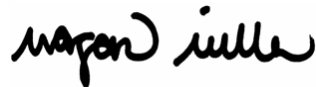


TEXAS WORKFORCE COMMISSION
Workforce Development Letter

ID/No:	WD 16-24, Change 2
Date:	October 29, 2025
Keywords:	Child Care; Financial Reporting
Effective:	Immediately

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



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

Subject: **Child Care Quality Funds Expenditure Plan and Report—Update**

PURPOSE:

The purpose of this WD Letter is to provide Local Workforce Development Boards (Boards) with guidance on planning and reporting requirements for activities funded with local Child Care Quality (CCQ) funds, including using supplemental categories for CCQ Reporting in the Cash Draw and Expenditure Reporting (CDER) system. Additionally, this letter provides guidance on the allocations of the 2 percent CCQ funds, Texas Rising Star mentor funding, and Child Care Quality 4 percent (CQF) funds and the allowable quality activities that Boards may provide with these funds.

This updated letter removes the Board's allowance to use Child Care Certified Local Match (CCM) federal funds for quality activities and contains clarifications on the activities Boards may expend CQF funds on.

RESCISSIONS:

WD Letter 16-24, Change 1

BACKGROUND:

Texas Government Code [§2308.317\(c\)](#) requires that at least 2 percent of each Board's annual Child Care Services (CCS) allocation be dedicated to activities that support quality improvement. The Texas Workforce Commission's (TWC) three-member Commission (Commission) [approved the Board Contract Year 2025 \(BCY 2025\) allocations](#) on June 11, 2024, which include 2 percent for quality improvement activities.

On May 28, 2024, the Commission [approved increasing funds available for quality improvement](#) by dedicating an additional 4 percent of the annual BCY 2025 statewide CCS allocation to specific quality activities that target the assessed needs of local child care providers.

Boards also receive an annual allocation of funds to support Texas Rising Star mentors. The Commission [approved the BCY 2026 mentor funding](#) on July 8, 2025.

State and local stakeholders have an interest in understanding the plans, expenditures, and results of local CCS quality improvement activities. To improve data transparency, support program coordination, and reduce duplication of effort, TWC publishes Boards' Annual CCQ Plans and Quarterly CCQ Reports.

Additionally, TWC uses data collected in the Boards' Quarterly CCQ Reports and the CDER system to complete the annual Quality Progress and Expenditure Report (QPR), due by December 31 of each year, as required by 45 Code of Federal Regulations (CFR) [§98.50\(b\)\(1\)](#) and U.S. Department of Health and Human Services Office of Child Care Program Instruction [CCDF-ACF-PI-2023-03](#). The purpose of the annual QPR is to show Texas' progress on improving the quality of child care programs and services for children.

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.”

Publication of Board CCQ Plans and Reports

NLF: Boards must inform staff that Boards' Annual CCQ Expenditure Plans will be published each year and updated as the quarterly CCQ reports are received. Reports will be posted on the TWC Child Care & Early Learning (CC&EL) Program [Child Care Data, Reports & Plans](#) web page.

Annual Planning Requirements

NLF: Boards must complete the table in the **Annual Expenditure Plan** tab in Attachment 1: Board Child Care Quality Expenditure & Activity Report Template, also known as the CCQ Quarterly Report, which describes how Boards intend to expend the current fiscal year's CCQ (including CCQ mentor funds) and CQF funds in each allowable category.

NLF: Additionally, Boards must submit their plans to BCM@twc.texas.gov by October 30 each year.

NLF: Boards must submit their budget plans for CQF and CCQ (including planned expenditures for CCQ mentor funds) for each of the allowable categories via CDER's supplemental category fields by October 30 each year.

NLF: Boards must also complete the table in the **Texas Rising Star Staffing** tab in the CCQ Quarterly Report, which describes the positions that Boards have budgeted for and filled to meet Texas Rising Star requirements.

NLF: Boards must not include funds that are used for:

- payment for direct child care services;
- increased payment rates; or
- tiered payment rates for Texas Rising Star programs.

NLF: Boards must inform staff that for CQF plans, TWC must approve Boards' planned use of funds. CC&EL staff will review and approve plans that are complete and allowable within 10 business days. Boards must inform staff that if the plan is incomplete, inaccurate, or contains unallowable activities, this process may take longer. Previously approved CQF activities from the prior fiscal year are considered TWC-approved activities if they are repeated in the current planning year.

NLF: Boards must implement CQF funding strategies that reflect and respond to the unique needs of child care providers within their region. Supported activities must align with clearly defined needs based on data collected from providers, which must be detailed in each Board's plan and must also describe how fair access to funding will be ensured. For example, purchasing bulk curriculum/supplies to provide to all child care providers, without data to demonstrate that all providers require the same curriculum/supplies, is not ensuring that CQF funds are meeting providers' individual needs.

LF: Boards may use the [Child Care Quality Strategic Planning and Expenditures Guide](#) as an aid in planning quality initiative activities in their communities and as a reference when reporting the activities in the Board Child Care Quality Expenditure & Activity Report Template.

Reporting Requirements

NLF: Boards must submit quarterly reports that update the **Texas Rising Star Staffing**, the **Quarterly Data**, and the **Quarterly Narrative** tabs in the Board Child Care Quality Expenditure & Activity Report Template. Reports must be sent to BCM@twc.texas.gov. Boards must submit their completed templates within 30 days of the end of the reporting quarter.

NLF: Boards must inform staff that quality improvement activities funded with 2 percent CCQ funds must fall within the federally allowable uses for these funds. Boards must report 2 percent CCQ expenditures within the following seven categories:

1. **Training and Professional Development**, which includes costs associated with any training (not including infant- and toddler-specific training), professional development, and/or postsecondary education opportunities provided to child care provider staff
2. **Texas Rising Star**, which includes any costs associated with:
 - Texas Rising Star Parent/Provider support, which includes child care provider supports (such as equipment, materials, and stipends) and parent education and outreach; and

- Texas Rising Star operational costs (such as mentor staff salaries, benefits, travel, training, and rent or utilities).
3. **Infant and Toddler Activities**, which includes any costs associated with specifically addressing infant and toddler program establishment or expansion, infant- and toddler-specific professional development, early intervention partnerships, and infant and toddler materials
 4. **Health and Safety**, which includes any costs associated with assisting early learning programs in maintaining child care licensing compliance or providing high-quality health and safety provisions that do not include activities specific to infants and toddlers
 5. **Evaluation**, which includes any costs associated with purchasing assessment tools that measure effective practices for child development, training staff to implement the tools, and/or conducting formal evaluation studies of quality efforts, which requires the submission of an evaluation report to TWC
 6. **National Accreditation Support**, which includes any costs associated with helping early learning programs obtain or maintain national accreditation (for example, fees and materials)
 7. **Other Allowable Activities**, which is limited to costs for the following:
 - Shared Services
 - Prekindergarten partnerships
 - Child care and early learning mental health supports (such as infant and early childhood mental health consultation or child care staff wellness resources)
Note: Training activities that focus on mental health should be reported under “Training and Professional Development.”
 - Supply-building activities, including:
 - providing capacity expansion grants, stipends, or resources for existing providers to increase capacity (either total capacity or capacity for a target population, such as infants, children with disabilities, or children enrolled in the CCS program); and
 - offering wage supports for child care staff, such as recruitment and retention bonuses or wage supplements
Note: Bonuses or stipends that are tied to new educational attainment must be reported under “Training and Professional Development.”

NLF: Boards must inform staff that CQF activities are limited to the subset of the activities allowed with 2 percent CCQ funds. Boards must report CQF expenditures within the following six categories, with additional limitations within the individual categories:

1. **Training and Professional Development**, which includes any costs associated with activities that are specific to:
 - professional development and/or postsecondary education opportunities provided to child care provider staff; and
 - substitute pay/reimbursement of child care staff wages to support child care provider staff attending school or training during work hours
2. **Texas Rising Star**, which includes any costs associated with provider or parent support activities specific to:

- monetary incentives for programs (including both Entry Level and certified programs) to purchase equipment, provide a wage or hiring bonus, or both;
 - comprehensive curriculum support, which requires any curriculum purchased for a child care provider to be accompanied by overarching training and support (which must be reported in the professional development category) and be aligned with the local school district/charter if the provider is participating in a prekindergarten partnership; and
 - materials and supplies (excluding playground equipment, shade structures, cameras or other security equipment, and smart boards)
- Note:** CQF may **not** include any Texas Rising Star operational costs.
3. **Infant and Toddler Activities**, which includes any costs associated with activities that are specific to providing:
 - infant/toddler mental health consultations;
 - materials and supplies (excluding playground equipment, shade structures, cameras or other security equipment, and smart boards);
 - comprehensive curriculum support, which requires any curriculum purchased for a child care provider to be accompanied by overarching training and support;
 - professional development and/or postsecondary education opportunities provided to child care provider staff; and
 - supply-building activities, (which may include opening new classrooms to serve infants and toddlers by offering materials or a monetary stipend per slot or classroom)
 4. **Evaluation**, which includes any costs associated with purchasing assessment tools that measure effective practices for child development. Any assessment tools purchased for designated staff or child care providers to use must be accompanied by overarching training and support to implement the tools (which must be reported in the applicable category).
 5. **National Accreditation**, which includes any costs associated with activities specific to payment or reimbursement of initial application and renewal fees
 6. **Other Allowable Activities**, which includes any costs associated with activities specific to:
 - wage supports for child care staff, such as recruitment and retention bonuses or wage supplements; and
 - supply-building incentives or materials for new or current providers who offer nontraditional hour child care or serve children in underserved areas (such as child care deserts) and/or vulnerable populations, such as infants and toddlers, children with disabilities, and English-language learners

NLF: Boards must inform staff that CCQ- and CQF-funded activities must be demonstrably responsive to child care providers' specific needs as validated by data collection and/or consultation with the local child care committee or other representative child care stakeholders.

NLF: Boards must not double report across categories any expenditure that covers multiple categories; however, such expenditures may be divided across categories.

NLF: Except for Texas Rising Star mentor funds, Boards must report 2 percent CCQ and 4 percent CQF expenditures in the CDER system’s “378—Quality Improvement” category and within the applicable supplemental CCQ and CQF cost categories. Supplemental categories include the following:

- Training and Professional Development
- Texas Rising Star Provider/Parent Support
- Texas Rising Star Operational (Personnel and Program Operation)
- Infant and Toddler Activities
- Health and Safety
- Evaluation
- National Accreditation Support
- Other Allowable Activities

NLF: Boards must report funds distributed specifically for Texas Rising Star mentor costs under the CDER category “378—TRS Mentor Funding.” These funds are limited to Texas Rising Star operational costs such as salaries, benefits, travel, mentor staff training, and program operations (rent, utilities, and so forth). There are no supplemental cost categories for the Texas Rising Star mentor funds.

LF: If additional Texas Rising Star operational funding is needed beyond a Board’s distribution for mentor funding, the Board may use 2 percent CCQ funds and report the expenditures under “378—Quality Improvement, SUP—Texas Rising Star Operational.”

INQUIRIES:

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

ATTACHMENTS:

Attachment 1: Board Child Care Quality Expenditure & Activity Report Template

Attachment 2: Child Care Quality Expenditure & Activity Report Desk Aid, October 2025

Attachment 3: Revisions to WD Letter 16-24, Change 1 Shown in Track Changes

REFERENCES:

45 CFR §98.50(b)(1), §98.53(a), and §98.53(f), Child Care and Development Fund
[Child Care Quality Strategic Planning & Expenditures Guide](#)