

TEXAS WORKFORCE COMMISSION
Workforce Development Letter

ID/No:	WD 20-26
Date:	September 29, 2026
Keywords:	Child Care; Fiscal-Allocations
Effective:	October 1, 2026

To: Local Workforce Development Board Executive Directors
Commission Executive Offices
Integrated Service Area Managers



From: Reagan Miller, Director, Child Care & Early Learning Division

Subject: Board Contract Year 2027 Child Care Funding

PURPOSE:

The purpose of this WD Letter is to provide Local Workforce Development Boards (Boards) with guidance on Board Contract Year (BCY) 2027 child care allocations and performance targets.

RESCISSIONS:

None

BACKGROUND:

On June 2, 2026, the Texas Workforce Commission's (TWC) three-member Commission (Commission) [approved](#) BCY 2027 Child Care Allocations and Distributions. On July 21, 2026, the Commission [approved](#) a Supplemental BCY 2027 Child Care Allocation, bringing the total BCY 2027 funding for Child Care Services (CCS) to \$1.466 billion.

These funds are intended to support:

- Child Care Services Formula Allocation (CCF)
 - Direct child care allocations (funding for child care subsidies)
- Child Care Mandatory Direct Care (CCC)
 - Direct child care distribution for mandatory "priority" populations:
 - Choices child care
 - Temporary Assistance for Needy Families (TANF) applicant child care
 - Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) child care
 - Child care for children participating in the Department of Families and Protective Services (DFPS) Child Protective Services (CPS) programs
 - Child care for children formerly receiving Child Care Development Fund (CCDF)–funded child care whose cases were closed by DFPS CPS (Former DFPS child care)

- Child Care Local Match (CCM)
 - Direct child care allocations for low-income
 - Texas Rising Star mentor staffing and associated personnel costs
- Child Care Quality (CCQ)
 - two percent funds for quality activities
 - Texas Rising Star mentor staffing and associated personnel costs
- Child Care Quality (CQF)
 - four percent additional Commission-approved funds for quality activities

On August 11, 2026, the Commission [approved](#) the performance targets for BCY 2027, which reflect legislative requirements for Texas Rising Star certification, market rate adjustments, and the prioritization of mandatory populations.

PROCEDURES:

No Local Flexibility (NLF): This rating indicates that Boards must comply with the federal and state laws, rules, policies, and required procedures set forth in this WD Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by “must.”

Local Flexibility (LF): This rating indicates that Boards have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this WD Letter. All information with an LF rating is indicated by “may” or “recommend.”

CCS Funding Allocation and Cost Assumptions

NLF: Boards must inform staff that the Commission approved \$1,466,186,444 to be allocated to all Boards for CCS. Boards must adhere to the following allocation and cost assumptions:

- **Quality Funds:** Boards must ensure two percent of the allocation is reserved for quality activities (per Texas Government Code [§2308.317\(c\)](#)). An additional four percent was approved for specified quality improvement activities, bringing the total to six percent. For BCY 2027, the Commission also approved the following distributions:
 - Texas Rising Star mentor staffing, totaling \$32,000,000.
 - Funding to support the BCY 2027 Child Care Quality Improvement Strategic Planning meeting. Each Board will receive funding to support staff attendance at this event.
- **Administrative and Operational Expenses:** Boards must account for the increased costs associated with program-integrity improvements as factored into their assumptions for administrative and operational expenses.
- **Texas Rising Star Case Mix:** Boards must account for the legislative requirement that all providers become Texas Rising Star–certified. The BCY 2027 model assumes a 60 percent reduction in regular (non-Texas Rising Star) care.

Performance Target Management and Modifications

NLF: Boards must manage child care performance based on the following separate performance targets:

- **Mandatory Targets:** These include Choices, SNAP E&T, and Former DFPS customers. Because these populations must be served, Boards will be reimbursed based on the actual number of mandatory customers served through a new stand-alone CCC contract. These targets are estimates based on historical data.
- **Discretionary Targets:** Boards are responsible for managing the number of discretionary children enrolled based on their specific discretionary funding allocation.

Note: For any Board whose BCY 2027 target is lower than the BCY 2026 target, the BCY 2026 target will be modified to match the lower BCY 2027 level. This modification is effective with the July 2026 Monthly Performance Report to allow for a gradual reduction in enrollments.

Oversight and Reconciliation

NLF: Boards must participate in the mid-year review and end-of-the year reconciliation processes. TWC will review actual average costs in early 2027 to determine if Boards can continue to meet their CCS targets based upon updated average cost data. TWC may adjust targets or distribute additional funding to Boards whose average daily rates have increased beyond initial projections and do not have sufficient funding to meet their approved targets.

INQUIRIES:

Send inquiries regarding this WD Letter to childcare.programassistance@twc.texas.gov.

ATTACHMENTS:

Attachment 1: Board Contract Year 2027 Child Care Allocations, Distributions, and Average Children Served per Day Targets

REFERENCES:

Texas Government Code [§2308.317\(c\)](#), Expenditures for Certain Child Care Quality Improvement Activities