseded by law, the agency lacked funding to administer the program, or the agency met the goal of the legislative requirement. Appendix G lists these programs and includes Sunset staff’s analysis of why they should be removed from statute. By abolishing these programs, statute would better reflect actual agency activities and provide the public and Legislature a more accurate view of TWC’s current programmatic activities. The inactive programs are:

- Career Opportunity Grant Program
- Child Care Training Center Pilot Programs
- Collaborative Reading Initiatives
- Funding Competitive Procurement for Infant and Early Childhood Child Care
- State Temporary Assistance and Support Services Program Study
- Statewide Technology Workforce Campaign
- Peace Officer Employment Opportunity Internet Website
- Texans Work Program
- Texas Back to Work Program
- Transitional Child Care Services

Removing inactive programs from statute would better reflect actual agency activities.

**TWC does not fully comply with the statutory requirement to review its administrative rules every four years and engages in a rule review process that could be more transparent.**

Statute requires state agencies to review their rules every four years and determine whether the reasons for initially adopting each rule continue to exist.<sup>19</sup> However, TWC has not fully complied with that requirement for three of its 33 rule chapters. TWC is past due to conduct a review of its rules covering the Career Schools and Colleges program since 2025, the Unemployment Insurance program since 2023, and Business Enterprises of Texas since 2020 after the Legislature transferred responsibility for the program from another agency in 2016. TWC provided substantive reasons for these delays, but the agency’s failure to comply with this requirement results in stakeholders and

TWC is past due to review three of its 33 rule chapters.

members of the public having to comply with rules that may not accurately reflect current law and agency practice. In addition, neglecting to review rules allows for the continuation of regulation that may not be meaningful or needed.

As part of its analysis of existing rules, an agency should consider the practical experience the agency, stakeholders, and the public have had with each rule over the past four years.<sup>20</sup> To meet statutory requirements for quadrennial rule review, TWC engages in both stand-alone rule review and rule review concurrent with other rulemaking. To inform its rule review and consider outside perspectives, TWC forms working groups with membership consisting of stakeholders with interest and involvement in its programs. Performing rule review concurrent with other rulemaking and relying upon agency-selected participants creates risk that TWC misses potentially valuable stakeholder input. Specifically, by reviewing rules concurrent with other rulemaking, TWC buries notice of quadrennial rule review in the preamble for individual rule update postings on the *Texas Register*. This practice is not transparent because it suggests only individual rule amendments are occurring; individuals unfamiliar with navigating the *Texas Register* website and who are not included in the agency's stakeholder work groups may have a perspective that is left out of the process.

Additionally, TWC has one regulatory program; the agency licenses career schools and colleges. The Sunset Act requires the Sunset Commission, if the commission's recommendations to the Legislature include any identified deficiencies or recommendations for improvement in a regulatory agency's rulemaking process, to recommend that a limited review of a regulatory agency be conducted prior to the next Sunset review. However, because Sunset staff recommends transferring responsibility for regulating career schools and colleges to the Texas Department of Licensing and Regulation in Issue 2 of this report, this issue does not contain a recommendation for a limited review of TWC.

### **TWC does not track or evaluate metrics demonstrating the results of using its AI systems.**

TWC does not systematically track or evaluate specific outcome metrics and performance indicators on the use of its AI systems. During the review, TWC reported the agency has deployed AI solutions to deliver faster and more efficient customer service for the public and minimize repetitive tasks, such as document intake and information retrieval, with the goal of creating efficiencies for staff. While these tools have the potential to create efficiencies and benefit the public and agency staff, TWC has not yet developed systematic or centralized metrics and performance indicators to verify whether this is actually happening. This information could help the agency's executive staff make decisions on other AI solutions to deploy and better inform the Legislature about TWC's staffing needs during the appropriations process in future legislative sessions.

TWC's four-year rule review process sometimes lacks complete transparency.

Tracking and evaluating AI metrics would give TWC and the Legislature valuable insights.

## Sunset Staff Recommendations

### *Change in Statute*

#### **8.1 Apply the standard across-the-board requirement regarding the governor's appointment of the presiding officer to TWC.**

This recommendation would require the governor to designate a member of the commission to serve as the presiding officer at the pleasure of the governor without specifying a term served as chair.

#### **8.2 Update the standard across-the-board requirement related to commission member training.**

This recommendation would require TWC to develop a training manual that each commission member attests to receiving annually and require existing commission member training to include information about the scope of and limitations on the commission's rulemaking authority. The training should clarify that the Legislature sets policy and that agency boards and commissions have rulemaking authority necessary to implement legislative policy.

#### **8.3 Apply the standard across-the-board requirement regarding public testimony to TWC.**

This recommendation would require TWC to develop and implement policies providing the public a reasonable opportunity to speak at commission meetings. TWC should continue to clearly provide the public the opportunity to comment on each agenda item and any issue or matter under TWC's jurisdiction at open commission meetings.

#### **8.4 Update the standard across-the-board requirement related to developing and maintaining a complaints system.**

This recommendation would update the statutory language requiring TWC to develop and maintain a complaints system and require TWC to provide periodic updates to complainants.

#### **8.5 Abolish three of TWC's reporting requirements and include in the overall annual report information currently published in five other reports.**

This recommendation would eliminate *TWC's Supplemental Annual Report*, the *Career Opportunity Grant Program* report, and the *Trade Adjustment Program Participants* report and continue TWC's remaining 20 reporting requirements. As part of this recommendation, statute would instead require TWC to include reports on the following programs in its overall annual report:

- College Credit for Heroes
- Texas Purchasing from People with Disabilities
- Skills Development Fund

Also as part of this recommendation, statute would require TWC to publish the *WDD* report and the *Texas Industry-Recognized Apprenticeship Programs Grant Program* report as part of its overall annual report.

Appendix F lists the agency's current reporting requirements and shows which reports would be abolished, modified, or continued under this recommendation.

### **8.6 Update TWC's statute to reflect the requirements of the person-first respectful language initiative.**

This recommendation would direct the Texas Legislative Council to revise TWC's governing statutes to conform to the person-first respectful language requirements found in Chapter 392, Texas Government Code.

### **8.7 Update TWC's statute to remove 10 inactive programs.**

This recommendation would eliminate 10 inactive programs from TWC's statute, as listed above and described in more detail in Appendix G. By no longer including these programs, TWC's statutes would reduce administrative bloat and more accurately reflect the current programs and functions the agency administers.

## ***Management Action***

### **8.8 Direct TWC to update its policy guiding its rule review process.**

This recommendation would direct TWC to update its policy formally establishing and explaining its four-year rule review process. This policy should require the review to consider current factual, legal, and policy reasons for readopting each rule as well as the practical experience the agency, stakeholders, and the public have had with each rule since its adoption or last review. TWC should update the schedule in its existing rule review policy indicating when each chapter of rules will be reviewed so all rules are reviewed in a timely manner, including the rule chapters already past due for review.

As part of this policy update, TWC should cease its practice of conducting rule review concurrent with other rulemaking to provide more transparency about where rule changes originate. TWC would provide a copy of the policy to the Sunset Commission by January 1, 2027, to consider during its compliance review of the agency.

### **8.9 Direct TWC to track and evaluate metrics on its use of AI systems.**

This recommendation would direct TWC to track and evaluate key metrics and performance indicators relating to the AI solutions it deploys. TWC should consider, at a minimum, the following:

- Technical performance metrics such as how often AI generates accurate output.
- Operational efficiency metrics such as response times to the public via AI as opposed to staff; reliability and time delay between user action and system response; and the number of tasks or operations AI can perform as opposed to staff.
- Financial metrics such as a reduction in agency operating expenses due to AI automation or improvements.
- Customer service metrics such as customer complaints, resolution rate for customer queries, and sentiment analysis for customers and staff using AI tools.

As part of this recommendation, TWC should follow industry best practices and tailor the metrics it tracks and evaluates to the characteristics and users of each AI system, as not all AI tools have the same functions and user groups. TWC also should report information on the agency's AI use at the end of each fiscal year to its commission for review and consideration. This recommendation would allow TWC's executive staff and its commission to gain more visibility on the outcomes of AI system usage,

namely whether these tolls are effective and create value for the agency, and would inform the agency's future decision making.

## Fiscal Implication

These recommendations would not have a fiscal impact to the state. Several of these recommendations update provisions already required in statute, and other recommendations require TWC to update existing policies. TWC could implement these changes with existing resources.

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<sup>1</sup> Sunset Advisory Commission, "Across-the-Board Policies," accessed online April 15, 2026, <https://www.sunset.texas.gov/across-board-policies>.

<sup>2</sup> All citations to Texas statutes are as they appear on <http://www.statutes.capitol.texas.gov/>. Section 325.0075, 325.011(13), and 325.012(a)(4), Texas Government Code.

<sup>3</sup> Section 325.0123, Texas Government Code.

<sup>4</sup> Section 325.011(2)(B), Texas Government Code.

<sup>5</sup> Section 325.011(8), Texas Government Code.

<sup>6</sup> Section 2001.039, Texas Government Code.

<sup>7</sup> Section 325.016, Texas Government Code.

<sup>8</sup> Section 325.011(15), Texas Government Code.

<sup>9</sup> Ibid.

<sup>10</sup> Sections 301.005 and 301.006, Texas Labor Code.

<sup>11</sup> Section 301.0075, Texas Labor Code.

<sup>12</sup> Section 301.061(a), Texas Labor Code.

<sup>13</sup> Section 301.023 and 301.066(b), Texas Labor Code.

<sup>14</sup> Section 301.065(c), Texas Labor Code.

<sup>15</sup> U.S. Department of Labor, "Trade Adjustment Assistance for Workers," accessed online May 14, 2026, <https://www.dol.gov/agencies/eta/tradeact>.

<sup>16</sup> Section 302.258, Texas Labor Code.

<sup>17</sup> Section 302.002(a)(13), Texas Labor Code.

<sup>18</sup> Section 302.258, Texas Labor Code.

<sup>19</sup> Section 2001.039, Texas Government Code.

<sup>20</sup> Ronald L. Beal, *Texas Administrative Practice and Procedure*, New York: Matthew Bender & Company, 2018, pp. 36-37.

## ISSUE 9

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

### Background

The Texas Workforce Investment Council promotes the development of a well-educated, highly skilled workforce in Texas and advocates for an integrated workforce system that provides quality, relevant services to address the needs of Texas' businesses and workers. State and federal law task the council with four main functions:

- Strategically planning for the integration of systemwide workforce development services in Texas.
- Evaluating the workforce development system by collecting and reporting performance measure data from agencies and employers to identify how well the state's workforce system is meeting the needs of employers and job seekers.
- Producing research reports for the Office of the Governor, the Legislature, and state agency partners on topics such as adult education and workforce trends.
- Reviewing state and local workforce plans to recommend final approval by the governor.<sup>1</sup>
- **Texas Skill Standards.** In addition to these four main functions, the council administers the Texas Skill Standards (TSS) program. In 1995, the Legislature established the Texas Skill Standards Board to develop a statewide system of industry-defined and industry-recognized skill standards. Following a 2015 Sunset review, the Legislature abolished the board and transferred its functions to the council, citing a decrease in TSS program activity as justification for this change.<sup>2</sup> Since 2015, the council has continued to administer the program as directed by statute.<sup>3</sup> TSS recognizes community and technical colleges offering programs that train post-secondary students for middle-skill occupations. These are high-demand, high-wage roles that require specialized technical training rather than a four-year degree. TSS programs must align curriculum with recognized skill standards and renew program recognition with the council every three years. There are currently 50 active skill standards programs across 19 community and technical colleges in Texas.
- **Automated Follow-Up and Evaluation System.** Statute requires the Texas Workforce Commission (TWC) to maintain and operate an automated follow-up and evaluation system to track what happens to individuals after exiting education and workforce training programs.<sup>4</sup> The system uses seed records — information on people exiting programs such as public secondary schools and TWC workforce programs — to automate follow-up data collection. These seed records are electronically linked to public achievement databases to evaluate outcomes such as employment and earnings.

Statute requires the council to act as a fiscal intermediary for the follow-up system by developing and recommending a funding formula for approval by the governor. The formula determines the level of financial support that each agency administering a workforce program must provide to operate the system and produce its related follow-up report.<sup>5</sup> Annually, TWC and the Texas Higher Education Coordinating Board (THECB) each compile their own number of education and training seed records — THECB also reports on behalf of the Texas Education Agency (TEA) — and provides this data to the council, which then uses the formula to calculate the cost-sharing amounts for

agencies to recoup the costs of administering the system. The formula has been in place without revision since 2003.

## Findings

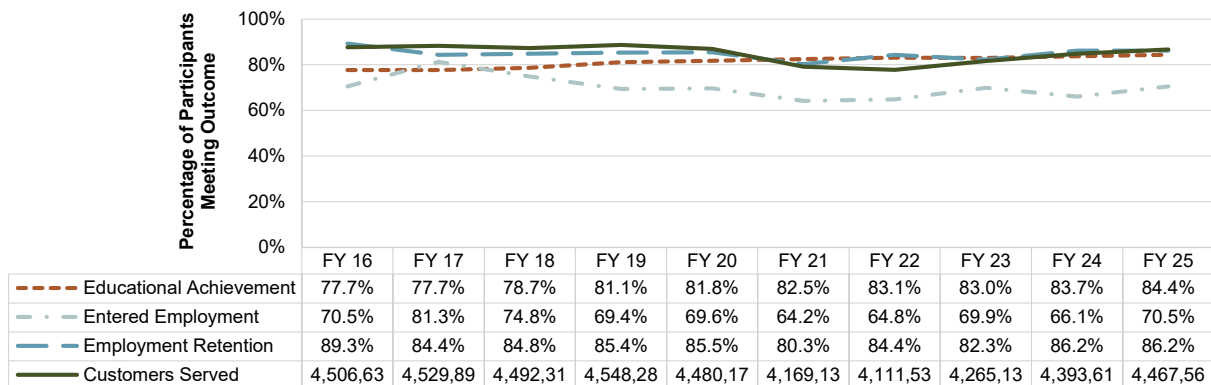
### Texas must maintain the council to meet federal requirements, and the council’s work contributes to the effectiveness of the state’s workforce system.

The council provides a unique value to the state.

The Workforce Investment Act of 1998, reauthorized as the Workforce Innovation and Opportunity Act (WIOA) of 2014, mandates that every state have a state-level workforce investment board to plan, evaluate, and coordinate services.<sup>6</sup> This board, in consultation with the governor, should promote comprehensive workforce services across employment, training, and education programs. The council serves this function in Texas. Not maintaining the council, or a similar function, could result in the loss of over \$600 million annually in federal WIOA funding to Texas.

Beyond meeting federal requirements, the council provides a unique value to the state by evaluating the collective effectiveness of the state’s workforce system. These system-level evaluations differ from specific performance targets for TWC or local workforce development boards, as discussed in Issue 1 of this report. Instead, the council tracks aggregate outcomes across 23 workforce and education programs to provide a holistic view of the workforce system. The chart below shows the results for the system’s four formal performance measures over a ten-year period.<sup>7</sup> For the three outcome-based measures — educational achievement, entered employment, and employment retention — the percentages represent the actual rate of participant success (e.g., the portion of participants who earned a credential, found a job, or maintained employment for a full year after exiting a program). These figures reflect real-world results for Texans rather than a percentage of a predetermined state goal. The fourth measure — customers served — tracks the total volume of individuals engaging with the system, which totaled nearly 4.5 million in fiscal year 2025.<sup>8</sup>

Texas Workforce System Performance FYs 2016-25



As shown in the chart on the previous page, the performance of the workforce system across these measures remained fairly stable despite the effects of the COVID-19 pandemic in 2020 and 2021. This stability demonstrates that the council is successfully fulfilling its primary function. The textbox below provides explanations of each performance measure.<sup>9</sup>

### Performance Measure Definitions

These measures reflect the aggregate performance of the six state agency partners.

**Educational Attainment** – Percentage of all program participants who obtain a degree or other credential of completion or complete the level of enrollment in either a training or educational program.

**Entered Employment** – Percentage of all program participants who secure employment within a specified period of time after exiting a program.

**Employment Retention** – Percentage of all program participants who retain employment within a specified period of time after exiting a program.

**Customers Served** – Number of employers and individuals who received system services, including program participation.

Current and future changes in the workforce environment require continued efforts to align, coordinate, collaborate, and enhance outcomes for workforce system participants. As such, the council's focus on system strategic planning is necessary to ensure workforce initiatives are designed to meet the needs of Texans across agencies and programs.

### No benefits would result from moving the council or its functions to any other agency.

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. While the bulk of workforce development programs, funding, and operational support for the council comes from TWC, attaching the council to TWC would diminish the council's ability to effectively facilitate planning and evaluation across six agencies with multiple workforce programs. Currently, the council occupies a neutral position and can conduct research and convene these agencies and other system stakeholders to collaboratively identify system issues and opportunities for improvement. As such, Sunset staff determined the council is appropriately placed within the Office of the Governor, independent of the workforce system agencies that the council evaluates.

The council is appropriately placed within the Office of the Governor.

### The Texas Skill Standards program has been superseded by industry-based certifications and post-secondary certificates and no longer serves a meaningful purpose.

TSS has become a legacy program that is no longer aligned with the goals of the state's modern workforce development infrastructure. The state has shifted its workforce development focus toward industry-based certifications (IBC)

and Level I and II certificates, which are more widely recognized and offer a more consistent standard for employers across Texas than TSS certifications. An IBC is a voluntary, third-party-validated credential certifying that a student possesses specific, in-demand skills for a career that align with industry standards.<sup>10</sup> Texas began formally recognizing and tracking IBCs for public school accountability in the 2017-18 school year.<sup>11</sup> While students can earn these certifications through standard high school career and technical courses, many are also earned through dual credit partnerships.<sup>12</sup>

### Industry-Driven Credentials for Students

- **Industry-Based Certifications:** Industry-recognized certifications for specific skills (e.g., Certified Nurse Aide or AWS Cloud). These certifications are flexible and can be earned in high school or through college-level dual credit.
- **Level I Certificates:** Short-term college technical programs (e.g., welding or auto repair). These are highly accessible because students do not have to pass a college entrance exam to enroll.
- **Level II Certificates:** Advanced college technical programs (e.g., vocational nursing or cybersecurity). These require more training hours than a Level I certificate and a passing score on a college readiness exam.

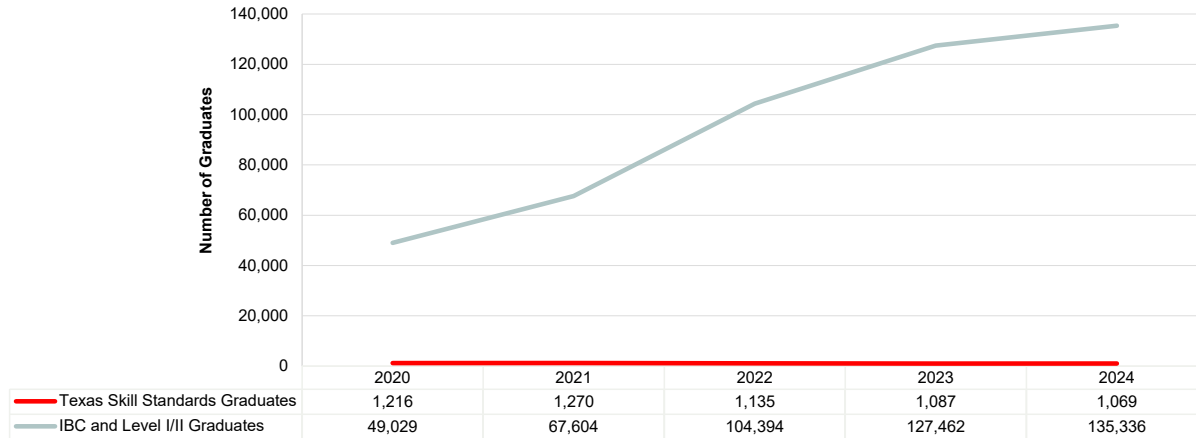
Distinct from IBCs, Level I and II certificates are awarded by community and technical colleges. Through dual credit partnerships, Texas high school students can earn these college credentials concurrently with their high school diploma.<sup>13</sup> The accompanying textbox describes IBCs and Level I and II certificates in more detail.

Both IBCs and Level I and II certificates are now integrated into the state's primary funding and accountability mechanisms, including the \$11.6 billion Foundation School Program and the \$2.2 billion outcomes-based community college finance system.<sup>14</sup> Under these systems, the state provides extra funding to schools and

colleges specifically when students earn these recognized credentials. In contrast, the legacy TSS program remains disconnected from these significant funding sources. Because state funding and school ratings are not tied to TSS outcomes, schools have little incentive to grow their programs.

Additionally, while TSS graduate numbers have remained stagnant at approximately 1,100 annually for the last ten years, IBCs and Level I/II certificates have experienced accelerated growth, awarded to just over 135,000 high school graduates in 2024. The chart on the following page compares the total number of graduates from TSS programs and IBCs/Level I and II certificate programs for the last five years.

### Texas Skill Standards and Industry-Based Certification Graduates\* 2020-24



\* Industry-Based Certification graduates include high school students who graduated with an IBC or a Level I/II Certificate.

Furthermore, the TSS program has also stagnated in terms of program design and curriculum development. While TEA’s 2025-30 Industry-Based Certification List contains 523 approved certifications, the TSS inventory has remained at approximately 50 programs with no new programs since 2022. To assess the value of existing TSS programs, Sunset staff sent a survey to TSS program administrators at community and technical colleges but received only four responses, indicating minimal stakeholder interest and a lack of continuing institutional buy-in for TSS.

Legislative action has also rendered the council’s role in maintaining skill standards obsolete. In 2021, the Legislature established the Industry-Based Certification Advisory Council at TWC, which now serves as an official industry voice for advising on the standards used across Texas, a role that was once the primary purpose of the TSS program.<sup>15</sup> The advisory council develops a comprehensive inventory of industry-recognized credentials to advise TWC staff. The inventory is then submitted to TEA to inform the state’s official list of certifications approved for public school accountability. Simultaneously, THECB has standardized technical certificates through the Workforce Education Course Manual, which incorporates industry requirements directly into college curriculum, ensuring these standards are met through regular coursework.<sup>16</sup> This formalization ensures that industry standards are integrated into college courses, making a separate state-level skill standards program redundant and unnecessary.

The stagnant Texas Skill Standards program is no longer needed.

As the state moves toward workforce policy driven by outcomes-based funding, TSS’ lack of financial incentives further contributes to the program’s obsolescence. Abolishing the TSS program would eliminate a duplicative function that is no longer needed. This action would allow the state to focus its resources on the high-growth, market-recognized credentials that have effectively replaced the legacy skill standards system and now drive Texas’s workforce development strategy.

**The Automated Follow-Up and Evaluation System is no longer needed, eliminating the need for the council to serve as fiscal intermediary.**

The council's role as a fiscal intermediary provides no meaningful benefit to the state.

- **The requirement to maintain the system and the system itself are outdated.** TWC has been statutorily required to maintain and operate the Automated Follow-up and Evaluation System for 23 years, but the agency no longer meaningfully uses the system. Sunset staff observed that TWC maintains the system solely to comply with statute. While THECB publishes an annual report with data derived from the system, there is no evidence of additional internal or external reports currently generated from the system, and THECB only receives one inquiry about the published data annually. Furthermore, the requirement to utilize a specific automated follow-up framework limits TWC and THECB's ability to publish follow-up information in an efficient manner. Removing this specific technical requirement would give the agencies more options, such as using online dashboards, to share data more effectively. Capturing follow-up information after individuals exit education and workforce training programs remains a high priority. However, transitioning away from the mandated 23-year-old infrastructure would facilitate higher-quality data reporting that is not constrained by the existing system's outdated architecture.
- **The council does not need to continue acting as the fiscal intermediary for the Automated Follow-Up and Evaluation System.** The statutory requirement for the council to serve as the fiscal intermediary for the Automated Follow-Up and Evaluation System is no longer efficient. Over the past decade, technological advancements have led to a decline in the costs associated with the system's maintenance. For four of the last five years, TWC's reimbursement for the system has been \$0. As maintenance costs have decreased, the council's role as a fiscal intermediary provides no meaningful financial protection or oversight benefit to the state. The administrative effort required to maintain this three-agency billing process now outweighs the actual fiscal significance of the system. The chart below details the reimbursement totals for the system for the last ten years.

**Automated Follow-Up and Evaluation System Costs, FYs 2016-25**

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
TWC Cost	\$134,657	\$31,021	\$2,911	\$1,603	\$3,815	\$0	\$0	\$0	\$817	\$0
THECB Cost	\$47,551	\$98,127	\$18,092	\$17,480	\$16,952	\$12,072	\$9,125	\$5,562	\$5,051	\$5,733
<b>Total Cost</b>	<b>\$182,208</b>	<b>\$129,148</b>	<b>\$22,003</b>	<b>\$19,083</b>	<b>\$20,767</b>	<b>\$12,767</b>	<b>\$9,125</b>	<b>\$5,562</b>	<b>\$5,868</b>	<b>\$5,733</b>

Currently, the council serves a redundant intermediary role solely to satisfy an outdated requirement, adding no value to the system's oversight while creating unnecessary and complicated channels of communication between the council, TWC, and THECB.

## The council's statute does not reflect standard language typically applied across the board during Sunset reviews.

The Sunset Commission has developed a set of standard recommendations that it applies to all state agencies being reviewed unless an overwhelming reason exists not to do so.<sup>17</sup> These across-the-board recommendations reflect the Legislature's effort to place policy directives on agencies to prevent problems from occurring, instead of reacting to problems after the fact. The provisions reflect review criteria contained in the Sunset Act designed to ensure open, responsive, and effective government.

- **Board member training.** The council's statute contains language requiring board members to receive training and information necessary for them to properly discharge their duties.<sup>18</sup> However, statute does not require the agency to create a training manual for all board members or specify that board members must attest to receiving and reviewing the training manual annually. Updating this requirement would ensure board members are adequately equipped to carry out their duties.
- **Complaint information.** The council's statute contains language intended to ensure a process for receiving and acting on complaints and for addressing problems in a timely manner. However, the statute includes deviations from standard language that may limit clarity.<sup>19</sup> Updating this statutory requirement would help ensure an effective and clear complaint resolution process.

Statute does not contain newer board member training requirements.

## Five of the council's statutory reporting requirements continue to be needed.

The Sunset Act establishes a process for the Sunset Commission to consider if the reporting requirements of entities under review need to be continued or abolished.<sup>20</sup> The Sunset Commission has interpreted these provisions as applying to reports that are specific to the entity and not general reporting requirements that extend well beyond the scope of the entity under review. Reporting requirements with deadlines or reporting requirements that have expiration dates are not included, nor are routine notifications, notices, or posting requirements.

Statute requires the council to produce six reports, as listed in Appendix H. Five of these reporting requirements continue to be useful. However, the statutory requirement that the council produce an annual report on its duties related to TSS would no longer be applicable if the TSS program is abolished.

Five of the council's reporting requirements continue to be useful.

## Sunset Staff Recommendations

### *Change in Statute*

#### 9.1 Continue the Texas Workforce Investment Council for 12 years.

This recommendation would continue the Texas Workforce Investment Council until September 1, 2039.

## **9.2 Abolish the Texas Skill Standards program.**

This recommendation would remove the statutory requirement for the council to maintain the Texas Skill Standards (TSS) program and report annually on its duties related to the program. Under this recommendation, existing TSS programs at community and technical colleges would maintain their current status until their three-year renewal period concludes, after which TSS recognition would formally expire. No new TSS programs would be recognized following the implementation of this recommendation. As TSS programs expire, institutions would have the opportunity to align their existing curricula with TEA's Industry-Based Certification list or formalize them as Level I or II certificates within the Workforce Education Course Manual.

This change would remove an outdated program and allow the state to focus its resources on the credentials that meet employer needs and now drive Texas's workforce strategy.

## **9.3 Modify statute to modernize workforce data evaluation.**

This recommendation would remove the outdated statutory requirement for TWC to maintain the Automated Follow-up and Evaluation System and replace it with a more flexible requirement that TWC, in collaboration with THECB, ensures the continuous availability of integrated data for the evaluation of workforce development and education programs.

## **9.4 Modify statute to remove the council's responsibility to serve as fiscal intermediary for the Automated Follow-up and Evaluation System.**

This recommendation would remove the unnecessary responsibility for the council to serve as the fiscal intermediary for the Automated Follow-up and Evaluation System. Funding for coordinated data efforts would instead be managed directly by participating agencies. Eliminating this unnecessary fiscal role would remediate an inefficient billing process, allowing the council to focus resources on its primary mission.

## **9.5 Update the standard across-the-board requirement related to board member training.**

This recommendation would require the council to develop a training manual that each council member attests to receiving annually and require existing council member training to include information about the scope of and limitations on the council's rulemaking authority. The training should clarify that the Legislature sets policy and that agency boards and commissions have rulemaking authority necessary to implement legislative policy.

## **9.6 Update the standard across-the-board requirement related to complaint information.**

This recommendation would update current statutory language requiring a system for receiving and acting on complaints and for addressing problems in a timely manner. Updating this requirement would help ensure an effective and clear complaint resolution process.

## **Fiscal Implication**

Continuing the council would have no significant fiscal impact to the state and would ensure Texas maintains compliance with federal requirements under WIOA, thereby avoiding the loss of a significant amount of federal funding for workforce development. If continued by the Legislature, the member agencies would continue to fund the council. Eliminating the Texas Skill Standards program would result in a reduction of 0.5 FTE and an estimated annual savings of \$50,000.

- 
- 1 All citations to Texas statutes are as they appear on <https://statutes.capitol.texas.gov/>. Section 2308.101, Texas Government Code.
  - 2 Chapter 97 (HB 1606), Acts of the 84th Texas Legislature, Regular Session, 2015.
  - 3 Section 2308.109, Texas Government Code.
  - 4 Section 302.081, Texas Labor Code.
  - 5 Section 2308.151, Texas Government Code.
  - 6 Workforce Innovation and Opportunity Act (WIOA) of 2014, 29 U.S. Code, Section 3111.
  - 7 Texas Workforce Investment Council, *Evaluation 2025 - Accomplishments and Outcomes of the Texas Workforce System*, 2025, p. 13.
  - 8 *Ibid.*, p.7.
  - 9 *Ibid.*, p. 10.
  - 10 Section 39.0531, Texas Education Code.
  - 11 Chapter 807 (HB 22), Acts of the 85th Texas Legislature, Regular Session, 2017.
  - 12 Sections 28.009 (a-1) and 28.009 (b-2)(3), Texas Education Code.
  - 13 Section 28.009 (a-1), Texas Education Code.
  - 14 Chapter 943 (HB 3), Acts of the 86th Texas Legislature, Regular Session, 2019; Chapter 378 (HB 8), Acts of the 88th Texas Legislature, Regular Session, 2023.
  - 15 Chapter 312, Texas Labor Code.
  - 16 19 Texas Administrative Code (TAC), Part 1, Chapter 1, Subchapter T (THECB, *Workforce Education Course Manual Advisory Committee*).
  - 17 Sunset Advisory Commission, “Across-the-Board Policies,” <https://www.sunset.texas.gov/across-board-policies>.
  - 18 Section 2308.158, Texas Government Code.
  - 19 Section 2308.107, Texas Government Code.
  - 20 Sections 325.0075, 325.011(13), and 325.012(a)(4), Texas Government Code.



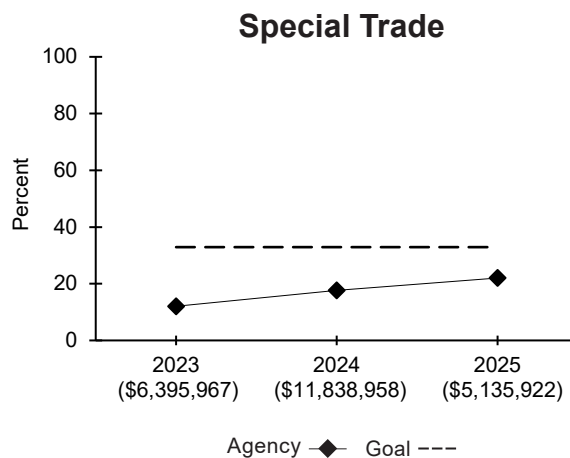
# APPENDIX A

## Historically Underutilized Businesses Statistics, FYs 2023-25

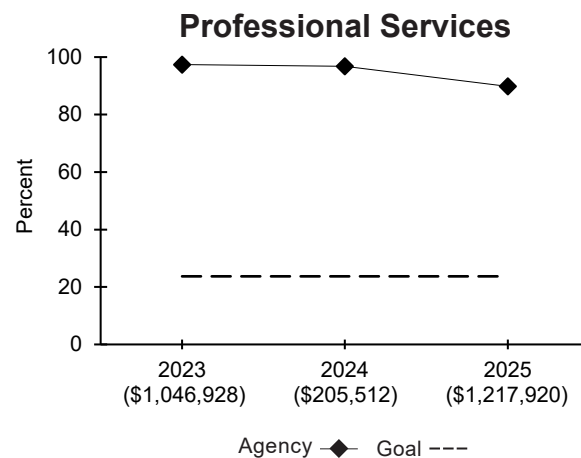
The Legislature has encouraged state agencies to increase their use of historically underutilized businesses (HUB) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies’ compliance with laws and rules regarding HUB use in its reviews.<sup>1</sup>

The following material shows trend information for the Texas Workforce Commission’s use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines set in statute.<sup>2</sup> In the charts, the dashed lines represent the goal for HUB purchasing in each category, as established by the Office of the Comptroller of Public Accounts. The diamond lines represent the percentage of agency spending with HUBs in each purchasing category from fiscal years 2023-25. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category.

The agency exceeded statewide purchasing goals for the professional services category in each of the last three fiscal years, for the other services category in fiscal year 2025, and for the commodities category in fiscal years 2023 and 2024. The agency had no spending in the heavy construction and building construction categories in each of the last three fiscal years. The agency fell below the statewide goals for spending in the special trade category in each of the last three fiscal years, in the other services category in fiscal years 2023 and 2024, and in the commodities category in fiscal year 2025.

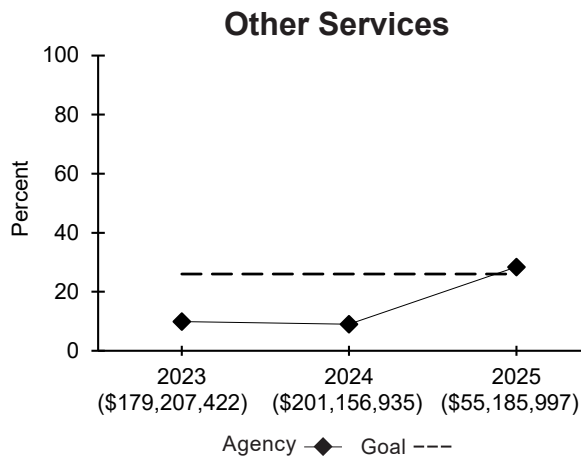


The agency failed to meet the statewide goal for HUB spending in special trade in each of the last three fiscal years.

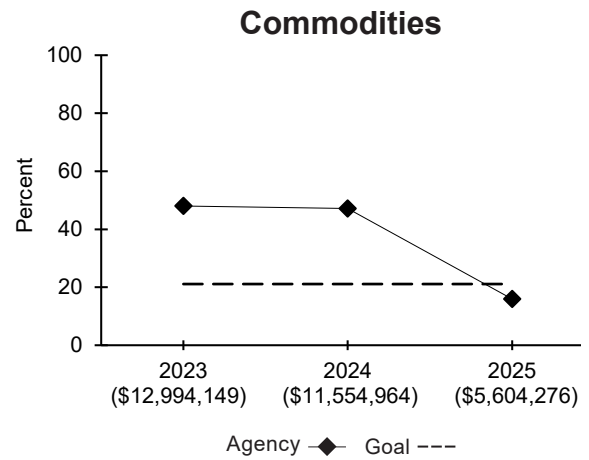


The agency exceeded the statewide goal for HUB spending in professional services in each of the last three fiscal years.

## Appendix A



The agency failed to meet the statewide goal for HUB spending in other services in fiscal years 2023 and 2024 but exceeded the goal in fiscal year 2025.



The agency exceeded the statewide goal for HUB spending in commodities in fiscal years 2023 and 2024 but failed to meet the goal in fiscal year 2025.

<sup>1</sup> All citations to Texas statutes are as they appear on <http://statutes.capitol.texas.gov/>. Section 325.011(9)(B), Texas Government Code.

<sup>2</sup> Chapter 2161, Texas Government Code.

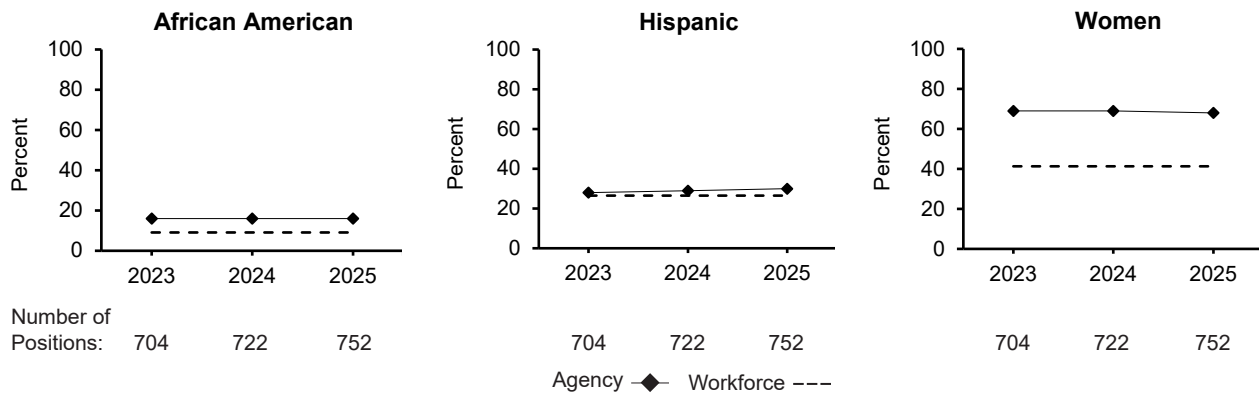
# APPENDIX B

## Equal Employment Opportunity Statistics, FYs 2023-25

In accordance with the requirements of the Sunset Act, the following material shows trend information for the employment of minorities and women in all applicable categories by the Texas Workforce Commission.<sup>1</sup> The agency maintains and reports this information under guidelines it established.<sup>2</sup> In the charts, the dashed lines represent the percentages of the statewide civilian workforce for African Americans, Hispanics, and women in each job category.<sup>3</sup> These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The diamond lines represent the agency's actual employment percentages in each job category from fiscal years 2023-25.

In each of the last three fiscal years, the agency nearly met or exceeded the statewide civilian workforce percentages for African Americans in the administration, professional, technical, and administrative support categories but fell short in the service/maintenance and skilled craft categories. The agency exceeded the statewide civilian workforce percentages for Hispanics in all categories and fiscal years except for service/maintenance. The agency nearly met or exceeded the statewide civilian workforce percentages for women in the administration, professional, technical, and administrative support categories in all fiscal years but fell short in the service/maintenance and skilled craft categories. The agency did not have any employees in the protective services category.

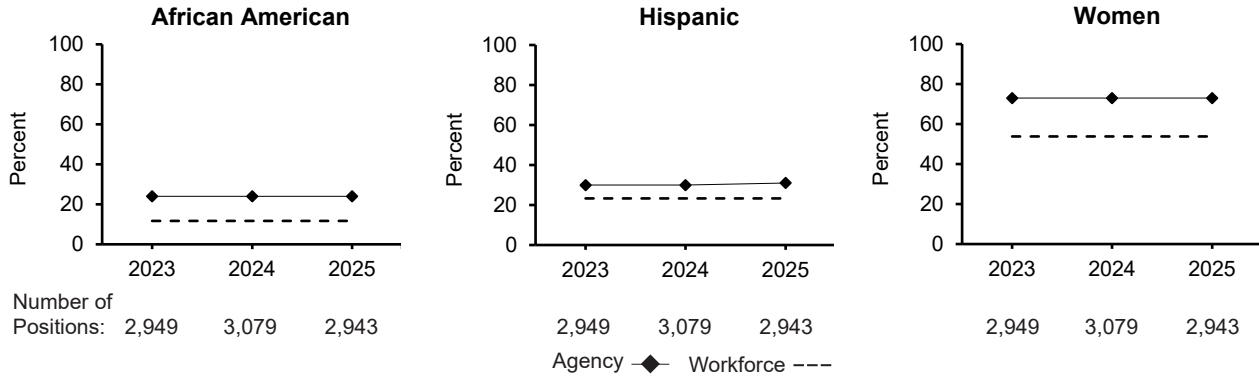
### Administration



The agency exceeded the statewide civilian workforce percentages for all three reported groups in each of the last three fiscal years.

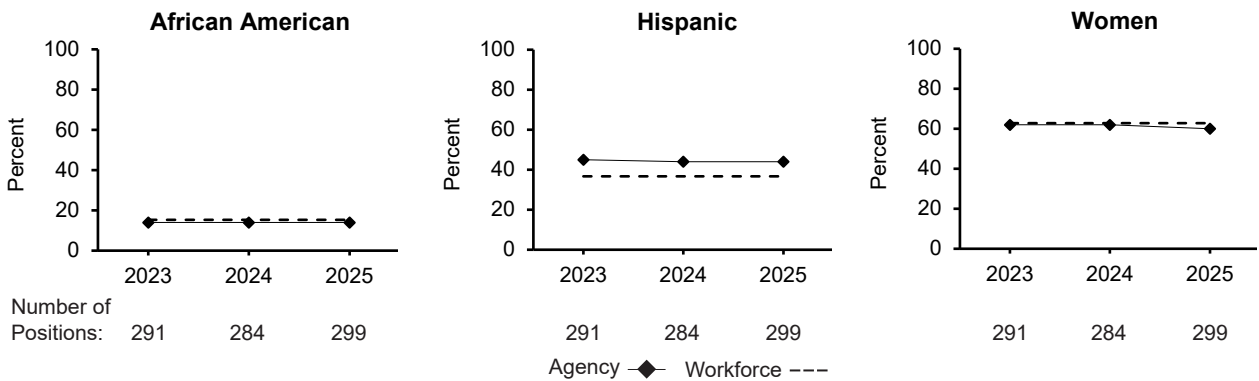
## Appendix B

### Professional



The agency exceeded the statewide civilian workforce percentages for all three reported groups in each of the last three fiscal years.

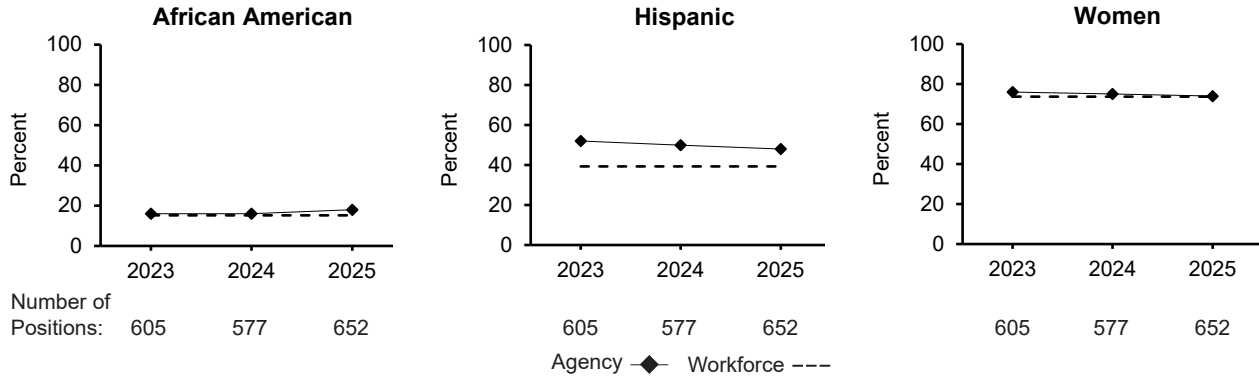
### Technical



The agency nearly met or exceeded civilian workforce percentages for all three categories in each of the last three fiscal years.

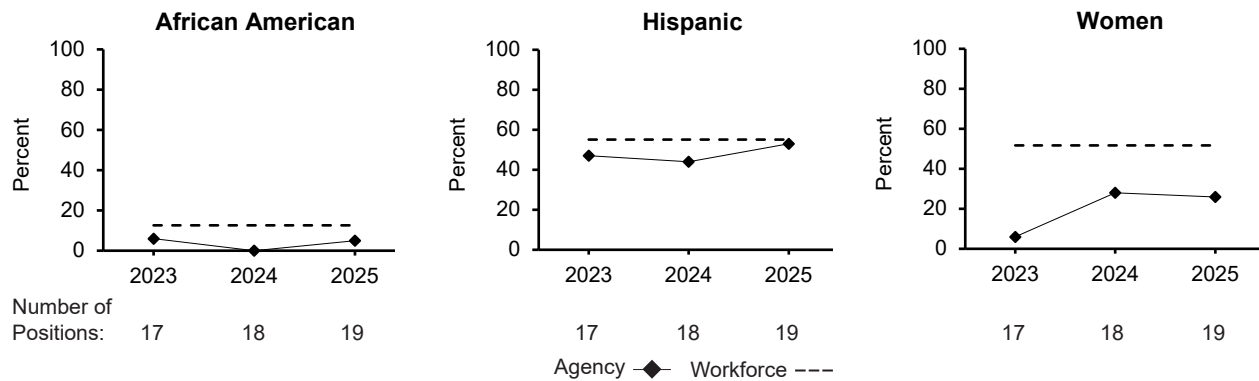
## Appendix B

### Administrative Support



The agency exceeded the statewide civilian workforce percentages for all three reported groups in each of the last three fiscal years.

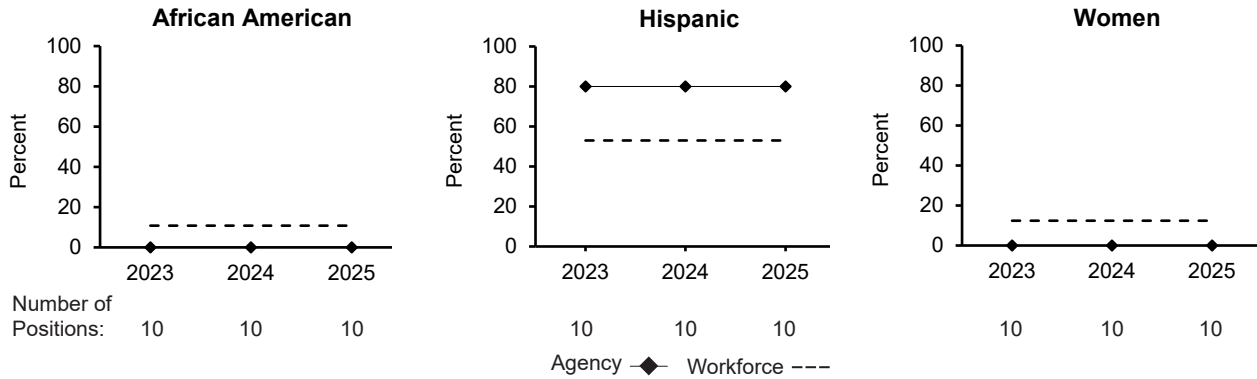
### Service/Maintenance



The agency failed to meet the statewide civilian workforce percentages for all three reported groups in each of the last three fiscal years. However, the agency had few employees in this category.

## Appendix B

### Skilled Craft



The agency met the statewide civilian workforce percentages for Hispanics but failed to meet the percentages for African Americans and women in each of the last three fiscal years. However, the agency had few employees in this category.

<sup>1</sup> All citations to Texas statutes are as they appear on <http://statutes.capitol.texas.gov/>. Section 325.011(9)(A), Texas Government Code.

<sup>2</sup> Section 21.501, Texas Labor Code.

<sup>3</sup> Based on the most recent statewide civilian workforce percentages published by the Texas Workforce Commission.

# APPENDIX C

## Texas Workforce, Education, and Training Programs\*

Texas Agency	Program	Groups Served
Texas Department of Criminal Justice	Postsecondary Community and Technical College Corrections	Individuals 35 years old or younger in state prisons and jails who have a high school diploma or equivalent and are within seven years of parole eligibility.
	Academic Education Windham School District	Incarcerated adults who do not have a high school diploma or equivalent.
	Career and Technical Education Windham School District	
Texas Education Agency	Secondary Education	Secondary students.
	Secondary Career Technical Education	
Health and Human Services Commission (HHSC), <i>through the Texas Workforce Commission</i>	Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T)	Individuals who HHSC determines to be mandatory work registrants, who are unemployed or employed less than full time, and who are able to work.
	Temporary Assistance for Needy Families Choices (TANF Choices)	Eligible single-parent families and eligible two-parent families with children.
Texas Higher Education Coordinating Board	Community and Technical College (CTC) Academic Education	Students who have a high school diploma or equivalent seeking postsecondary education.
	CTC Technical Education	
Texas Juvenile Justice Department (TJJJD)	Secondary Education and Secondary Academic Education, Corrections	Secondary students in high schools and TJJJD facilities.
	Secondary Career Technical Education and Secondary Technical Education, Corrections	
Texas Veterans Commission	Veterans Employment and Training	Any person who served on active duty for more than 180 days and was honorably discharged or released because of a service-connected disability.
Texas Workforce Commission	Adults, Workforce Innovation and Opportunity Act (WIOA), Title I	Persons aged 18 years or older.
	Youth, WIOA, Title I	Persons between the ages of 14 and 24 years who face barriers to school completion or employment.
	Dislocated Workers, WIOA, Title I	Dislocated workers who are unemployed due to layoffs or adverse market conditions and unlikely to return to their jobs.
	Adult Education and Literacy, WIOA, Title II	Persons aged at least 16 years and not enrolled or required to be enrolled in secondary school under state law who lack basic skills, do not have a high school diploma or its equivalent, or are an English language learner.
	Vocational Rehabilitation, WIOA, Title IV	Adults with disabilities or who are blind or visually impaired.
	Apprenticeship	Adults and youth aged 16 years or older who have a high school diploma or equivalent.
	Employment Services, Wagner-Peyser	All unemployed or underemployed Texans looking for work and all employers seeking employees.
	Lone Star Workforce of the Future Fund	Public community or technical colleges and nonprofit organizations for the purpose of training unemployed or underemployed Texans.

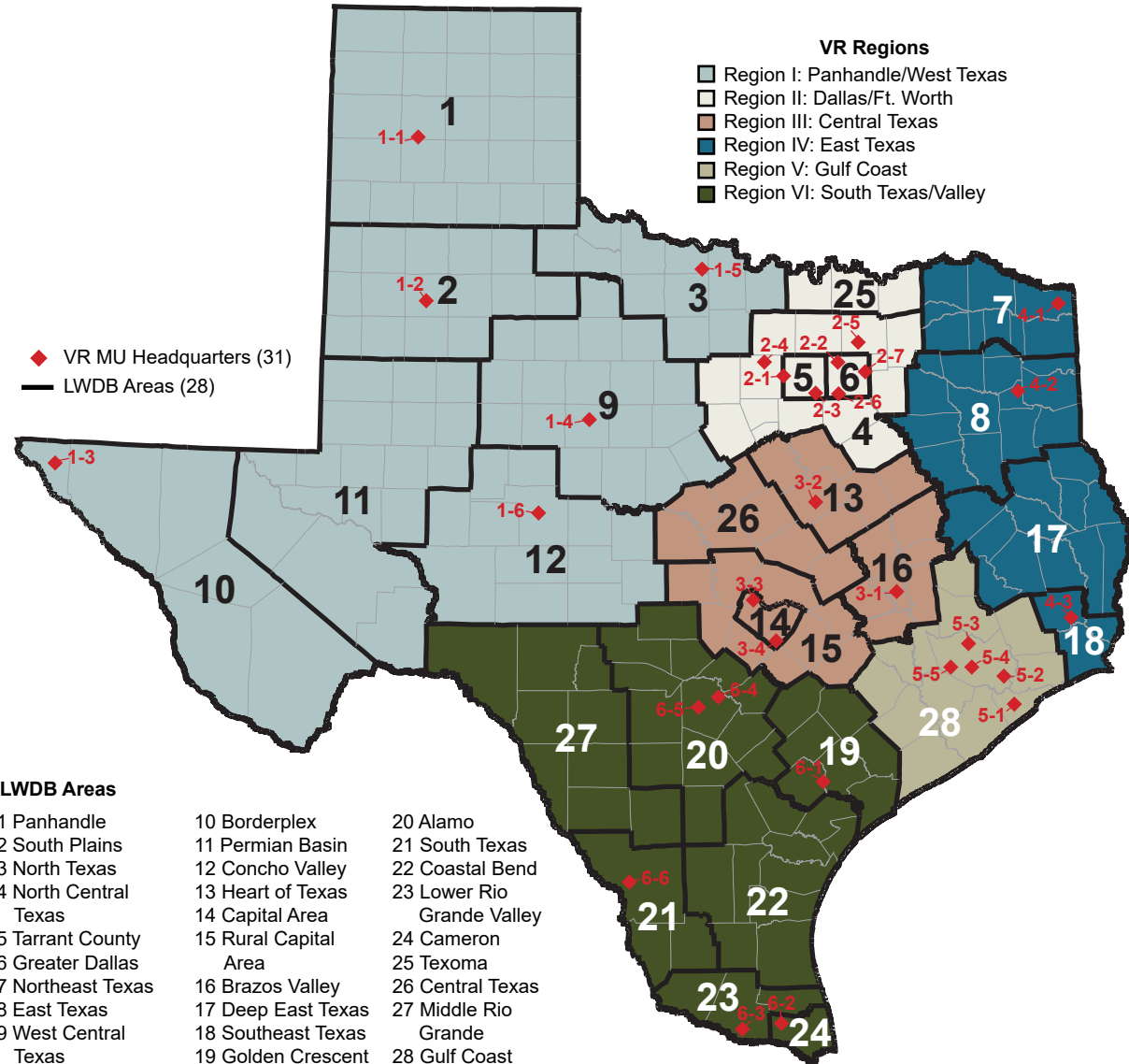
## **Appendix C**

Texas Agency	Program	Groups Served
	Jobs and Education for Texans (JET) Fund	TJJD, juvenile boards, and juvenile probation departments; public junior, state, or technical colleges; Texas independent school districts or open-enrollment charter schools in partnership with a public junior, state, or technical college; and the Windham School District.
	Skills Development Fund	Employers seeking to upskill or reskill new and incumbent workers.
	Trade Adjustment Assistance	Workers whose employment is adversely affected by trade as determined by the U.S. Department of Labor.
	Senior Community Service Employment Program	Low-income adults aged 55 years or older.
	Self-Sufficiency Fund	Persons who are part of a low-income family or a family at risk of becoming dependent on public assistance.

\* The Office of the Governor's Economic Development and Tourism Division does not directly administer workforce development programs but works to attract industry and create jobs.

# APPENDIX D | Comparison of TWC VR Regions, VR MU Headquarters, and LWDB Areas

This map shows an overlay of the six TWC Vocational Rehabilitation (VR) regions, 31 VR Management Unit (MU) headquarters, and 28 Local Workforce Development Board (LWDB) areas.



**LWDB Areas**

- |                       |                       |                            |
|-----------------------|-----------------------|----------------------------|
| 1 Panhandle           | 10 Borderplex         | 20 Alamo                   |
| 2 South Plains        | 11 Permian Basin      | 21 South Texas             |
| 3 North Texas         | 12 Concho Valley      | 22 Coastal Bend            |
| 4 North Central Texas | 13 Heart of Texas     | 23 Lower Rio Grande Valley |
| 5 Tarrant County      | 14 Capital Area       | 24 Cameron                 |
| 6 Greater Dallas      | 15 Rural Capital Area | 25 Texoma                  |
| 7 Northeast Texas     | 16 Brazos Valley      | 26 Central Texas           |
| 8 East Texas          | 17 Deep East Texas    | 27 Middle Rio Grande       |
| 9 West Central Texas  | 18 Southeast Texas    | 28 Gulf Coast              |
|                       | 19 Golden Crescent    |                            |

**VR Management Units**

- |  |                                     |                                     |                                   |
|--|-------------------------------------|-------------------------------------|-----------------------------------|
| 1-1 Panhandle (Amarillo)                     | 2-4 North Central Texas             | 4-3 Deep East Texas/Southeast Texas | 6-4 Alamo North                   |
| 1-2 South Plains (Lubbock)                   | 2-5 Texoma                          | 5-1 Gulf Coast South                | 6-5 Alamo South                   |
| 1-3 Borderplex (El Paso)                     | 2-6 Greater Dallas South            | 5-2 Gulf Coast East                 | 6-6 South Texas Middle Rio Grande |
| 1-4 West Central Texas (Abilene)             | 2-7 Greater Dallas Northeast Valley | 5-3 Gulf Coast North                |                                   |
| 1-5 North Texas (Wichita Falls)              | 3-1 Rural Capital/Brazos Valley     | 5-4 Gulf Coast Central              |                                   |
| 1-6 Concho Valley/Permian Basin (San Angelo) | 3-2 Heart of Texas                  | 5-5 Gulf Coast West                 |                                   |
| 2-1 Tarrant County North                     | 3-3 Capital Area North              | 6-1 Golden Crescent/Coastal Bend    |                                   |
| 2-2 Greater Dallas Northwest                 | 3-4 Capital Area South              | 6-2 Cameron County                  |                                   |
| 2-3 Tarrant County South                     | 4-1 Northeast Texas                 | 6-3 Lower Rio Grande Valley         |                                   |
|  | 4-2 East Texas                      |                                     |                                   |



# APPENDIX E

## Unemployment Insurance Fraud Data FYs 2021-25

The following tables display Unemployment Insurance (UI) data for fiscal years 2021-25. The tables compare the total number of UI claims filed with the number and dollar amounts of claims paid for each year. The tables further break down each total by the type of confirmed or suspected fraud, as discussed in Issue 5, and described below.

- **Suspected ID Fraud** – TWC detected a suspicious unemployment claim and required the claimant to complete identity verification. The claimant did not verify so the claim was stopped.
- **Confirmed ID Fraud** – TWC confirmed from the victim, the employer, or through staff analysis that an unemployment claim was filed by an imposter.
- **Confirmed Benefits Fraud** – TWC confirmed the claimant, or someone on their behalf, has lied on an unemployment claim to obtain benefits.
- **Confirmed Fictitious Employer Fraud** – TWC confirmed that someone has falsified a tax account to obtain unemployment benefits.

UI Claims Filed, FYs 2021-25

	FY 2021		FY 2022		FY 2023		FY 2024		FY 2025	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Total UI Claims Filed	3,818,042	100%	733,929	100%	743,714	100%	785,676	100%	768,831	100%
Total Suspected or Confirmed Fraudulent Claims	984,545	25.79%	81,457	11.10%	117,109	15.75%	80,901	10.30%	75,001	9.76%
Suspected ID Fraud Claims	771,195	20.20%	72,800	9.92%	95,692	12.87%	76,143	9.69%	61,985	8.06%
Confirmed ID Fraud Claims	209,834	5.50%	4,929	0.67%	17,921	2.41%	1,849	0.24%	10,966	1.43%
Confirmed Benefits Fraud Claims	2,464	0.06%	3,526	0.48%	3,188	0.43%	2,478	0.32%	1,690	0.22%
Confirmed Fictitious Employer Fraud Claims	1,052	0.03%	202	0.03%	308	0.04%	431	0.05%	360	0.05%

### Appendix E

**Number of UI Claims Paid, FYs 2021-25**

	FY 2021		FY 2022		FY 2023		FY 2024		FY 2025	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Total Number of UI Claims Paid	1,824,951	100%	313,617	100%	373,898	100%	403,349	100%	423,392	100%
Total Suspected or Confirmed Fraudulent Claims Paid	134,967	7.40%	8,721	2.78%	13,164	3.52%	8,632	2.14%	8,880	2.10%
Suspected ID Fraud Claims	117,464	6.44%	4,987	1.59%	9,794	2.62%	6,069	1.50%	6,820	1.61%
Confirmed ID Fraud Claims	14,370	0.79%	130	0.04%	69	0.02%	47	0.01%	318	0.08%
Confirmed Benefits Fraud Claims	2,450	0.13%	3,514	1.12%	3,177	0.85%	2,447	0.61%	1,674	0.40%
Confirmed Fictitious Employer Fraud Claims	683	0.04%	90	0.03%	124	0.03%	69	0.02%	68	0.02%

**Amount of UI Claims Paid, FYs 2021-25**

	FY 2021		FY 2022		FY 2023		FY 2024		FY 2025	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Total Amount of UI Paid	\$28,712,104,687	100%	\$2,132,730,946	100%	\$2,328,811,042	100%	\$2,887,602,436	100%	\$3,224,417,448	100%
Total Amount Paid for Suspected or Confirmed Fraud	\$1,541,157,801	5.37%	\$39,860,059	1.87%	\$50,545,183	2.17%	\$34,175,105	1.18%	\$35,960,491	1.12%
Suspected ID Fraud Amount Paid	\$1,441,863,902	5.02%	\$17,530,140	0.82%	\$30,258,768	1.30%	\$19,132,212	0.66%	\$24,888,382	0.77%
Confirmed ID Fraud Amount Paid	\$80,560,747	0.28%	\$897,378	0.04%	\$228,871	0.01%	\$351,530	0.01%	\$495,281	0.02%
Confirmed Benefits Fraud Amount Paid	\$11,305,142	0.04%	\$20,463,390	0.96%	\$19,346,335	0.83%	\$14,275,089	0.49%	\$10,153,136	0.31%
Confirmed Fictitious Employer Fraud Amount Paid	\$7,428,010	0.03%	\$969,151	0.05%	\$711,209	0.03%	\$416,274	0.01%	\$423,692	0.01%

# APPENDIX F

## Texas Workforce Commission Reporting Requirements

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
1. Annual Evaluation of Day Care Centers	Section 44.036, Texas Human Resources Code	Evaluates the performance of all day care centers established or serviced by TWC.	Governor, Legislative Budget Board	Continue
2. Annual Report	Section 301.065, Texas Labor Code	Lists TWC's administrative and operational activities during the preceding fiscal year, including recommendations for legislation.	Governor and Legislature	Continue
3. Career Opportunity Grant Program	Section 305.029, Texas Labor Code	Lists the number of students who received grants, eligible institutions they attended, and information on the race or ethnicity of students attending each institution.	Governor and Legislature	Abolish – This program is inactive, so Sunset staff recommends abolishing both the reporting requirement and the program itself in Issue 8 of this report.
4. College Credit for Heroes Program	Section 302.0031(g), Texas Labor Code	Documents results of grants, best practices, credit hours earned, and other information about veterans and service members in the College Credit for Heroes program.	Governor and Legislature	Modify – Include this information in TWC's <i>Annual Report</i> under Section 301.065, Texas Labor Code instead of in the <i>Supplemental Annual Report</i> .
5. Consumer Information Report	Section 122.020(a), Texas Human Resources Code	Lists TWC's activities related to purchases from central nonprofit agencies and community rehabilitation programs and procedures for filing and resolving consumer complaints.	Appropriate State Agency or Agencies, Public	Continue
6. Employment History of Former Public Assistance Recipients	Section 302.012(d), Texas Labor Code	Monitors the long-term employment history of former public assistance recipients under employment programs operated by the Workforce Development Division.	Legislature	Continue
7. Equal Employment Opportunity Report	Sections 21.552(b) and 21.553, Texas Labor Code	Analyzes in plain language the information submitted to TWC by state agencies in their equal employment opportunity reports.	Governor, Legislature, Legislative Budget Board	Continue
8. Evaluation of Effectiveness of Subsidized Child Care Program	Section 302.0043(f), Texas Labor Code	Evaluates the effectiveness of TWC's child care program and recommendations for legislation or regulation.	Legislature	Continue
9. Minority Hiring Practices of Texas Agencies	Section 21.504, Texas Labor Code	Compiles the number of African Americans, Hispanic Americans, women, and other persons hired for each job category by state agencies.	Governor, Legislative Budget Board,	Continue
10. Outcomes of Adult Education and Literacy Programs	Section 315.002(c), Texas Labor Code	Lists the educational and employment outcomes of students participating in TWC's adult education and literacy programs.	Legislature	Continue

## Appendix F

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
11. Report of the Workforce Development Division	Section 302.002(a)(13), Texas Labor Code	Explains the performance of the Workforce Development Division.	Governor, Legislature, Texas Workforce Investment Council	Modify – Include this information in TWC’s <i>Annual Report</i> under Section 301.065, Texas Labor Code. This change would align statute with current agency practice, as TWC already includes this information in its <i>Annual Report</i> .
12. Report on Available Apprenticeships	Sections 302.0191(b)-(d), Texas Labor Code	Lists data on available apprenticeship programs in Texas and recommendations on how to expand the availability of apprenticeship programs in emerging and high-demand industries.	Legislature, Texas Workforce Investment Council	Continue
13. Report on Occupational Shortage Study	Section 302.019, Texas Labor Code	Lists information relating to existing and projected shortages in high-wage, high-demand occupations in Texas, including information on existing and projected shortages in high-wage, high-demand occupations in the listed industrial job sectors. Includes any suggestions and recommendations for legislative action TWC considers appropriate resulting from that study.	Governor, Lieutenant Governor, Speaker of the House, Appropriate Legislative Committee(s)	Continue
14. Report on Texas Purchasing from People with Disabilities	Section 122.022, Texas Human Resources Code	Lists TWC’s activities and other data related to procurement from businesses that employ people with disabilities.	Governor and Legislature	Modify – Include this information in TWC’s <i>Annual Report</i> under Section 301.065, Texas Labor Code instead of in the <i>Supplemental Annual Report</i> .
15. Report on Temporary Assistance for Needy Families CHOICES Program Recipients	Section 302.0044(b), Texas Labor Code	Lists program recipient wages and employment, including whether the recipient has earned that amount before the first anniversary of the recipient’s initial date of employment. Requires TWC to report the percentage of recipients of employment services under the program who meet the wage criteria.	Legislature	Continue
16. Report on the Effectiveness of the Use of Four Percent Quality Dollars by Local Workforce Development Boards	Section 302.0045(b), Texas Labor Code	Evaluates state and local information relating to the effectiveness of the use of four percent quality dollars for early education by local workforce development boards and includes information on promising practices in expanding quality early education.	Legislature	Continue

## Appendix F

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
17. Report on the Obligation of Funds from the Skills Development Fund	Section 302.002(e), Texas Labor Code	Lists how TWC uses the fund in a manner consistent with rules adopted by its commission.	Governor, Legislature, Texas Workforce Investment Council	Continue
18. Report on Transition from Military Service to Employment	Section 302.020, Texas Labor Code	Identifies occupations to which service members can best transfer the five most common military occupational skills and other useful information to support transitioning to employment.	Governor, Lieutenant Governor, Speaker of the House, Appropriate Legislative Committees	Continue
19. Skills Development Fund Program Report	Sections 303.006(c)-(d), Texas Labor Code	Explains the status of the program, including trainees' wage levels and benefits, established under the fund.	Governor and Legislature	Modify – Include this information in TWC's <i>Annual Report</i> under Section 301.065, Texas Labor Code instead of in the <i>Supplemental Annual Report</i> .
20. Supplemental Annual Report	Section 301.065(c), Texas Labor Code	Consolidates reports from Human Resources Code, Labor Code, and any information required by other law to be included in the <i>Supplemental Annual Report</i> . Statute requires TWC to submit this report at the same time as its <i>Annual Report</i> , as required under Section 301.065(a), Texas Labor Code.	Governor and Legislature	Abolish – The <i>Supplemental Annual Report</i> consists of several disparate reporting requirements that can be included in TWC's overall <i>Annual Report</i> .
21. Texas Civil Workforce Composition	Section 21.0035(b), Texas Labor Code	Lists percentages of the statewide civilian workforce by race, ethnicity, sex, and job categories.	Governor and Legislature	Continue
22. Texas Industry-Recognized Apprenticeship Programs Grant Program	Section 302.258, Texas Labor Code	Lists the outcomes of program grants, including whether the grant resulted in a positive return on investment to the state, and includes a list of legislative or other changes to increase the return on investment.	Lieutenant Governor, Speaker of the House Legislature	Modify – Include this information in TWC's <i>Annual Report</i> under Section 301.065, Texas Labor Code instead of as a separate report.
23. Trade Adjustment Program Participants	Section 302.007, Texas Labor Code	Evaluates the effectiveness of federal programs designed to provide trade adjustment assistance to persons in Texas.	Governor and Legislature	Abolish – The federal government terminated this program, effective July 1, 2022.



# APPENDIX G

## Inactive Texas Workforce Commission Programs That Should Be Removed From Statute

Program Name	Legal Authority	Description	Explanation
1. Career Opportunity Grant Program	Chapter 305, Texas Labor Code	Requires TWC to provide grants for disadvantaged Texans to reduce financial barriers to postsecondary career education and training.	Funding discontinued – TWC reported it has not offered grants through this program after the Legislature discontinued funding in fiscal year 2012.
2. Child Care Training Center Pilot Programs	Section 302.005, Texas Labor Code	Requires TWC to establish four pilot programs as training centers for public assistance recipients, with training and certification in basic skills, child care, and early childhood education.	Funding discontinued – TWC reported funding the pilot programs and then discontinuing the program due to a lack of funding in 2001.
3. Collaborative Reading Initiatives	Section 2308.319, Texas Government Code	Requires TWC to encourage local workforce development boards (LWDB) to raise local funds to support collaborative reading initiatives.	Superseded by other law – Statute does not define what collaborative reading initiatives are, and Section 2308.317, Texas Government Code, supersedes this provision by providing more detailed requirements for child care quality improvement activities.
4. Funding Competitive Procurement for Infant and Early Childhood Child Care	Section 2308.316, Texas Government Code	Requires LWDBs to allocate a portion of Child Care and Development Fund appropriations dedicated to quality improvement activities to a competitive procurement process that encourages child care providers to voluntarily meet the certification criteria of the Texas Rising Star (TRS) program.	Superseded by other law – This provision was superseded by HB 2607 (87th Regular Session), which made TRS participation mandatory for child care providers receiving subsidies. Other provisions in Sections 2308.315(c)-(d), Texas Government Code, also supersede this provision.
5. State Temporary Assistance and Support Services Program Study	Section 34.006, Texas Human Resources Code	Requires TWC to collaborate with LWDBs and the appropriate legislative committees to study and develop recommendations to improve delivery of workforce services in minimum service counties.	One-time requirement – TWC reported performing the study in 2002 after the statute was enacted and not updating it since.
6. Statewide Technology Workforce Campaign	Section 302.008, Texas Labor Code	Requires TWC to develop an information and marketing campaign to encourage Texans to enter the technology workforce.	One-time requirement – TWC reported conducting a campaign in 2001 when this statute was enacted but not doing so since. Current TWC efforts for the technology workforce, such as upskilling and promoting industry-based certifications, are better suited to meet employer and workforce needs.
7. Peace Officer Employment Opportunity Internet Website	Section 302.017, Texas Labor Code	Requires TWC to offer a website to facilitate opportunities for peace officer employment.	Outdated requirement – TWC connects candidates to law enforcement jobs in practice without a separate website, and the Texas Commission on Law Enforcement maintains its own website with resources for interested candidates on training, certification, and open positions.

## **Appendix G**

<b>Program Name</b>	<b>Legal Authority</b>	<b>Description</b>	<b>Explanation</b>
8. Texans Work Program	Chapter 308, Texas Labor Code	Requires TWC to assist in creating on-the-job training for certain food assistance recipients.	Funding discontinued – TWC reported adopting rules for this program in 1998 and repealing them in 2001 after the Legislature never appropriated funding for the program.
9. Texas Back to Work Program	Chapter 314, Texas Labor Code	Requires TWC to establish public-private partnerships with employers to transition Texans from receiving unemployment compensation to being employed.	Funding discontinued – TWC reported implementing the program when this statute was enacted but discontinuing it after the Legislature discontinued funding in 2011.
10. Transitional Child Care Services	Section 31.0035, Texas Human Resources Code	Requires TWC to provide transitional child care services to a Temporary Assistance for Needy Families recipient who is no longer eligible to receive assistance because of increased household income or benefit exhaustion.	Superseded by federal law – The federal Child Care and Development Block Grant Act of 2014 requires all children who are determined eligible for care receive a minimum of 12 months of child care, negating the reasons why TWC would provide transitional services in accordance with SB 219 (84th Regular Session).

**APPENDIX H****Texas Workforce Investment Council  
Reporting Requirements**

<b>Report Title</b>	<b>Legal Authority</b>	<b>Description</b>	<b>Recipient</b>	<b>Sunset Evaluation</b>
1. Adult Education and Literacy Services Evaluation	Section 2308.1016(b), Texas Government Code	Evaluates adult education and literacy services administered by the Texas Education Agency and the Texas Workforce Commission (TWC).	Governor, Legislature	Continue
2. Annual Evaluation Report	Section 2308.104(a), Texas Government Code	Reviews implementation of the workforce system strategic plan.	Governor, Legislature	Continue
3. Evaluating and Reporting on the Delivery of Integrated Workforce Services	Section 2308.1015(b), Texas Government Code	Evaluates and reports on the delivery of integrated workforce services as part of the Texas Workforce Investment Council's legal requirement to identify any duplication of or gaps in the services provided by those programs.	Governor, Legislature	Continue
4. Texas Skill Standards Update	Section 2308.109(c), Texas Government Code	Provides updates on the progress of Texas Skill Standards (TSS) program recognition.	Governor, Legislature, TWC	Would abolish with TSS program
5. Welfare to Work Initiatives	Section 2308.101(14), Texas Government Code	Provides updates on the workforce development programs that focus on welfare to work initiatives.	Governor, Legislature, TWC	Continue
6. Workforce System Strategic Plan	Section 2308.104, Texas Government Code	Establishes the framework for the budgeting and operation of the workforce development system, including school to career and welfare to work components administered by agencies represented on the council.	Governor, Legislature	Continue



# APPENDIX I

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## Staff Review Activities

During the review of the Texas Workforce Commission (TWC) and Texas Workforce Investment Council, Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with TWC and council personnel; attended council and TWC commission meetings; met with commission and council members; met with staff from key legislative offices; conducted interviews and solicited written comments from interest groups and the public; reviewed the agencies' documents and reports, state and federal regulations and statutes, legislative reports, and previous legislation; researched the organization and functions of similar state agencies in other states; and performed background and comparative research.

In addition, Sunset staff performed the following activities unique to this review:

- Conducted surveys of a broad range of stakeholders, including local workforce development board (LWDB) members, staff, and contractors; TWC staff located in local workforce offices; local elected officials; child care providers; and advocacy organizations. Sunset staff also surveyed administrative heads of the Texas Skill Standards program at Texas community and technical colleges.
- Visited LWDB and vocational rehabilitation offices.
- Interviewed LWDB staff, board members, and contractor personnel.
- Toured and met with staff at the Criss Cole Rehabilitation Center.
- Observed or attended meetings of the Quad-Agency Childcare Initiative Commission, Rehabilitation Council of Texas, Jobs and Education for Texans Advisory Board, Texas Early Learning Council, Comprehensive Statewide Needs Assessment town hall, Purchasing from People with Disabilities Advisory Committee, Adult Education and Literacy Advisory Committee, and Workforce Innovation Network of Texas.
- Attended multiple LWDB career fairs and engaged with recruiters.
- Collected information from the Texas Health and Human Services Commission, Texas Department of Family and Protective Services, entities within the University of Texas, Texas Education Agency, Texas Higher Education Coordinating Board, Texas Department of Licensing and Regulation, and federal Food and Nutrition Service.



Sunset Staff Review of the  
*Texas Workforce Commission*  
*Texas Workforce Investment Council*  
*Purchasing from People with Disabilities Program*

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