

2026-27 Exceptional Item Request Discussion Paper

Background

The Texas Workforce Commission's three-member Commission approved the 2026-27 Exceptional Item Request on September 3, 2024. The Legislative Budget Board requests the submission of revised Exceptional Items at the start of the 89th Legislative Session. The following are staff recommendations for additional 2026-27 Exceptional Items not previously submitted.

Issue

The 88th Legislature funded the Labor Law System Replacement, replacing TWC's current 20-year-old Labor Law system on the mainframe. The Labor Law System Enhancements project is part of TWC's legacy modernization effort to move off the mainframe. The project has been delayed due to system requirements being more complex than initially anticipated. TWC proposes to extend the project to April 30, 2026 and requests capital budget funding and authority.

In addition, there is a required Appian annual maintenance cost of \$434,000 for the new system that will be paid through TWC's DCS appropriation. This would support 450 TWC staff users and 60,000 external users access to application.

The requested 2026-27 Exceptional Item revisions are as follows.

- Priority #13: Add an additional \$868,000 in Unemployment Compensation Special Administration Fund 165 for the biennium to the UI Data Center Consolidation for the annual maintenance cost.
- Priority #16: Add a new item for \$1,296,000 in Unemployment Compensation Special Administration Fund 165 for the biennium for the completion of the Labor Law System Enhancements.

Decision

Staff are seeking Commission approval to add the revised amounts and new priorities to the agency's 2026-27 Exceptional Items request for the 89th Legislature.

Texas Workforce Commission
2026-27 Exceptional Item Request Summary as of
February 18, 2025

Exceptional Item Requests				
Vocational Rehabilitation General Revenue for Federal Match				
Priority: 1	Supplemental 2025	Exceptional Item 2026	Exceptional Item 2027	
Cost:	\$144,570,609	\$158,246,496	\$172,332,656	
<i>General Revenue</i>	\$30,793,540	\$33,706,504	\$36,706,856	
<i>Federal</i>	\$113,777,069	\$124,539,992	\$135,625,800	
FTE:	-	-	-	
Participants Served:	30,199	31,610	32,982	
Method of Finance:	General Revenue for Vocational Rehabilitation, Federal Funds			
Object of Expense:	L3001 Client Services			
Project Benefits:	The federal VR grant has grown from \$245M in FY 2018 to \$320M by FY 2024. TWC does not have enough non-federal funds to fully match the growth in this federal grant. Until FY 2024, TWC has been able to use accumulated grant balances to meet the needs of new and continuing VR participants without requesting more GR funding. That is no longer the case. Over the past two years, we have seen an increase in VR applicants and an increase in services to VR participants, which has led to the agency expending the accumulated grant balances. To meet current participant and service delivery needs, as well as anticipated growth, and rate increases, TWC is seeking \$101.2M in GR over the biennium to fully match an available \$373.9M in federal awards, along with the corresponding necessary Rider 33 revision. This will allow the agency to assist 157,512 participants over the biennium, an increase of 27,602 participants over the 129,910 served during FY 2022-23.			
Texas Education Code Chapter 133 Apprenticeship Training				
Priority: 2	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$5,267,215	\$7,767,215	\$13,034,430	
FTE:	-	-	-	
Participants Served:	7,398	10,909	18,307	
Method of Finance:	General Revenue			
Object of Expense:	L4000 Grants			
Project Benefits:	Participation in the Chapter 133 Apprenticeship Training Program has accelerated in recent years and current funding levels have been unable to sustain employer demand. Over the past ten years of the program, the number of apprentices trained has more than doubled, with approximately 4600 trained in 2015 compared to 9800 in 2024. Growing numbers of apprentices have required the agency to supplement GR with federal funds, but this is not sustainable in the long term as those funds are needed to support other initiatives. The additional \$13.03M GR requested will allow the program to continue to grow in response to employer demand.			
Texas Veterans Leadership Program				
Priority: 3	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$1,693,586	\$1,697,562	\$3,391,148	
FTE:	-	-	-	
Participants Served:	-	-	-	
Method of Finance:	General Revenue			
Object of Expense:	L1001 Salaries and Wages, L2009 Other Operating Expenses, etc.			
Project Benefits:	The Texas Veterans Leadership Program (TVLP) is currently funded with federal funds through the Wagner Peysler Employment Services program. With the passage of new rules by the Department of Labor (DOL), the federal funds previously used for TVLP will be needed to perform expanded required statewide outreach to Migrant Seasonal Farmworkers in addition to creating a new management structure to ensure compliance with federal regulation. To maintain the program, TWC is requesting \$3.39M in GR funding to support 22.1 FTE who provide services to 5,650 veterans statewide each year.			
Texas Veterans Network				
Priority: 4	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$1,000,000	\$1,000,000	\$2,000,000	
FTE:	-	-	-	
Participants Served:	-	-	-	
Method of Finance:	General Revenue			
Object of Expense:	L4000 Grants			
Project Benefits:	The Texas Veterans Network (TVN) is a statewide network that coordinates veteran referral services across the state, regardless of the community in which a veteran or eligible spouse seeks services. Currently, the network operates in 254 counties in Texas and plans to serve 17,000 veterans annually. The TVN is currently funded with WIOA statewide discretionary funds through a \$2M grant that will expire on March 31, 2025. \$1M in FY 2026 and \$1M in FY 2027 in GR is requested. This funding will serve an estimated 34,000 veterans over the course of the two-year period.			

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Workforce Readiness Outreach and Youth Services				
Priority: 5	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$10,307,058	\$10,289,223	\$20,596,281	
FTE:	41.0	41.0		
Participants Served:	-	-	-	
Method of Finance:	General Revenue			
Object of Expense:	L1001 Salaries and Wages, L4000 Grants, L2009 Other Operating Expenses, etc.			
Project Benefits:	TWC is requesting funds to support a suite of initiatives to develop and prepare our state's future workforce. This funding would facilitate programming to engage youth in career exploration, work experience, education and training, and supportive services to help prepare them for workforce success. This work would include 1) statewide outreach services to increase career readiness and 2) grant funding to support measurable programs advancing career readiness, skill development, and work experience opportunities. To provide statewide coverage, TWC is requesting 41 FTEs – 38 Program Specialists IVs to serve as additional coaches and 3 Manager I positions – and general revenue funding for 6 existing FTEs that are funded through a federal grant. No FTE cap increase is needed for these 6 positions as the FTEs are included in TWC's current cap. In total, TWC is requesting \$20.60M over the biennium.			
Older Individuals Who Are Blind Program Client Services				
Priority: 6	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$3,998,180	\$5,436,579	\$9,434,759	
FTE:	-	-		
Participants Served:	1,593	2,056	3,649	
Method of Finance:	General Revenue for Vocational Rehabilitation			
Object of Expense:	L3001 Client Services			
Project Benefits:	In 2019, the American Community Survey showed that 266,520 Texans aged 65 and older report severe vision loss or blindness. If only 5% of those aged 65+ need older blind services (13,326), that is far above the capacity of the current TWC VR Older Individuals Who Are Blind (OIB) program, which served just under 2,000 participants in SFY 2023 with an average cost of \$2,188 per participant. Future cost projections for the OIB program exceed available funding, therefore TWC requests \$9.43M in additional funding for the OIB program for the biennium.			
Career Schools and Colleges FTE				
Priority: 7	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$163,649	\$196,047	\$359,696	
FTE:	1.0	1.0		
Participants Served:	-	-	-	
Method of Finance:	Career Schools and Colleges General Revenue			
Object of Expense:	L1001 Salaries and Wages, L2009 Other Operating Expenses			
Project Benefits:	The request for an additional FTE reflects the increase in the number of schools regulated by TWC. Over the last 20 years, the program has grown from 416 licensed schools to a current 698 licensed schools with approximately 50 applications pending. During this growth, the regulatory requirements have also increased through statutory changes. The additional FTE, funded with \$360,000 in GR, will create more manageable caseloads for staff.			
Labor Market Information FTEs				
Priority: 8	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$343,568	\$343,568	\$687,136	
FTE:	3.0	3.0		
Participants Served:	-	-	-	
Method of Finance:	General Revenue			
Object of Expense:	L1001 Salaries and Wages, L2009 Other Operating Expenses			
Project Benefits:	TWC is requesting 3 additional FTE's and \$690,000 in GR for the biennium in the Labor Market Information (LMI) Department to meet the increased demand for economic data and analysis from customers.			
Labor Law Enforcement				
Priority: 9	Exceptional Item 2026	Exceptional Item 2027	Total	
Cost:	\$519,776	\$667,421	\$1,187,197	
FTE:	-	-		
Participants Served:	-	-	-	
Method of Finance:	General Revenue-Dedicated/Penalty & Interest			
Object of Expense:	L1001 Salaries and Wages			
Project Benefits:	The TWC Wage and Hour Department (WHD) enforces Subchapter D, Chapter 61 of the Texas Labor Code, known as The Texas Payday Law. Since FY 2020 Wage claims have risen from approximately 10,000 to more than 14,000 in FY 2024. To serve this increased need, TWC is requesting an additional \$1.19M in GR-D Fund 165 to support existing staff salaries and work charged to the program as well as increase salaries for a higher retention rate.			

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Civil Rights			
Priority: 10	Exceptional Item 2026	Exceptional Item 2027	Total
Cost:	\$274,777	\$274,777	\$549,554
FTE:	4.0	4.0	
Participants Served:	-	-	-
Method of Finance:	General Revenue		
Object of Expense:	L1001 Salaries and Wages		
Project Benefits:	The Civil Rights Division enforces Texas Labor Code and Property Code provisions prohibiting employment or housing discrimination. This is currently carried out with state general revenue and federal matching funds. This request for \$0.55M in GR would allow TWC to maintain 4 of the additional 6 FTE's received in the 2024-25 biennium but subsequently removed in the 2026-27 base. TWC projects to reduce the backlog of cases to 350 from 1,500 cases by the end of FY 2025.		
Exceptional Item Requests - Capital Budget & IT			
UI Fraud Detection and Deterrence (Non-Capital)			
Priority: 11			
Cost:	\$3,264,540	General Revenue-Dedicated/Penalty & Interest	
System Type:	Software as a Service (SaaS)		
Participants Served:	700,000+ claimants and 670,000+ employers		
Age of Existing System:	1 year or less		
Project Benefits:	TWC is requesting Fund 165 appropriations in the amount of \$3.26M to enhance Fraud Detection and deterrence efforts within the Unemployment Insurance program. These efforts include enhanced ID-verification of claimants, protocols to provide customers with confidence that calls received from TWC are legitimate, and employer enforcement efforts.		
UI Cybersecurity			
Priority: 12			
Cost:	\$3,162,408	General Revenue-Dedicated/Penalty & Interest	
System Type:	Network Security and Cybersecurity Infrastructure		
Participants Served:	TWC staff, contractors, and Workforce Boards		
Age of Existing System:	8+ years		
Project Benefits:	TWC is requesting \$3.16M in Fund 165 appropriations to implement items identified in the Texas Cybersecurity Framework Assessment as needed to enhance TWC's cybersecurity posture. These items include automated Access Management and Privileged Access Management, Security Incident and Event Management (SIEM), Secure Web Gateway (SWG), scanning tools, and endpoint security.		
UI Data Center Consolidation (Mainframe & Labor Law Application)			
Priority: 13			
Cost:	\$11,843,221	General Revenue-Dedicated/Penalty & Interest	
System Type:	Mainframe Computing		
Participants Served:	700,000+ claimants and 670,000+ employers		
Age of Existing System:	30+ years		
Project Benefits:	<p>The DCC mainframe hosts the TWC UI benefits and tax systems. The UI benefits system serves over 700,000 claimants annually, processing nearly 800,000 UI claims over 7.0 million individual claim weeks and dispensing \$2.9 billion in UI benefits. The UI tax system supports over 670,000 employer accounts and collects and processes 2.6 million wage reports for 63.7 million wage records annually. These systems have traditionally been sustained with federal funds, however UI Administration funding has been decreasing and is no longer at a level that can fully sustain these efforts. TWC requests \$11.0M in Fund 165 appropriations to implement this item.</p> <p>The 88th Legislature funded the Labor Law System Replacement, replacing TWC's current 20-year-old Labor Law system on the mainframe. There is a required Appian annual maintenance cost of \$434,000 for the new system that will be paid through TWC's DCS appropriation. This would support 450 TWC staff users and 60,000 external users access to application.</p>		
Unemployment Insurance (UI) State Information Data Exchange System (SIDES)			
Priority: 14			
Cost:	\$2,613,576	General Revenue-Dedicated/Penalty & Interest	
System Type:	Data Exchange		
Participants Served:	Over 600,000/Year (number of Texas employers)		
Age of Existing System:	New		
Project Benefits:	Implementing the UI State Information Data Exchange System (SIDES) would provide a 1) Monetary & Potential Charging exchange, 2) Determinations & Decisions exchange, 3) Benefit Charges exchange, 4) Additional Fact-finding exchange, and 5) Single Sign-on program. Provided by the National Association of State Workforce Agencies (NASWA), UI SIDES electronically notifies employers and third-party administrators (TPA) of various notices requiring a response. It allows the state to send or request additional information electronically, notifies employers and TPAs of wages used to setup a claim, and allows employers and TPAs to respond to these notices electronically. TWC requests \$2.61M in Fund 165 appropriations to implement this item due to decreasing sustainability of federal funding sources.		
Network Modernization			
Priority: 15			
Cost:	\$4,234,000	Cost Allocated (UI funded with General Revenue-Dedicated/Penalty & Interest)	
System Type:	Network Security and Infrastructure		

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Participants Served:	TWC staff, contractors, and Workforce Boards	
Age of Existing System:	10+ years	
Project Benefits:	Based on the results of a third-party network assessment, it is critical that TWC strengthen its information security posture by addressing the tactical and strategic network issues outlined in the report. This effort will allow TWC to further mature its information security program and reduce the threat to data/system confidentiality. It would also increase the availability and integrity of information resources. TWC requests \$4.23M in Fund 165 appropriations to implement the UI cost allocated portion of this item.	
Labor Law System Enhancements		
Priority: 16		
Cost:	\$1,296,000	General Revenue-Dedicated/Penalty & Interest
System Type:	Enterprise Application Integration	
Participants Served:	TWC staff, contractors, and Workforce Boards	
Age of Existing System:	20+ years	
Project Benefits:	The 88th Legislature funded the Labor Law System Replacement, replacing TWC's current 20-year-old Labor Law system on the mainframe. The Labor Law Systems Enhancements project is part of TWC's legacy modernization effort to move off the mainframe. The project has been delayed for several reasons including personnel issue that delayed the start of the project by 8 months, requirements for the system were more complex than initially anticipated, and our staff is still gaining expertise in the Appian platform which requires the use of contractor expertise. TWC proposes to extend the project to April 30, 2026 and requests capital budget funding and authority.	