



## COMMONWEALTH of VIRGINIA

Emily Anne Gullickson, M.Ed. J.D.  
Superintendent of Public Instruction

DEPARTMENT OF EDUCATION  
P.O. BOX 2120  
RICHMOND, VA 23218-2120

Office: (804) 225-2057  
Fax: (804) 371-2099

December 31, 2025

The Honorable L. Louise Lucas  
Chair, Senate Finance and Appropriations  
Committee  
General Assembly Building, Room 1404  
P. O. Box 396  
Richmond, VA 23218

The Honorable Barbara A. Favola  
Chair, Senate Education and Health  
Committee  
General Assembly Building, Room 509  
PO Box 396  
Richmond, VA 23218

The Honorable Luke E. Torian  
Chair, House Appropriations Committee  
General Assembly Building, Room 1223  
201 North 9th Street  
Richmond, VA 23219

The Honorable Sam Rasoul  
Chair, House Education Committee  
General Assembly Building, Room 910  
201 North 9th Street  
Richmond, VA 23219

Dear Chairs Torian, Lucas, Favola, and Rasoul:

We are pleased to submit the enclosed annual report on need- and demand-based funding for early childhood care and education.

Section [22.1-289.03](#) of the *Code of Virginia* directs VDOE to annually report the projected general funds needed for the upcoming two fiscal years for Virginia Preschool Initiative (VPI), Mixed Delivery (MD), and the Child Care Subsidy Program (CCSP), based on the cost-of-quality rate per child and three different types of growth described as follows:

*D. To address family demand and preferences for affordable, high-quality early childhood care and education services, state general funds that support the provision of services to families for early childhood care and education shall be provided as specified in the general appropriation act. Each year, no later than November 15, the Department shall report to the Governor and the Chairs of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance and Appropriations the projected general funds needed for the upcoming two fiscal years based on cost of quality rate per child in order to (i) maintain the current number of slots, (ii) increase the number of slots using a projected growth rate, and (iii) increase the number of slots to fully accommodate parent demand and eliminate waitlists. Such projected general funds to meet such needs shall be based:*

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. *Maximization of regularly recurring federal funding including federal funding provided for the Child Care Subsidy Program, Early Head Start, or Head Start, or pursuant to Part B of the federal Individuals with Disabilities Education Act, 20 U.S.C. § 1411 et seq.*

*No later than May 15 before each upcoming year, each regional entity established by the Board pursuant to subsection D of § 22.1-289.05 shall indicate the number of slots needed in the region for the Mixed Delivery Program, each local school division shall indicate the number of slots needed in the local school division for the Virginia Preschool Initiative, and each locality shall indicate the number of slots needed in the locality for the Child Care Subsidy Program. The Department shall reallocate slots with available funding from the Child Care Subsidy Program and Mixed Delivery Program as determined pursuant to this subsection no later than July 1. Following fall enrollment periods, the Department shall make adjustments based on family preferences. In providing funding for slots pursuant to this subsection, all current-year state general funds shall be expended first.*

Please direct questions to Jenna Conway, Chief of Early Learning and Specialized Populations at [Jenna.Conway@doe.virginia.gov](mailto:Jenna.Conway@doe.virginia.gov).

Sincerely,



Emily Anne Gullickson, M.Ed. J.D.  
Superintendent of Public Instruction

CC: The Honorable Aimee Rogstad Gidder  
Virginia Secretary of Education

# ANNUAL REPORT ON EARLY CHILDHOOD CARE AND EDUCATION FUNDING SCENARIOS

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# INTRODUCTION

Section 22.1-289.03 of the *Code of Virginia* directs the Virginia Department of Education (VDOE) to annually report the projected general funds needed for the upcoming two fiscal years for Virginia Preschool Initiative (VPI), Mixed Delivery (MD), and the Child Care Subsidy Program (CCSP), based on the cost-of-quality rate per child appropriated for each program across three different scenarios.

The specific language of the mandate is as follows:

*D. To address family demand and preferences for affordable, high-quality early childhood care and education services, state general funds that support the provision of services to families for early childhood care and education shall be provided as specified in the general appropriation act. Each year, no later than November 15, the Department shall report to the Governor and the Chairs of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance and Appropriations the projected general funds needed for the upcoming two fiscal years based on cost of quality rate per child in order to*

- i. maintain the current number of slots,*
- ii. increase the number of slots using a projected growth rate, and*
- iii. increase the number of slots to fully accommodate parent demand and eliminate waitlists.*

*Such projected general funds to meet such needs shall be based on:*

- 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. Maximization of regularly recurring federal funding including federal funding provided for the Child Care Subsidy Program, Early Head Start, or Head Start, or pursuant to Part B of the federal Individuals with Disabilities Education Act, 20 U.S.C. § 1411 et seq.*

*No later than May 15 before each upcoming year, each regional entity established by the Board pursuant to subsection D of § 22.1-289.05 shall indicate the number of slots needed in*

*the region for the Mixed Delivery Program, each local school division shall indicate the number of slots needed in the local school division for the Virginia Preschool Initiative, and each locality shall indicate the number of slots needed in the locality for the Child Care Subsidy Program. The Department shall reallocate slots with available funding from the Child Care Subsidy Program and Mixed Delivery Program as determined pursuant to this subsection no later than July 1. Following fall enrollment periods, the Department shall make adjustments based on family preferences. In providing funding for slots pursuant to this subsection, all current-year state general funds shall be expended first.*

This report provides estimates for the three scenarios as directed by the legislation, beginning with the key assumptions underpinning these estimates.

Note that these estimates are calculated specifically on how the law is written and do not include any of the potential policy shifts that have been discussed by the Commission on Early Childhood Care and Education as part of any recent efforts to produce recommendations on more sustainable early childhood financing.

## BASELINE FUNDING AND DEMAND

Virginia has seen significant growth in demand for quality early childhood care and education (ECCE) from working families of infants, toddlers and preschoolers, with a majority of enrollment in public-private settings. This growth in parent demand for ECCE is likely related to three broader factors: 1) Virginia's high workforce participation, 2) the increasing percentage of Virginia children under age 6 with all available parents in the workforce, and 3) Virginia's recent quality measurement and improvement efforts (VQB5) that have improved quality and awareness across 3,000+ public-private birth-to-five options. A rapid period of growth in public-private supply to meet this demand occurred during fiscal years 2022-2024, supported by increases in federal funding associated with COVID relief.

Thanks to the efforts of Governor Glenn Youngkin and the General Assembly via the *Building Blocks for Virginia Families* initiative, the FY2025-2026 biennial budget included a significant investment of over \$1.1 billion for Virginia's three early childhood programs. This investment sustained enrollment at the end of FY2024 for the duration of FY2025 and FY2026 with the expectation that additional demand would be captured via waitlists based on parent choice. As of July 1, 2024, Virginia maintains waitlists for CCSP and MD to capture unmet parent demand and preference. Historically, VPI has required that school divisions maintain waitlists to capture unmet demand.

The FY2026 budget included language directing VDOE to make moderate increases to family copayments and time-limit eligibility for families looking for work in CCSP and MD to make state dollars go further, enabling additional children to be served off the waitlist without an increase in funding. These policy trade-offs—coupled with new state law that directs VDOE to reallocate funding across ECCE programs in response to parent demand—means there are more funded slots in Virginia's ECCE programs in FY2026 than ever before. Virginia successfully expended all resources dedicated to early childhood on early childhood slots in FY2025 and is on track to do so again in FY2026.

Table 1 summarizes the number of slots funded in each ECCE program for FY2025 and FY2026, as well as waitlists, as of the end of FY2025 and as of December 2026.

Table 1. Baseline Slots and Waitlists (FY2025-2026)

Program	FY2025		FY2026	
	Slots	End-of-FY Waitlist	Slots	December 2025 Waitlist
Virginia Preschool Initiative (VPI)	24,842	4,102	24,487	3,351
Mixed Delivery (MD)	2,530	1,953	2,630	1,423
Child Care Subsidy Program (CCSP)	43,550	13,486	47,676	12,144
Birth-to-Five Children	29,394	8,101	32,179	6,807
School-age Children (6-13-year-olds)	14,156	5,385	15,497	5,337
<b>Total Birth-to-5</b>	<b>56,766</b>	<b>14,156</b>	<b>59,296</b>	<b>11,581</b>
<b>Total</b>	<b>70,922</b>	<b>19,541</b>	<b>74,793</b>	<b>16,918</b>

*Notes:*

- *Slot counts for VPI are based on funding levels for the fiscal year, divided by the state's share of the average per-pupil amount.*
- *Slot counts for MD and CCSP are based on early versions of the FY25-26 budget that included intended slot count, plus slots gained based on policy adjustments during 2025 GA session. Allocation of CCSP slots between age-groups was based on FY2025 expenditures and cost-per-slot assumptions (more details in Section III).*
- *The End-of-FY waitlist count for VPI represents the total number of eligible children on the VPI waitlists as of August 15, 2025 (includes three- and four-year-olds); the December 2025 waitlist count for VPI accounts for the 751 waitlist slots provided as of the completion of fall student record collection.*
- *The End-of-FY waitlist counts for CCSP and MD are as of July 2025.*

Using FY2025-2026 funding levels as a baseline, the cost estimates provided in this report for these three scenarios are based on assumptions regarding costs per slot (detailed in Section III) and maintaining current eligibility criteria and the practice of maximization of federal funds first.

The underlying assumptions for each scenario are summarized below and depicted in more detail in Sections IV-VI.

- 1. No growth – Maintain the current number of slots (Section IV):** Based on the number of slots in the 2024 Appropriation Act for FY2026 ([Item 125.10](#)). Funding will be maximized to use all slots and includes available late enrollment for VPI and adjusted slots for MD and CCSP based on the anticipated mix of ages, care settings, and regions among children served relative to funding available.
- 2. Growth based on historic trends (Section V):** Program-specific growth rates were applied to project demand for each program. Each growth rate reflects an aggregation over time of varying levels of growth in enrollment, slot requests, and the population of potentially eligible families.
- 3. Growth to fully eliminate waitlists (Section VI):** Based on the anticipated unmet demand by program by July 1, 2026 (at the start of FY2027) based on waitlist counts as of December 2025 and shifts anticipated due to reallocation of funds from VPI to CCSP.

## COST PER SLOT ASSUMPTIONS

For each scenario, total funding is estimated based on two cost per slot assumptions: FY2026 Funding per Slot (Baseline) and Rebenchmarked Cost Per Slot. These assumed amounts are provided by program in Table 2.

**FY2026 Funding per Slot (Baseline):** The 2024 Appropriation Act for FY2026 ([Item 125.10](#)). was based on assumptions regarding the necessary funding levels to support the intended number of slots.

- For VPI, funding per slot is based on the average state share of the per-pupil rate in the FY2025-2026 biennial budget.
- For CCSP and Mixed Delivery, funding per slot was calculated by the total funding for FY26 divided by the number of slots the Governor and General Assembly intended to support.

For CCSP, funding appropriated per slot may not always align with actual expenditures per child, given a mix of multiple dynamic variables driving payment rates, including usage, child ages, settings, and regions. For instance, average expenditures for Birth-to-Five children in CCSP in FY2025 were \$12,474 per child, which is higher than the funding appropriated per slot in FY2026. In contrast, average expenditures for school-age children (6-13-year-olds) in CCSP in FY2025 were \$5,416 per child, which is lower than FY2026 appropriations.

**Rebenchmarked Cost Per Slot:** Rebenchmarked costs per slot assume provider payment rates are adjusted to reflect current costs associated with meeting applicable health, safety, and quality expectations, including competitive compensation.

- VPI per-pupil rates are automatically rebenchmarked each biennium. Per-child costs presented reflect those established in the Governor's proposed FY2027-2028 biennial budget.
- Mixed Delivery and CCSP payment rates are based on Virginia's cost-of-quality model, making use of updated data for competitive compensation (based on the FY2024-2025 School Salary Survey) and non-personnel costs (such as rent, utilities, materials, etc.).
  - Mixed Delivery per-child costs reflect 100% of modeled cost (consistent with current guidance).
  - CCSP Birth-to-5 per-child costs reflect 75% of modeled cost for child day centers and 100% of cost for family day homes (consistent with current guidance).
  - For the purposes of these estimates, CCSP school-age per-child costs reflect 50% of modeled cost for child day centers and 75% of cost for family day homes. Compared to current guidance, this revised structure for school-age children more closely aligns payment rates with actual hours of utilization during school months.

Table 2. Cost per Slot Estimates by Program

Cost per Slot by Program	FY2026 (Baseline)			Rebenchmarked Cost per Slot
	Total Funding	Slots	Funding per Slot	
Virginia Preschool Initiative	\$156,352,996	24,487	\$6,385	\$6,763
Mixed Delivery	\$38,837,720	2,630	\$14,767	\$19,441
Child Care Subsidy Program (CCSP)	\$424,884,041	47,676	\$8,912	\$12,449
Birth-to-Five Children	\$330,517,135	32,179	\$10,271	\$16,669
School-age Children	\$94,366,906	15,497	\$6,089	\$3,687

Notes:

- Allocation of CCSP funding between Birth-to-Five and School-age children for FY2025 and FY2026 were based on the total provided in Budget Item 125.10 (i.e., 47,676 for FY2026) multiplied by the proportion of FY2025 expenditures by age group.
- VPI funding and cost per slot are based on cost to the state and do not reflect full per-pupil amounts, given local matches made by divisions based on community wealth.
- Cost per slot estimates for MD and CCSP reflect cost to the state, and therefore take into account family co-pays (estimated average \$929.44 per child for MD and \$872.84 per child for CCSP).

## NO GROWTH: MAINTAINING CURRENT NUMBER OF SLOTS

Table 3 provides projections for funding levels required to maintain the FY2026 slot counts for each program under each assumption for cost per slot. Note that, in this section, estimates for required funding levels to maintain current slot counts are provided on an annual basis and are not assumed to increase with time (e.g., from FY2027 to FY2028). These levels also cannot account for changes in necessary funding due to shifts in the makeup of enrollment in any given program, which would affect costs to the state as well—even absent any increase or decrease in total slots or changes in policy.

Table 3. Funding Levels Required to Maintain FY2026 Slot Counts

Program	FY2026 Slot Count	Annual Funding Required based on Cost per Slot Assumptions	
		FY2026 Funding per Slot	Rebenchmarked Cost per Slot
Virginia Preschool Initiative	24,487	\$156,352,996	\$165,605,784
Mixed Delivery	2,630	\$38,837,720	\$51,128,566
Child Care Subsidy Program (CCSP) - Total	47,676	\$424,884,041	\$593,504,002
Birth-to-Five Children	32,179	\$330,517,135	\$536,370,316
School-age Children	15,497	\$94,366,906	\$57,133,686

## GROWTH BASED ON HISTORIC TRENDS

Historic parental demand and preference may be used to generate estimated growth rates for predicting future demand. VDOE took a comprehensive approach to generating projected growth scenarios by program for the purposes of this report; these are presented in Table 4. These projections account for multiple sources of data—including the number of eligible children, multiple years of enrollment, attrition rates, and historic local/regional slot requests—to generate program-specific growth rates for VPI, MD, and CCSP that capture demand for ECCE services aligning with parent choice. Given the policy priority to increase availability of child care services for Birth-to-Five children, growth in the CCSP program is assumed to be concentrated within this age group.

In addition to assumed growth rates for each program, Table 4 also provides the estimated number of slots and the funding levels that would be needed for FY2027 and FY2028 based on these estimated growth rates. Projected slot counts for FY2027 were calculated by applying each program's growth rate to FY2026 budgeted slots; slot counts for FY2028 were calculated by applying the growth rates to FY2027 projected slots. Estimated funding levels were calculated by multiplying slot counts by the same Baseline and Rebenchmarked cost per slot assumptions introduced in Section III.

Table 4. Projected Slots and Funding Levels by Program Based on Historic Growth Rates

Program	Growth Rate	Baseline FY2026 Slots	Slot Count Projections based on Growth Rate		Funding Required based on Cost per Slot Assumptions			
			FY2027	FY2028	FY2026 Funding per Slot		Rebenchmarked Cost per Slot	
					FY2027	FY2028	FY2027	FY2028
Virginia Preschool Initiative	3.2%	24,639	25,429	26,245	\$162,370,900	\$167,576,839	\$171,979,821	\$177,493,842
Mixed Delivery	23.2%	2,630	3,240	3,991	\$47,845,708	\$58,943,002	\$62,987,282	\$77,596,500
Child Care Subsidy Program (CCSP)	14.1%	47,676	54,421	62,580	\$494,163,325	\$577,964,153	\$705,931,914	\$841,925,701
Birth-to-Five Children	21.0%	32,179	38,924	47,082	\$399,796,419	\$483,597,247	\$648,798,229	\$784,792,015
School-age Children	0.0%	15,497	15,497	15,497	\$94,366,906	\$94,366,906	\$57,133,686	\$57,133,686

## GROWTH TO FULLY ELIMINATE WAITLISTS

The FY2025-2026 biennial budget requires localities to collect and maintain waitlist data to measure unmet family demand for VPI, MD, and CCSP. Accordingly, beginning July 1, 2024, VDOE worked with state, regional, and local program leaders to develop and implement a set of coordinated waitlist processes that account for unique program operations and timelines.

Importantly, waitlist counts are not static figures. They can expand or retract on a monthly—even daily—basis, reflecting existing families falling off the waitlist or moving to an enrolled status and new families being added for the first time. Even in 2019—the last year the CCSP ran a waitlist before waitlists were cleared using COVID relief funding—waitlist counts fluctuated by hundreds and sometimes thousands of children month to month.

The 4,102 children included in Table 1 on VPI waitlists at the end of FY2025 were identified as eligible by divisions as of August 15, 2025. At the close of fall student record collection, funding for an additional 751 slots had been provided to serve children on the VPI waitlist, reducing the December 2025 waitlist count to 3,351. Counts of children on waitlists are typically compared to the total number of slots available to determine the additional funding needed to expand the availability of services. However, for VPI, waitlist counts also include children who may be waitlisted due to school divisions' operational constraints, such as space limitations, workforce shortages, or local match requirements. Understanding that these local constraints—beyond funding for slots—limit accessibility is important to address family demand and supply issues.

As Table 1 from Section II indicates, there was decrease in the number of children on the waitlist for both MD and CCSP during the first several months of FY2026 (from end-of-year 2025 to December 2025). These decreases were the result of changes in the number of slots for each program in addition to policy and practice changes that keep waitlists more current and enable more children to enter the program from the waitlists. Based on preliminary analysis of duplicate waitlist cases, there appears to be very little overlap across CCSP and MD waitlists (~1%).

Table 5 provides estimates for unmet demand by program for the end of FY2026 – i.e., on July 1, 2026. These waitlist counts are not considered in the maintenance of slots scenario considered in Section IV, nor in the projection of slots based on growth rate in Section V. Moreover, there is no expectation of a continued decrease in waitlist counts without future policy action. Therefore, this demand is left unmet by the two scenarios considered in previous sections.

These consider \$5.5M of funding which is expected to be reallocated from VPI to the CCSP program this year. The allocation of this funding between Birth-to-Five and school-age children in CCSP is based on (a) an assumption of a 3:1 ratio between Birth-to-Five and school-age children and (b) costs based on average FY2025 expenditures per child by age group. The 3:1 ratio reflects the fact that for approximately every three Birth-to-Five children, one School-age sibling is prioritized and served, per current waitlist guidance. Additionally, given reallocation happens mid-year, the expenditures-based estimate for what additional CCSP slots would cost is based on half of the average expenditure amount.

**Table 5. End of FY2026 Total Demand Unmet by Growth-Rate-Based Slot Increase**

	<b>FY2026 Slots</b>	<b>December 2025 Unmet Demand</b>	<b>Demand Met by VPI Reallocation</b>	<b>Unmet demand on July 1, 2026</b>
Virginia Preschool Initiative	24,487	3,351	N/A	3,351
Mixed Delivery	2,630	1,423	N/A	1,423
Child Care Subsidy Program (CCSP)	47,676	12,144	1028	11,116
Birth-to-Five Children	32,179	6,807	771	6,036
School-age Children	15,497	5,337	257	5,080

Table 6 provides the total funds needed to meet this unmet demand (i.e., clear waitlists), based on calculating the estimated unmet demand from Table 5 by the two cost per slot assumptions (Baseline and Rebenchmarked Costs per Slot), as in previous sections. Given the unmet demand from Table 5 is not considered in either of the previous two scenarios discussed – i.e., the “No Growth” scenario and the “Growth Based on Historic Trends” scenario – the funds provided in Table 6 represent supplemental funds that would be need to be added to clear waitlists in either scenario.

**Table 6. Additional Funds Required to Clear Waitlists**

<b>Program</b>	<b>Additional Funding Required for Clearing Waitlists</b>	
	<b>Based on FY2026 Funding per Slot</b>	<b>Based on Rebenchmarked Cost per Slot</b>
Virginia Preschool Initiative	\$21,399,209	\$22,665,589
Mixed Delivery	\$21,013,717	\$27,663,859
Child Care Subsidy Program (CCSP)	\$99,064,750	\$138,379,698
Birth-to-Five Children	\$61,997,770	\$100,611,314
School-age Children	\$30,933,181	\$18,728,246

### **Commission Perspective**

In 2025, the Commission on ECCE considered multiple legislative and policy options with implications for addressing family demand and clearing waitlists. These included creating new priority groups (i.e., for families with a parent working in a publicly-funded ECCE program), the appropriateness of serving school-age children in the CCSP program, and the possibility of using a funding formula to determine funding levels for each program. A funding formula, it was determined, would have to take into account historic parental demand and growth rates for each program (e.g., as in Section V of this report), regular re-benchmarking of cost-per-slot assumptions, and flexibility to account for regional economic development. In addition to regional economic development, it remains important to ensure multiple innovation opportunities to engage new partners (business sector) and to leverage new funding sources and build public-private partnerships that can deliver supply or services while promoting broader economic growth. These perspectives are discussed in more depth in the following legislative reports:

- HB1972 Report: Early childhood care & education; statewide unified public-private system, capacity & family choice

- HB 2538 Report: Public education; early childhood care and education, funding formula calculations
- [Annual Report on Early Childhood Education and Care](#)