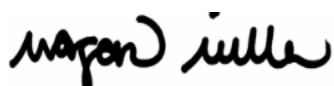


TEXAS WORKFORCE COMMISSION
Workforce Development Letter

ID/No:	WD 05-25, Change 3
Date:	September 29, 2026
Keyword:	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 2026 Child Care Funding—Update

PURPOSE:

The purpose of this WD Letter is to provide Local Workforce Development Boards (Boards) with updated guidance on Board Contract Year 2026 (BCY 2026) child care allocations and distributions for the Child Care Services (CCS) program.

RESCISSIONS:

WD Letter 05-25, Change 2

BACKGROUND:

On July 8, 2025, the Texas Workforce Commission's (TWC) three-member Commission (Commission) approved the [BCY 2026 CCS allocations](#) and [BCY 2026 CCS Child Care Targets](#) along with the following items for BCY 2026:

- CCS Board allocations for direct care and the state-mandated 2 percent dedicated to child care quality improvement activities
- Distribution of an additional 4 percent in child care quality improvement funding
- Distribution for Texas Rising Star mentor staffing
- Distribution to support Board participation in the annual Child Care Quality Improvement Strategic Planning meeting
- Average Children Served per Day performance targets

On September 2, 2025, the [Commission approved an allocation deferral of Child Care Funds \(CCF\) from BCY 2025 to BCY 2026](#) for the following Boards:

- Borderplex
- Central Texas
- Heart of Texas

- Panhandle
- West Central

Additionally, the Commission approved BCY 2026 CCS performance target adjustments (increases) to reflect the impact of these deferrals on the average number of children served per day.

On September 16, 2025, the Commission [approved](#) the BCY 2026 Initial Job Search Success Rate performance measure targets. The Child Care Initial Job Search Success Rate is a new performance measure approved in BCY 2025, and defined as the percentage of parents who were enrolled in Initial Job Search Child Care and who became employed at a sufficient level to qualify them to extend their access to subsidized child care, as evidenced by the continuation of child care after the Initial Job Search period.

On March 3, 2026, the Commission [approved](#) updates to BCY 2026 targets and allocations based on Board performance and a midyear review. Because of these factors, TWC forecasts that the preliminary affordable number of children that can be served per day is 146,736, which is a decrease of 3,007 from the initial target of 149,743. Additionally, an end-of-year (EOY) reconciliation revealed that at the end of BCY 2025, TWC's forecasts for six Boards were incorrect and insufficient to cover the CCS cost of care. To accommodate the revised affordable number of children, higher-than-projected costs, and the BCY 2025 EOY reconciliation, the Commission approved \$6,110,188 in additional CCS funding to be distributed to eight Boards, as outlined in Attachment 1.

On August 11, 2026, the Commission [approved](#) modifying the BCY 2026 Average Number of Children per Day Target to the BCY 2027 Target for all Boards that have a lower target in BCY 2027. This update affects 27 of the 28 Boards. These updates went into effect with the issuance of the July 2026 Monthly Performance Report (MPR).

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.”

Allocations

NLF: Boards must inform staff that the Commission approved \$1,436,029,277 to be allocated to all Boards for CCS. The allocation includes the state-mandated 2 percent quality improvement funding totaling \$29,917,277.

NLF: Boards must inform staff that the Commission approved a total of \$10,100,000 in a deferred CCF allocation (moving unexpended BCY 2025 CCF into BCY 2026) for the following Boards:

- Borderplex (\$3,500,000)
- Central Texas (\$1,750,000)
- Heart of Texas (\$1,750,000)
- Panhandle (\$2,300,000)
- West Central (\$800,000)

NLF: Boards must inform staff that 100 percent of the allocation deferral amount must be used for direct care, with no additional funds being set aside for administration and operational costs.

NLF: Boards must inform staff that the Commission approved \$3,578,930 in additional CCS funding to be distributed to six Boards based on corrections to the BCY 2025 EOY reconciliation. Funds will be added to the following Boards' BCY 2026 CCF grants:

- Northeast (\$617,862)
- Rural Capital (\$153,428)
- Brazos Valley (\$673,620)
- Deep East (\$45,440)
- Southeast (\$955)
- Alamo (\$2,087,625)

NLF: Boards must inform staff that the Commission approved distribution of an additional 4 percent for quality improvement activities, totaling \$59,834,553. TWC provided Boards with parameters on using the Child Care 4 percent funds in [WD Letter 16-24, Change 2](#), issued October 29, 2025, and titled "Child Care Quality Funds Expenditure Plan and Report—Update."

NLF: Boards must inform staff that the Commission approved the distribution of \$31,000,000 for BCY 2026 Texas Rising Star mentor staffing.

NLF: Boards must inform staff that the Commission approved the distribution of funding to support the BCY 2026 Child Care Quality Improvement Strategic Planning meeting. Each Board will receive funding to support staff attendance at this event.

Midyear Review

NLF: Boards must inform staff that TWC has updated child care performance targets to reflect BCY 2026 child care allocations based on the midyear review, as outlined in Attachment 1.

NLF: Boards exceeding their initially approved BCY 2026 target as of December 2025 must inform staff that their CCS initially approved Average Number of Children Served per Day target will remain the same. They will receive an additional distribution to support their higher average cost. This will affect the following Boards:

- East Texas (\$457,119)
- Deep East (\$323,814)
- Cameron (\$1,114,304)

NLF: Boards exceeding their new BCY 2026 lower midyear target as of December 2025 but not exceeding their initially approved BCY 2026 target, must inform staff that their midyear review target is set at their December 2025 actual number of CCS children enrolled. They will receive an additional distribution to support their new higher average cost. This will affect the following Boards:

- Southeast (\$59,119)
- Alamo (\$576,903)

NLF: Boards whose average cost decreased must inform staff that they can afford to serve more children, and their CCS Average Number of Children Served per Day has increased, as outlined in Attachment 1. This will affect the following Boards:

- Greater Dallas
- South Texas

NLF: The remaining 21 Boards must inform staff that their BCY 2026 targets have been adjusted to the affordable midyear review target.

Target Adjustments

NLF: Effective with the issuance of the July 2026 MPR, the Average Number of Children per Day target for all Boards is modified to match the approved BCY 2027 target level. North Central Texas is excluded from this modification and will retain its BCY 2026 target.

INQUIRIES:

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

ATTACHMENTS:

Attachment 1: Board Contract Year 2026 Child Care Allocations, Distributions, Average Children Served per Day Target, and Initial Job Search Success Rate Targets

Attachment 2: Revisions to WD 05-25, Change 2, Shown in Track Changes

REFERENCES:

None