Child Care Funding Summit: Creating Affordable Child Care for All Virginians

Commission on Early Childhood Care and Education

October 14, 2026

Overview

1. **Background**
   - Legislative directive and Commission request
2. **Review: Virginia's Current State**
   - Access and affordability; market failure and payment rates; implications for educators, providers, and families
3. **Early Childhood Funding Calculation**
   - Calculation overview; projections to meet family demand; economic development highlights
4. **Calculation Results**
   - Scenarios to: (1) achieve affordability for all; (2) improve affordability; or (3) maintain historic growth

Legislative Directive and Commission Request

Annual Funding Calculation (§ 22.1-289.03):

Directs the VDOE to report the funding needed per biennium to address parent demand for affordable, high-quality early childhood care and education services. These calculations are based on:

- Current program eligibility requirements;
- Sustaining historic growth; and
- Supporting economic development and public-private partnerships.

Additional Request from 2026 Commission on Early Childhood:

Has requested additional estimates from VDOE on what funding would be required to achieve affordability for all of Virginia's working families. These calculations are based on:

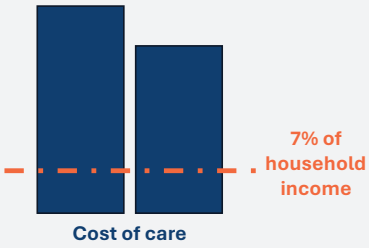
- Expanding program eligibility;
- Growing to achieve high participation rates among benefiting families.

Virginia's Current State

Virginia's Working Families Struggle to Afford and Access Child Care

Unaffordable Prices

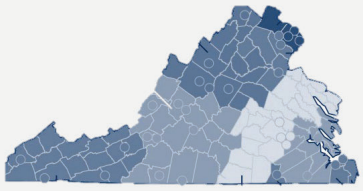
Child care is unaffordable in every region.



Tuition for an infant and preschooler is **more than 3x the federal definition of affordability** in every Ready Region.

Inadequate Supply

Child care supply is limited in every region.



JLARC estimates **140,000 more licensed or regulated child care slots** are needed to meet the needs of working families.

Limited Reach of Public Funds

Most working families do not have assistance paying for child care.

Public funding provides **help for less than 20% of the 390,000 young children** in Virginia with all parents in the workforce. **Three out of four (76%) families cannot work as much as they want while on the CCSP waitlist.**

State Rates Only Cover Half of Cost of Quality

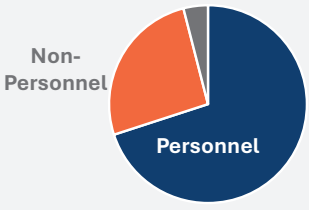
ECCE Market Failure

Gap between affordable prices and the revenue needed to provide high-quality care.

In every region, tuition for an infant and a preschooler **exceeds 20% of household income** while providers are facing **revenue shortfalls and rising costs.**

Cost of Quality (CQ) Model

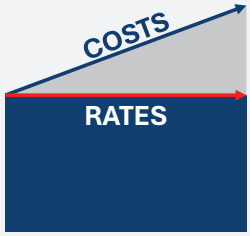
Virginia developed a CQ model to estimate and use operating costs as the basis for CCSP payment rates in 2022.



Personnel costs make up **at least 70% of total CQ** and have **increased by 40%** since 2022.

Rising Costs & Stagnant Rates

Growing gap between payment rates and cost of quality care.

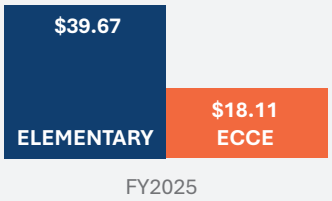


CCSP rates are now 4 years out of date and **cover only 51% of CQ.**

Low Rates Limit Compensation, Quality, and Supply

Low Educator Compensation

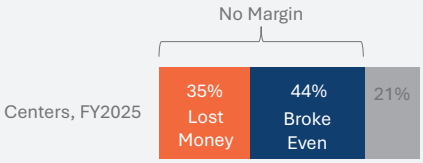
ECCE teacher compensation is not competitive and drives high turnover.



Lead teachers' wages at publicly-funded ECCE sites **are lower than restaurant servers' wages** and **less than half of PreK-5 public school teachers' wages**.

Compromised Quality

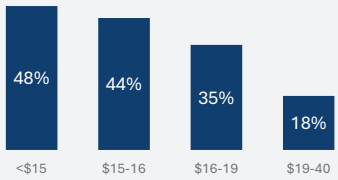
A vast majority of providers have no revenue margin for increasing wages or improving quality of their services.



Teacher wages are **$2-4/hour lower among** classrooms not exceeding quality expectations.

Reduced Access and Supply

Providers must reduce capacity when they cannot offer competitive wages; this limits supply and family access.



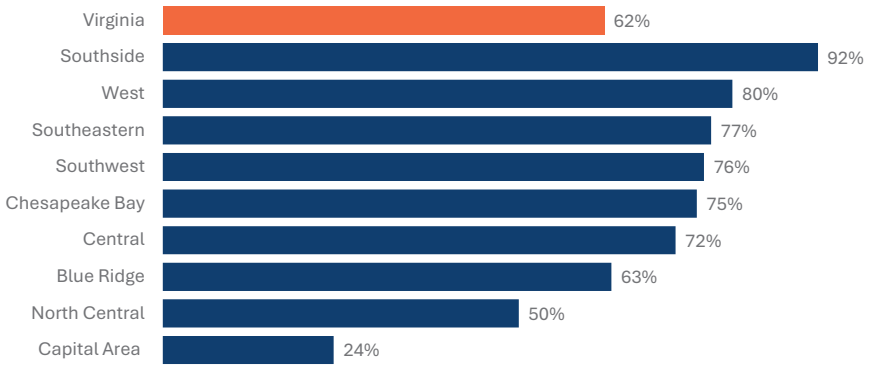
44-48% of subsidized sites paying less than $16/hour turned families away due to staffing, compared to less than 20% of providers paying more than $19/hour.

When faced with limited access to affordable childcare, families face greater financial hardship, rely on informal care options, are less likely to accept a promotion, new job, or more hours at school or work, and may choose to opt out of the workforce entirely.

Impact of State Rates on Minimum Wage Efforts

Providers will face additional cost pressures as Virginia's minimum wage increases to $15.00 and providers are required to provide sick leave. **In 2025, 62% of publicly funded centers paid at least some teachers below $15 an hour; one third did not provide sick leave.**

Percentage of publicly funded centers paying below $15/hour (FY 2025)



Child care providers who raised wages due to the 2022 minimum wage increase:

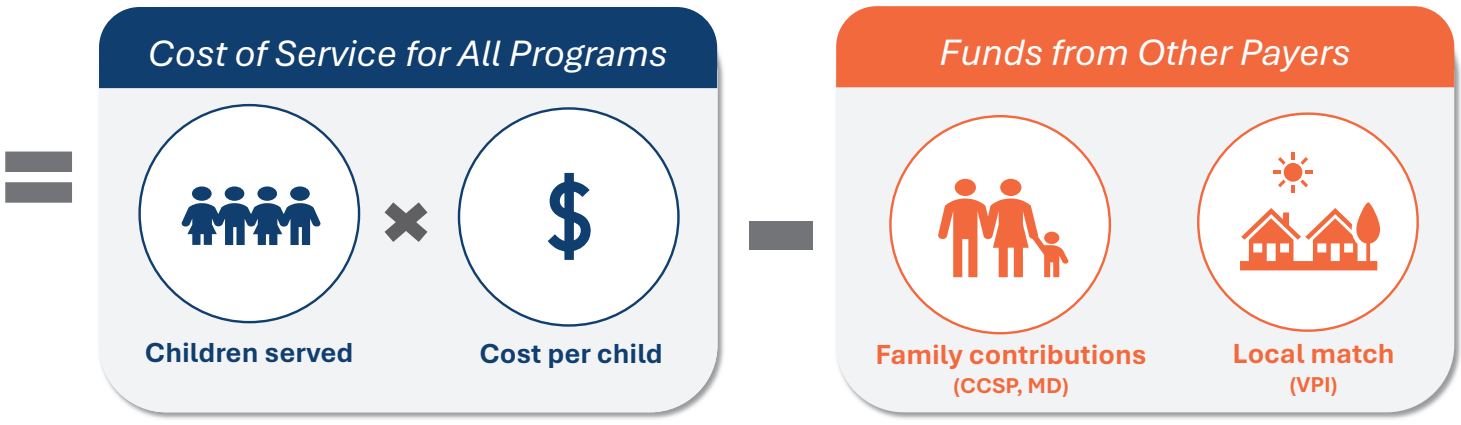
- 80+% raised tuition for families
- Among subsidized providers,
  - 1 in 4 cut enrollment
  - 1 in 5 cut staff
- Subsidized providers were more likely to cut enrollment and staff than non-subsidized providers.

Sources: LinkB5 Fall 2025 Registration Profiles; UVA SEE-Partnerships (2022)

Early Childhood Funding Calculation

Overview of Virginia's ECCE Funding Calculation

TOTAL COST TO THE STATE



Supporting Economic Development and Public-Private Partnerships

Recognizing child care drives economic development, the Funding Calculation directs VDOE to estimate additional slots needed beyond historic growth to support new jobs and public-private partnerships.

127 economic development projects are currently underway

21,000+ jobs have been or will be created by these projects

Formula accounts for additional slots for likely CCSP-eligible hires

Spotlight: RINGANA to Bring Hundreds of New Jobs to Roanoke City

RINGANA

June 12, 2026

RINGANA, an Austrian life sciences company that develops skincare and nutritional products, announced that it will establish its first U.S. headquarters in Roanoke City.

$85 million
investment over the next five years

- New campus built at the Blue Ridge Commerce Park in Roanoke.
- The Roanoke location will serve as the company's North American production and distribution hub, making its products fully available throughout the U.S.

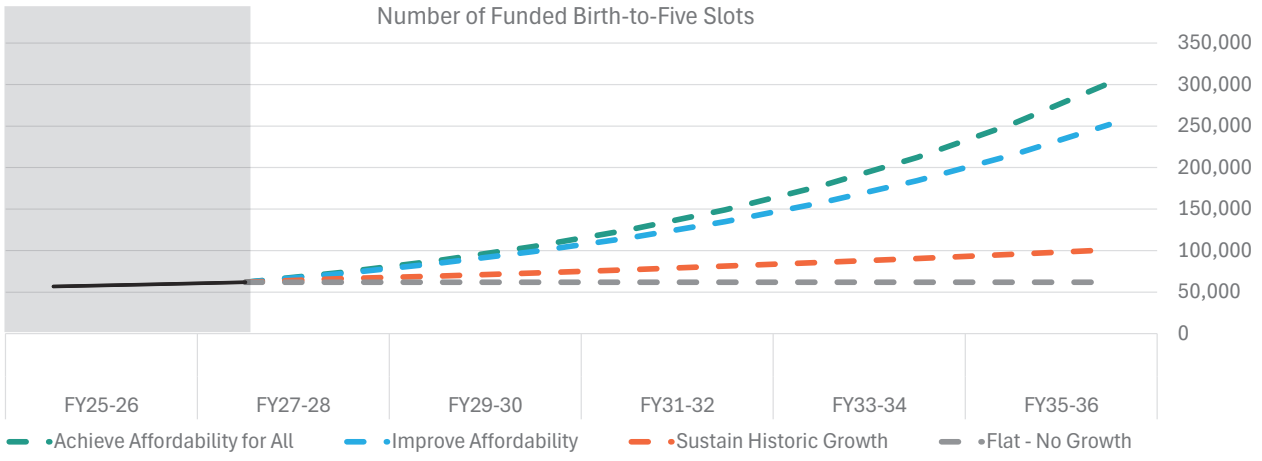
435
new jobs across the region

- Average salary is an estimated $61,300.
- Support for job creation provided through the Virginia Talent Accelerator Program (developed by VEDP with higher education partners to provide training and recruitment solutions).
- Estimated ~48 B5 slots needed for employee child care.

Funding Calculation Results

Calculation Results: Three Scenarios

Funding Calculation provides long-term projections to expand access and supply, with options to (a) achieve affordability for all; (b) improve affordability; or (c) sustain historic growth.



Scenarios are intended to illustrate a range of possible approaches and are not specific proposals. Actual costs and impacts would depend on policy decisions, including program reach, sliding fee scale, provider payment rates, and other decision points.

Key Assumptions for Each Scenario

	Achieving Affordability for All	Improving Affordability	Sustaining Historic Growth
Eligible families	No income limit—all working families and other families in need	No income limit—all working families and other families in need	Working families at or below 85% SMI
Maximum family contribution in CCSP (% of income)	0-10%	0-20%	5% (for eligible families)
Benefit phase-out*	300-400% SMI (~$431k/yr for family of 4)	200-300% SMI (~$287k/yr for family of 4)	"Cliff" at 85% SMI (~$122k/yr for family of 4)
CCSP and MD Rates based on updated cost of quality (2026)	✓	✓	✓
Expand eligibility for VPI, fully include all children with disabilities	✓	✓	X

** Note: There is no income eligibility cut-off for the affordability scenarios. The benefit of participation to families is the copay relative to the true cost of care. The "phase-out" assumes the benefit to families is eventually close or equal to 0, such that families would stop choosing to participate at that income level.*

Affordability for All 10-Year Outlook: All-In Cost* and Impact

$4.5B* **annual estimated cost to achieve affordability for all in 2036**
$3.8 billion over FY27 investments

240,000
new birth-to-five children served
(23% birth-to-five children in working families still unserved)

$6,200
average annual cost per family
(sliding scale caps to 0-10% of family income)

+48%
wage increase for 43k teachers
(+$8.16/hour, $17k/year on average)

**does not account for expected increases in cost associated with inflation and/or rebenchmarking over the next 10 years.*

Improving Affordability 10-Year Outlook: All-In Cost* and Impact

$3.7B* **annual estimated cost to achieve affordability for all in 2036**
$3.0 billion over FY27 investments

190,000
new birth-to-five children served
(35% birth-to-five children in working families still unserved)

$6,200
average annual cost per family
(sliding scale caps to 2.5-20% of family income)

+41%
wage increase for 43k teachers
(+$6.89/hour, $14k/year on average)

**does not account for expected increases in cost associated with inflation and/or rebenchmarking over the next 10 years.*

Sustaining Historic Growth 10-Year Outlook: All-In Cost* and Impact

$1.6B* **annual estimated cost to sustain historic growth through 2036**
$915M over FY27 investments

39,000
new birth-to-five children served
(74% birth-to-five children in working families still unserved)

$1,800
average annual cost per family
(cap to 5% income for eligible families; NO CAP for families above 85% SMI)

+27%
wage increase for 33k teachers
(+$4.55/hour, $9.5k/year on average)

**does not account for expected increases in cost associated with inflation and/or rebenchmarking over the next 10 years.*

FY28 Investment Options: Making Progress Toward Affordability for All

Updating rates immediately—and biennially thereafter—is necessary to maintain supply and bolster confidence in Virginia's ECCE system.

- Virginia can increase supply and lay the groundwork toward affordability for all by investing in additional slots and establishing additional pathways to apply for services.

Potential Investments	Additional Funding for FY28 *(above current FY27)*
1. Update rates based on 2026 cost of quality for existing slots (foundational)	$210 million
2. Increase slots for currently eligible families:	
2a. Accelerate growth (add 10,206 slots)	$173 million
2b. Sustain historic growth (add 5,671 slots)	$96 million
2c. Slow down growth (add 3,118 slots)	$53 million

Conclusion

Key Takeaways from the Funding Calculation

- Updating payment rates now helps maintain current affordability and supply, stabilize turnover, especially for infants and toddlers, and ensure Virginia's families can work.
  - Addressing rates is also a prerequisite for increasing supply to expand affordability and access to more Virginia working families in need.
- Expanding access to support affordability for all would require:
  - Multiple policy changes (e.g., change in eligibility criteria, expanded sliding fee scale)
  - A 10-year phase-in period
  - Short-term investments to support system readiness
- Sustaining historic growth would still leave most families in need *without* assistance.

Appendices

FY2028 and FY2029-2030 Biennial Funding to Sustain Historic Growth (Legislative Request)

- Enabling growth according to historic rates would require increasing slot counts across programs by about 7%, thereby funding a total of 77,371 slots across VPI, MD, and CCSP
- An additional 1,091 slots are required to support regional economic development efforts
- Updating payment rates translates to increases in cost-to-the-state for MD and CCSP: by 43-47% for birth-to-five children and 14% for school-age children

FY2028	Total Cost	Total Budget Investment	New SGF (over FY27)
Virginia Preschool Initiative	$284,907,853	$176,704,072	$5,788,632
Mixed Delivery	$59,570,436	$57,074,775	$18,237,055
Child Care Subsidy Program	$857,780,242	$794,953,616	$281,590,501

FY2029-FY2030 Biennium	Total Biennial Cost	Total Biennial Budget Investment	New ANNUAL SGF (over FY27)
Virginia Preschool Initiative	TBD	TBD	TBD
Mixed Delivery	$119,140,873	$114,149,550	$18,237,055
Child Care Subsidy Program	$1,997,496,298	$1,853,349,547	$374,473,938

Key Variables – Sustaining Historic Growth

- **Children Served:** Projections based on historic percent growth and FY2027 slots. Additional 1,091 CCSP B5 slots added in FY2028 to support economic development and supply building; another 1,091 slots added for this purpose each biennium thereafter.
- **Cost per Child:** For VPI, formula-based per-pupil amount. For MD, VDOE Cost of Quality estimation methodology (payment rate = 100% CQ for all MD providers). For CCSP, VDOE Cost of Quality estimation methodology (payment rate = 75% CQ Centers; 100% CQ Homes)
- **Contributions from Other Payers:** For VPI, local match is based on Local Composite Index (LCI) and is capped at 50% of the per-pupil rate. For MD and CCSP, families contribute a copay capped at 5% of the families income.

	Children Served			Annual Rebenchmarked Cost per Child (FY28)		Local and Family Annual Contributions		
	Growth Rate	FY27 Slots Funded	FY28 Slots Projected	Total Cost	Payment Rate	Source of Funds	Cap	Per-Child Average
VPI	3.9%	25,166	26,155	$10,786	$10,786	Local Match	50% of Cost	$4,023
MD	0%	2,630	2,630	$22,650	$22,650	Family Copay	5% of income	$949
CCSP – B5	6.9%	34,078	36,440	$25,580	$19,746	Family Copay	5% of income	$832
CCSP – School-Age	7.9%	15,497	16,726	$9,055	$6,987	Family Copay	5% of income	$802

CCSP Maximum Family Contribution Assumptions Across Scenarios

Under achieving and improving affordability scenarios, family copay scales in CCSP are devised to cap family contributions based on a percentage of family income, which means benefits "phase out" for higher-income families.

- *Benefits "phase-out" for most families between **300-400% SMI under the Achieving Affordability** scenario.*
- *Benefits "phase-out" for most families between **200-300% SMI under the Improving Affordability** scenario.*

*There is a benefits "cliff" at **85% SMI under the Sustaining Historic Growth** scenario, which would maintain current eligibility limits and copay scale.*

	Minimum Income (family of 2) and Maximum Income (family of 4) for Illustration		Copay Scale Options			
			Achieving Affordability	Improving Affordability	Sustaining Historic Growth (Current Eligibility Limits, Copays)	
Income Group	MIN Income Fam of 2	MAX Income Fam of 4	% Cap	% Cap	Per-Child	% Cap
0-100% FPG	$0	$33,000	0.0%	0.0%	$5	5%
100-150% FPG	$21,640	$49,500	2.5%	2.5%	$125	5%
150-200% FPG	$32,460	$66,000	2.5%	2.5%	$175	5%
200-250% FPG	$43,280	$82,500	5.0%	5.0%	$225	5%
250-300% FPG	$54,100	$99,000	5.0%	5.0%	$275	5%
300-350% FPG	$64,920	$115,500	7.0%	7.0%	$325	5%
350%FPG-85%SMI	$75,740	$121,989	7.0%	7.0%	$375	5%
85-100% SMI	$82,952	$157,868	8.0%	12.5%	NOT APPLICABLE (FAMILIES INELIGIBLE – NO CAP ON CHILD CARE COSTS)	
100-150% SMI	$107,350	$229,626	9.0%	15.0%		
150-200% SMI	$156,145	$301,384	9.0%	17.5%		
200-300%SMI	$204,941	$574,064	10.0%	20.0%		
300-400% SMI	$390,364	$717,580	10.0%	20.0%		
400-900% SMI	$487,954	$1,435,160	10.0%	20.0%		

Percent of B5 Families by Income Likely to Benefit from and Participate in CCSP Across Scenarios (after Phase-in Period)

Achieving Affordability and Improving Affordability scenarios assume a final, average 70% participation rate among families who could potentially benefit from the program (at the end of a phase in period). Participation rates are assumed to decline with family income. The percent of families served in each income band for Achieving Affordability and Improving Affordability is calculated by multiplying the target participation rate and the percentage of families in the band who could benefit from participation.

Percent of families served under Sustaining Historic Growth is based on a 6.9% growth in enrollment across all income band.

			Achieving Affordability		Improving Affordability		Sustaining Historic Growth	
	Count of Working B5 Families	Target Participation Rate	% Working Families Likely to Benefit	% Working Families Served	% Working Families Likely to Benefit	% Working Families Served	% Working Families Likely to Benefit	% Working Families Served
Under 85% SMI (Currently eligible)	**162,233**	**75%**	**100%**	**75%**	**100%**	**75%**	**100%**	**32%**
0% FPG - 100% FPG	31,028	80%	100%	80%	100%	80%	100%	64%
100% FPG - 150% FPG	24,462	78%	100%	78%	100%	78%	100%	44%
150% FPG - 200% FPG	25,416	76%	100%	76%	100%	76%	100%	37%
200% FPG - 250% FPG	25,008	74%	100%	74%	100%	74%	100%	24%
250% FPG - 300% FPG	26,592	72%	100%	72%	100%	72%	100%	14%
300% FPG - 85% SMI	29,727	70%	100%	70%	100%	70%	100%	9%
Not Currently Eligible	**134,612**	**64%**	**88%**	**57%**	**43%**	**28%**	**0%**	**0%**
85-100%SMI	24,774	68%	100%	68%	100%	68%	0%	0%
100-150% SMI	50,645	66%	100%	66%	54%	36%	0%	0%
150-200% SMI	28,996	63%	100%	63%	19%	12%	0%	0%
200-300% SMI	19,657	61%	68%	41%	4%	2%	0%	0%
300-400% SMI	5,106	58%	27%	15%	0%	0%	0%	0%
Above 400% SMI	5,434	56%	0%	0%	0%	0%	0%	0%
All Working Families	**296,845**	**70%**	**95%**	**66%**	**74%**	**52%**	**55%**	**18%**