

November 1, 2025

Susan Clarke Schaar
Clerk of the Senate
Post Office Box 396
Richmond, Virginia 23218

Dear Mrs. Schaar:

On March 7, 2025, we received your letter informing us that pursuant to Rule 20 (o) of the Rules of the Senate of Virginia, the Senate Committee on Finance and Appropriations referred the subject matters contained in House Bills 1959, 1972, and 2538 to the Commission on Early Childhood Care and Education for study. You requested that the appropriate committee chair and bill patrons receive written reports, with copies to the Senate Clerk's Office, by November 1, 2025.

Attached to this cover letter you will find reports for each of the referred bills along with meeting details and participants. We thank the Senate Committee on Finance and Appropriations for the opportunity to study and provide relevant feedback on the financing of Virginia's Early Childhood Care and Education System.

Sincerely,



Delegate Carrie Coyner, Chair

Cc: The Honorable L. Louise Lucas, Chair, Senate Committee on Finance and Appropriations
The Honorable Elizabeth B. Bennett-Parker, Patron of HB 1959
The Honorable Debra D. Gardner, Patron of HB 1972
The Honorable David L. Bulova, Patron of HB 2538
Kathy Glazer, President, Virginia Early Childhood Foundation
April Kees, Director, Senate Committee on Finance and Appropriations
Amigo Wade, Director, Division of Legislative Services

HB1959 Report

Child Care Subsidy Program waiting list; target timeline for assigning slots to priority groups.

Introduction

During the 2025 General Assembly Session, the Senate Committee on Finance and Appropriations referred HB 1959 (Bennett-Parker) to the Commission on Early Childhood Care and Education for study. The Commission is tasked with providing a written report on HB 1959 to the appropriate committee chairs by November 1, 2025.

The Commission on Early Childhood Care and Education established a work group for the purposes of providing comment on HB 1959. The group met on August 21, 2025.

Background and Legislative History

HB 1959 would require the Department of Education to amend the Virginia Child Care Subsidy Guidance Manual to create a new priority group on the waiting list for the children of parents who are employed at least 30 hours per week at a publicly-funded child care provider, excluding employment by a local school division, but including employment by a Head Start program that is located within a public school building. The VDOE released Interim Guidance for the Child Care Subsidy Program (CCSP), effective July 1, 2025, that updates waitlist processing procedures.

Families are placed on the waitlist by screening/application date within priority groups. Tier 1 priority group includes families with at least one child ages birth to 5, not yet in kindergarten. Tier 2 priority includes families that do not fall into Tier 1 but meet at least one other criteria:

1. A family unit with a child who has special needs for whom services are requested
2. A family with a child experiencing homelessness
3. A family involved in Child Protective Services (CPS) or Foster Care Prevention
4. A family that involves a minor parent under the age of 18 and in high school, whose child will be receiving subsidy services
5. An emancipated teen parent younger than 18 and in high school; and
6. Case discontinued due to lack of funds.

¹The bill is intended to address the recruitment and retention of early educators in Virginia by prioritizing their access to the Child Care Subsidy Program when a waitlist exists.

Delegate Bennett-Parker filed HB 627 during the 2024 General Assembly Session. It would have expanded the Child Care Subsidy Program to assist employees of any licensed child care provider with the costs of child care given they meet certain eligibility criteria laid out in the bill.

¹ [Virginia Child Care Subsidy Guidance Manual](#), pg. 35

The ECCE Commission studied HB 627 throughout its convenings in 2024. Quoting from the Commission’s 2024 report:

“While there was consensus that ECCE workforce vacancies and stability are a critical challenge, the Commission also identified multiple concerns with this particular strategy for Virginia at this moment, noting that funding utilized in other states was temporary. This approach may also have the unintended consequence of subsidizing households with higher incomes than other eligible households, and would not be inclusive for the broader early education workforce that includes employees without young children. Ultimately, it was recommended that the study group continue to review the impact of similar programs in other states to see if the desired goals are achieved over time before implementing or piloting in Virginia.”

In 2025, HB 1959 attempted to address the concerns from the Commission by including educators as a priority group on the waitlist. The bill was filed in the House of Delegates where it passed 85-12. It was passed by indefinitely and referred to the Commission by the Senate Finance and Appropriations Committee. The Department of Planning and Budget reported there would be no fiscal impact produced by the legislation.

HB 1959 proposes a targeted amendment to Virginia’s Child Care Subsidy Program (CCSP) guidance manual to prioritize child care workers—employed at least 30 hours per week in publicly funded settings—for subsidy access. The bill is designed to support workforce retention and sustainability without requiring new state appropriations. It also mandates reporting from the Department of Social Services (DSS) on implementation barriers and timelines.

Discussion

The work group held a robust discussion focused on the policy rationale for the legislation—providing incentives for the recruitment and retention of early childhood educators.

Virginia’s early childhood workforce faces persistent challenges that threaten the stability and quality of Virginia’s early childhood care and education system. These challenges create a cycle of low wages and high turnover:

- *Low compensation:* Per the Bureau of Labor Statistics, early educators earn an average of \$17.91 per hour. Nearly half of the early educator workforce relies on public assistance.
- *Staffing shortages:* 62% of child care centers in Virginia report staffing as challenging; 49% cite low compensation as a primary factor.
- *Operational impacts:* These challenges result in increased workloads, hiring less-qualified staff, and decreased capacity to serve children and families.

The work group members agreed that the ECCE workforce is a challenge and considered the merits of adding ECCE educators to the CCSP priority list. Per the work group:

- As of August 2025, there are almost 14,000 children on CCSP waitlists in Virginia. It is not known how many of those families would be eligible for the ECCE educator priority group.
- ECCE educator compensation in Virginia is so low that most would be eligible for CCSP based on their income. Members expressed concern about perpetuating low wages for this sector.
- Structural solutions, such as rebenchmarking and increasing the Cost of Quality (COQ) reimbursement rate would more sustainably impact ECCE educator recruitment and retention.

Considerations

The ECCE Commission recommends the following considerations for HB 1959:

- Continue exploring the fiscal and operational implications of prioritizing early educators for CCSP.
- Consider structural solutions like COQ to support long-term workforce sustainability.
- Maintain open dialogue with Delegate Bennett-Parker and stakeholders on future policy development.

HB1972 Report

Early childhood care & education; statewide unified public-private system, capacity & family choice.

Introduction and Background

During the 2025 General Assembly Session, the Senate Committee on Finance and Appropriations referred HB 1972 (Gardner) to the Commission on Early Childhood Care and Education for study. The Commission is tasked with providing a written report on HB 1972 to the appropriate committee chairs by November 1, 2025.

The Commission on Early Childhood Care and Education undertook the bill's subject matter during its full Commission meeting on July 17, 2025.

HB 1972 would amend and reenact § 22.1-289.03 of the Code of Virginia, which establishes a statewide unified public-private system for early childhood care and education in the Commonwealth *“with the goal of increasing and maintaining capacity systemwide to provide each family with meaningful access to high-quality and affordable choices among publicly funded, federally funded, mixed delivery, and private providers.”*

Aligning with Commission Values

The ECCE Commission identified core values and strategies that will help Virginia's unified, public-private system for early childhood and education meet the goals expressed in HB 1972. Those values are:

- Access and Choice
 - Parents have a wide range of high-quality, affordable public and private options that meet their needs and account for family preferences.
 - Transparent and quality data is used to facilitate family decisions and communicate the benefits of ECCE to parents and communities.
 - Funding follows children, not systems, and working families with birth-to-five children are prioritized for publicly-funded full-day, full-year options.
 - Providers and business partners are incentivized and granted the flexibility required to build and expand supply.
- Funding Stability and Sustainability
 - The ECCE system is supported through sustainable funding streams that allow for flexibility and alignment with parent demand.
 - Funding is sufficiently stable, encouraging providers to engage in long-term planning and supply-building.
 - The ECCE system is supported through multiple different funding sources, including local, state, federal, and private sources.

- **Quality and Educator Compensation**
 - Early childhood educators are recognized as valuable professionals, with compensation and professional development opportunities that reflect the significance of their work.
 - ECCE programs are reimbursed at the true cost of care, supporting competitive compensation for early childhood educators and, in turn, improving workforce recruitment, retention, and quality of early learning experiences.
 - Effective educators are motivated to remain at their programs and in the field, ultimately enabling sites to maintain or expand capacity and promoting a broad range of accessible public-private options for families.

- **Child Care as Economic Development**
 - Child care is recognized as essential to Virginia’s economy; shortages are an economic development and growth problem, as they create barriers to workforce participation.
 - All entities with a vested interest in expanding access to ECCE—including businesses, philanthropies, and cities and counties—are incentivized to financially support the provision of child care in their communities.
 - Employers of all sizes—from small businesses to large corporations—have the tools to contribute to employees’ child care costs.
 - Ongoing growth in public investments in ECCE driven by family demand fuel economic growth by increasing the supply of ECCE, mitigating child care access as a barrier to workforce participation for parents, and making Virginia communities attractive for new employers.
 - Local and state government, businesses, and communities collaborate to develop and implement innovative solutions that fit individual community needs.

Strategies and Recommendations

In order to increase and maintain capacity systemwide to provide each family with access to high-quality and affordable choices, the Commission endorses the following strategies and recommendations:

- **Use Family Demand and Choice to Drive Funding and Slots:** Continue to maximize all available public and private funding sources and explore new sustainable and innovative funding mechanisms outside of the General Fund to systematically address family demand and preferences. Ensure that dollars continue to follow families, enabling them to make the best choices for their children, and that funding is prioritized for children birth-to-five.

- **Pursue Public-Private Funding Mechanisms:** Continue to leverage public and private financing mechanisms and explore innovative approaches to financing ECCE, ensuring care is affordable and public dollars can accommodate increasing demand from working families.
- **Address Workforce Challenges:** Maintain and expand effective initiatives that directly address birth-to-five teacher shortages and other persistent workforce challenges. For instance, promote hiring, retention, and quality care through competitive compensation that addresses pay gaps and reflects the value of the ECCE workforce. To address the burden associated with high personnel costs, reimburse providers at the true cost of delivering high quality ECCE services.
- **Streamline Regulations:** Continue to simplify regulatory oversight and decrease unnecessary bureaucracy, ensuring a functional, diverse system that works for families and providers. Improve the business climate, promoting supply building and private investment.
- **Promote Early Childhood as Essential Economic Development:** Ensure business and community understanding of ECCE as an economic development investment with substantial return on investment of funds. Explore strategies to engage communities and businesses in improving access to and supply of quality child care. Develop clear strategies to communicate to the public, and parents in particular, the benefits of high-quality ECCE as a driver of future economic success.

HB 2538 Report

Public education; early childhood care and education, funding formula calculations.

Introduction and Background

During the 2025 General Assembly Session, the Senate Committee on Finance and Appropriations referred HB 2538 (Bulova) to the Commission on Early Childhood Care and Education for study. The Commission is tasked with providing a written report on HB 2538 to the appropriate committee chairs by November 1, 2025.

HB 2538 would amend and reenact § 22.1-289.03 of the Code of Virginia to require the Department of Education to establish and maintain a funding formula for the provision of early childhood care and education services.

HB 2538 was subject to amendments and substitutions during its course through the legislative process. As introduced in the House of Delegates, the bill would require the Department of Education to:

- (i) establish and maintain a funding formula for the provision of early childhood care and education (ECCE) services that establishes the minimum funding and number of slots per biennium for such providers based on a cost of quality rate per child, actual data from the prior year, unserved waitlists, and a multiplier based on enrollment and parent demand growth in prior biennia;
- (ii) make disbursements from the Early Childhood Care and Education Fund, established in the bill, to support the provision of early childhood care and education services in accordance with the funding formula set forth in the bill; and
- (iii) submit to the Commission on Early Childhood Care and Education a report on the status of the Fund, including the data used to calculate the minimum funding and number of slots per biennium established pursuant to the funding formula.

Notably, the original draft of the bill includes two elements that were ultimately omitted in the legislation as referred: 1) inclusion in the formula of a multiplier based on enrollment and parent demand growth in the prior biennia, and 2) the establishment of the Early Childhood Care and Education Fund.

Per the bill language as referred to this Commission by the Senate Committee on Finance and Appropriations, the funding formula shall include:

1. *An annual per-child cost determined through re-benchmarking for the Virginia Preschool Initiative;*
2. *An annual per-child cost based on the Department's federally approved alternative cost methodology for the Mixed Delivery Program identified in the general appropriation act;*

3. *An annual per-child cost based on the Department's federally approved alternative cost methodology for the Child Care Subsidy Program, which program shall be open to each child who is under the age of 13 in each family for as long as:*
 - a. *The family's income does not exceed 85 percent of the state median income;*
 - b. *The family includes at least one child who is five years of age or younger and has not started kindergarten; and*
 - c. *The family meets all other eligibility requirements;*
4. *Current program eligibility criteria; and*
5. *An estimate of the number of slots to be added to support local or regional (i) economic development efforts and (ii) public-private partnerships focused on increasing the supply of child care services. Priority shall be given to localities or regions identified as child care deserts.*

Work Group Activity

The work group held four meetings between July and September 2025. Throughout those meetings, the work group members reviewed the current early childhood funding process and landscape, including strengths and limitations of the existing system; discussed opportunities and potential challenges associated with establishing a funding formula; and discussed what a funding formula might look like. These discussions included review of data provided by the Virginia Department of Education upon request.

Discussion

The work group explored approaches to codifying a mechanism for funding Virginia's ECCE system that would reflect the Commission's values as identified in the 2025 annual report and support legislators to make informed decisions about funding for ECCE services. The workgroup agreed that the funding formula should achieve the following aims:

- Result in consistent, sustainable financing for the ECCE system;
- Increase transparency in funding decisions;
- Account for growth in order to address unmet parental demand;
- Allow for flexibility to account for policy, economic, and other contextual changes at the local, state, and national levels;
- Enable Virginia to fully maximize all available funding sources; and
- Produce a positive return on investment.

The workgroup discussed the historic investments made through *Building Blocks for Virginia Families* for FY2025-2026—more than \$1 billion over the biennium, more than two-thirds of which was state funded—which ensured that no working family lost access to ECCE services following the sunset of federal pandemic funding. Policy shifts implemented in FY26 will allow for slight growth in

the Child Care Subsidy Program and Mixed Delivery by making state dollars go further to serve additional children.

While celebrating these important milestones, the workgroup acknowledged the following challenges in the current context:

- Due to a variety of factors, including a strong economy, there are far more eligible working families seeking subsidized child care than available funding can support.
- Action is needed to ensure that the cost-of-quality is regularly rebenchmarked to ensure competitive compensation and recruit and retain a strong, effective early childhood workforce.
- Current funding mechanisms do not account for sudden increases in demand in particular localities or regions resulting from new economic development projects.
- Accordingly, the work group identified three critical components for a funding formula: parent demand and choice, per-child funding, and future economic development. The purpose and rationale for the inclusion of these components are detailed further below.

In FY2025, *Building Blocks for Virginia Families* helped establish a significant state investment in early childhood, especially in the Child Care Subsidy Program and Mixed Delivery. *Building Blocks* ensured that no working family would lose access to their slots. However, due to a variety of factors, including a strong economy, there are far more eligible working families seeking subsidized child care, and the current budget does not account for this unmet demand. Similarly, there was inconsistent rebenchmarking or accounting for cost of quality. Lastly, it was later identified that there is unmet demand from working families as new economic development projects come online that is not currently accounted for. Accounting for these factors will enable long-term planning for system growth, promote economic development, and expand family choice in the public-private ECCE system.

Parent Demand and Choice

Accounting for parent demand and choice in a funding formula would enable state leaders to predict the number of slots needed in future years based on program eligibility, parent preferences, and demand for ECCE services.

Demand for publicly-funded ECCE services has increased year-over-year in all three state-administered programs.

Table 1: Growth in Enrollment in VPI, CCSP, and Mixed Delivery, FY2022-2025

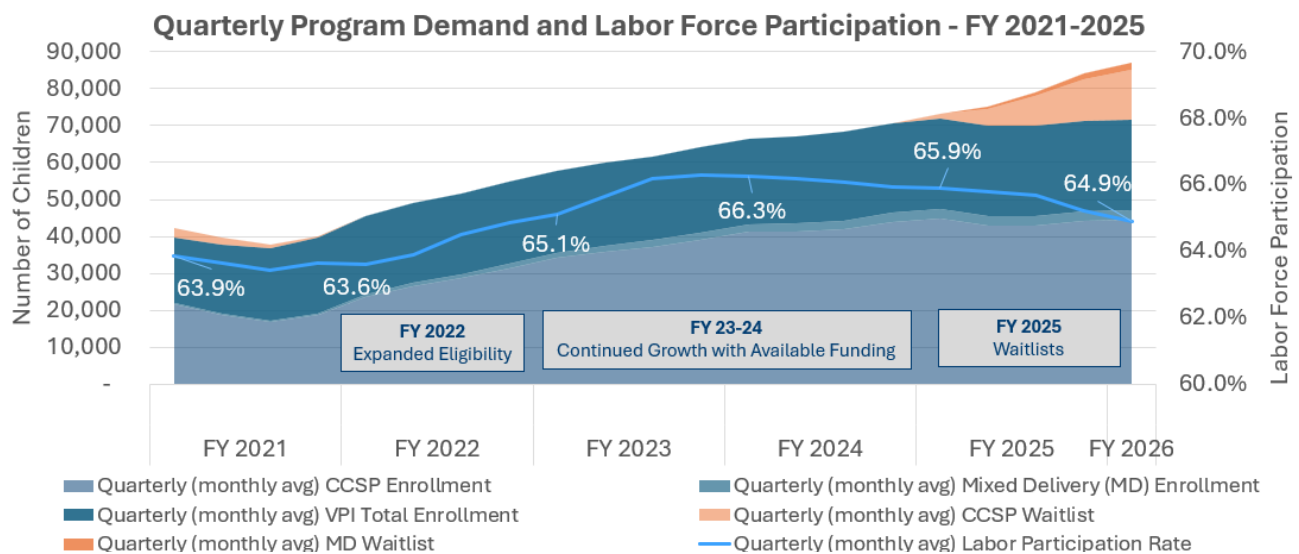
	Total Demand (Enrollment + Waitlist)				Rate of Growth	
	FY2022	FY2023	FY2024	FY2025	2022-2024	2024-2025
Virginia Preschool Initiative	20,479	21,764	22,444	23,526	10%	5%
Child Care Subsidy	32,732	40,666	45,466	58,083 <i>~13,500 on WL</i>	107%	28%

Program						
Mixed Delivery	1,241	2,014	2,585	4,598 ~2,000 on WL	108%	78%

Source: Enrollment data from the Virginia Department of Education and Virginia Early Childhood Foundation

Having a system that is positioned to grow in response to family demand is critical to support Virginia’s workforce. Data suggests a positive correlation between workforce participation rates and child care access, with workforce participation increasing as enrollment increases (see Figure 1).

Figure 1: Quarterly Program Demand and Labor Force Participation – FY2021-2025



The workgroup agreed that a funding formula should therefore account for ongoing growth using a historic growth rate that accounts for but is not overinfluenced by periodic surges and dips in demand.

1. Per-Child Funding

Accounting for per-child funding levels in a funding formula would enable state leaders to quantify the per-child cost across all public-private options based on cost-of-quality, age, and geography.

Virginia was the third state in the nation to set public payment rates for private child care providers using a cost model rather than based on the prevailing market rate. Virginia’s cost-of-quality (COQ) model estimates how much it costs for programs to meet health, safety, and quality expectations in each region of the state based on a child’s age and site type (center- vs. home-based).

Recognizing that educators are the primary drivers of quality—and the primary drivers of costs given the nature of caring and educating young children—Virginia has prioritized competitive compensation in its model. Salaries for educators are pegged to Virginia Preschool Initiative and

K-5 educators in public schools and prorated to account for differences in preparation and credential requirements.

CCSP payment rates were updated to reflect 75% of the estimated COQ for centers in October 2022 and 100% for family day homes in January 2023. Importantly, *Building Blocks* maintained these higher rates, recognizing the importance of funding ECCE providers to meet expectations and supporting competitive compensation for the early childhood workforce, which makes up an estimated 70% of operating costs for center-based programs.

However, the workgroup noted that there is not currently a mechanism to regularly rebenchmark the COQ to reflect changes in salaries and other operating costs over time. This is in contrast to per-pupil rates for the Virginia Preschool Initiative, which are set by the General Assembly using a formula based on the Standards of Quality (SOQ) and updated each biennium. As a result, data from VDOE suggest that budgeted hourly wages for VPI teachers have increased by ~\$3.00 on average since FY23, increasing the gap between VPI teachers and their peers in child care centers and family day homes, even though all participate in VQB5..

When per-child funding is insufficient to meet true operating costs, programs are forced to make difficult choices:

- Impose additional costs on families, which makes child care less affordable;
- Maintain low, inadequate wages for educators, which increases turnover and causes disruption for children; or
- Operate at a loss—resulting in some owners and operators being unable to pay themselves.

Conversely, when per-child funding reflects the cost to meet health, safety, and quality expectations—including competitive compensation—programs can focus on the important work of continuous improvement and cultivating rich, supportive teacher-child relationships that promote children’s learning and development.

The workgroup also discussed the role that reasonable family copayments play in estimating the per-child funding levels, recognizing that this is one of the most effective policy levers to make state funds go further to serve more children and families in need.

Future Economic Development

Accounting for future economic development in a funding formula would allow state leaders to estimate and include potential new slots needed based on current and future economic development initiatives.

Workgroup members noted that in its current form, the system is not positioned to respond to regional economic development needs, such as a new employer or economic development project in a given community. The accessibility, affordability, and availability of high-quality child

care is an important recruitment tool when bringing new employers and businesses to the state. The workgroup agreed that a funding formula must incorporate strategies to estimate potential growth above and beyond what can be captured with historic growth rates in order to make the system as nimble and responsive as possible.

Additional Considerations: Child Care Supply

Data from VDOE show that Virginia’s market of ECCE providers is responsive to increases in publicly-funded slots. At the same time that enrollment in the CCSP nearly doubled, the number of providers approved to serve children through the CCSP increased by 21% (see Table 2).

Table 2: Growth in Provider Participation in CCSP, FY2022-2025

	FY22	FY23	FY24	FY25	Growth, FY22-25
Number of providers	2,467	2,674	2,808	2,942	21%
Maximum approved capacity	181,326	195,195	23,607	212,034	17%

Source: Administrative data from the Virginia Department of Education

The average number of subsidy-enrolled children served per provider increased from 8.2 to 14.4 between June 2021 and June 2024 based on administrative data from VDOE. Notably, the average count has decreased to 13.5 children per provider in June 2025 in concert with the implementation of waitlists, which suggests that the system’s capacity to expand is contingent on its ability to anticipate that growth in publicly-funded slots will continue.

Work Group Recommendations

The Work Group makes the following recommendations for consideration:

1. Virginia should codify a funding formula based on the values espoused by the ECCE Commission:
 - a. Access and Choice
 - b. Funding Stability and Sustainability
 - c. Quality and Educator Compensation
 - d. Child Care as Economic Development (Value and ROI)
2. The funding formula should account for the following elements as a reflection of those values:
 - a. Growth in demand and choice by eligible families (Access and Choice, ROI, Stability)
 - b. Per-child funding set at the cost of quality (Quality and Compensation, Access and Choice)
 - c. Economic development (Access and Choice, ROI, Stability)

3. Funding formula should be simple and understandable to promote transparency and build stakeholder trust.
4. Funding formula elements should be specific enough to accurately guide but not bind appropriators' funding decisions for the ECCE system while allowing flexibility for administrative adjustments and shifts in assumptions over time.

Appendix: Legislative Directives for the Commission on ECCE

On March 7, 2025, the Senate Committee on Finance and Appropriations referred via letter the subject matter contained in House Bills 1959, 1972, and 2538 to the Commission for study. The Commission's approach for studying these matters is summarized in the table below.

Legislation and Bill Summary	Summary of Approach	Workgroup Members (if applicable)
HB1959 (Bennett-Parker) Requires the VDOE to: (1) report on the length of time it takes to move priority group children from the CCSP waitlist into slots, targeting a maximum of thirty days (2) add a seventh priority group to the CCSP waitlist that included families with a parent working in publicly-funded birth-to-five care in Virginia.	VDOE facilitated a workgroup focused on waitlist management with one meeting on August 21, 2025.	Delegate Ellen Campbell, Belinda Astrop, Shakeva Frazier, Kathy Glazer, Todd Norris, and Benita Petrella.
HB2538 (Bulova) Establishes a funding formula to predict the number of slots and funding needed annually based on projected family demand and regional economic development initiatives.	VECF facilitated a workgroup focused on the feasibility of HB2538, with four meetings between July and September of 2025.	Senator Mamie Locke, Delegate David Bulova, Delegate Carrie Coyner, Gary Thompson, Kathy Glazer, Nicholas Palacio, and Elizabeth Winkle.
HB1972 (Gardner) Amends the Code of Virginia to indicate the goal of the ECCE system is to provide access to high-quality, affordable choices across a public-private system and to increase and maintain capacity across the system.	The Commission considered this item in its meeting on July 17, 2025.	N/A