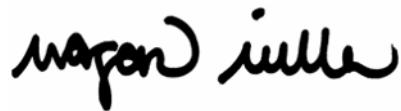


TEXAS WORKFORCE COMMISSION
Workforce Development Letter

ID/No:	WD 16-26
Date:	September 1, 2026
Keywords:	Child Care; TX3C
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 Provider Payment Rates

PURPOSE:

The purpose of this WD Letter is to provide Local Workforce Development Boards (Boards) with guidance on the Board Contract Year 2027 (BCY 2027) child care provider payment rates.

RESCISSIONS:

WD Letter 08-25

BACKGROUND:

The federal Child Care and Development Fund (CCDF) regulations and program guidance ([§98.45 Equal Access](#) and [CCDF-ACF-PI-2018-04](#)) require states to ensure equal access to child care services for children served in the Child Care Services program.

States must consider the most recent market rate survey, as well as data from their narrow cost analysis, and use this information when setting provider payment rates. Additionally, the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care encourages states to set the lowest maximum payment rates to the 75th percentile of the market rate survey.

Title 40, Texas Administrative Code (TAC), Part 20, Chapter 809 Child Care Services rule [§809.20\(a\)](#) requires Boards to establish maximum payment rates at or above a level established by the Texas Workforce Commission's (TWC) three-member Commission (Commission). On September 10, 2024, the Commission set maximum payment rates beginning in BCY 2025 based on the following criteria:

- Set each rate at the higher of:
 - the 75th percentile of the most recent market rate survey (for the type of care, age of child, and local workforce development area); or

➤ the “baseline rate” from the applicable Cost of Quality Price Modeling Report. If any rate would drop below the prior year’s level, maintain the prior year’s higher rate.

For BCY 2027, TWC used the following data sources to set the minimum threshold for the maximum payment rates:

- [2026 Texas Child Care Market Rate Survey](#)
- [2026 Cost of Quality Price Modeling Report for Homes](#)
- [2025 Cost of Quality Price Modeling Report for Centers](#)

TWC uses percentiles to compare rates collected through the market rate survey. The 75th percentile means 75 percent of the rates collected through the survey were lower than that amount.

The Cost of Quality Price Modeling Report includes “baseline rates,” which are defined as “prices charged by providers of child care that, at a minimum, meet state licensing standards.”

TWC continues to tier Texas Rising Star and Texas School Ready maximum payment rates in accordance with 40 TAC [§809.20](#).

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.”

NLF: Boards must inform staff that the [Commission-approved methodology](#) for determining BCY 2027 rates sets the minimum level for those rates, and Boards must not reduce any rate below these approved levels.

LF: TWC does not set minimum thresholds for payment rates for child care provided on evenings or weekends. Boards may set a percentage to increase rates for care during these times on the District Settings page in Texas Child Care Connections (TX3C).

LF: TWC does not set minimum thresholds for payment rates for child care provided by relative providers. Boards may set these rates locally.

NLF: For any local rate adjustments, Board members must approve rates at a posted, open meeting. Additionally, Boards must report the adjustment by emailing childcare.programassistance@twc.texas.gov. The email must include details on the rates affected and effective dates of the change.

NLF: Boards must inform staff that Texas Rising Star–certified providers must receive an increased payment rate as follows:

- Texas Rising Star Four-Star providers’ payment rates must be set at 9 percent greater than non–Texas Rising Star providers’ regular child care rates.
- Texas Rising Star Three-Star providers’ payment rates must be set at 7 percent greater than non–Texas Rising Star providers’ regular child care rates.
- Texas Rising Star Two-Star providers’ payment rates must be set at 5 percent greater than non–Texas Rising Star providers’ regular child care rates.
- There must be at least a 2-percentage-point difference between Two- and Three-Star providers and between Three- and Four-Star providers.

NLF: Boards must inform staff that the amount of the provider’s payment is the Board’s maximum daily rate, or the provider’s published daily rate, whichever is lower, in accordance with 40 TAC [§809.21](#).

NLF: Boards must inform staff that TWC will calculate and enter the payment rates for each Board and each category of care into TX3C. These rates will be based on eight age ranges.

NLF: Boards must inform staff that the BCY 2027 Provider Payment Rates are publicly available on [TWC’s Child Care Data, Reports & Plans web page](#).

NLF: Boards must update provider agreements or associated rate addendums containing specific payment rate information to reflect the new rates. Boards must update all affected agreements by November 30 of each year.

INQUIRIES:

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

ATTACHMENTS:

Attachment 1: Board Contract Year 2027 Child Care Provider Payment Rates—Effective October 1, 2026

REFERENCES:

[Title 45 Code of Federal Regulations §98.45, Equal Access](#)

[Title 40, Texas Administrative Code, Part 20, Chapter 809 Child Care Services Rule §809.20, Maximum Provider Reimbursement Rates](#)