

Summary Discussion – Budget Language regarding Copayments, Parental Work Requirements, and Attendance Expectations

Budget Item:

Virginia's FY25/26 Biennial Budget included the following item assigning an additional responsibility for the ECCE Commission:

[Item 125.10 H](#) The Early Childhood Care and Education Commission shall review and recommend updates to the current copayment schedule, parental work requirements, and attendance expectations applicable to the Child Care Subsidy Program and Mixed Delivery Grant Program. In its review, the Commission shall consider: i) leveraging state general funds to minimize the fiscal cliff as family income increases beyond program eligibility, (ii) use of reasonable family copayments to minimize the need for additional general funds. No later than December 1, 2024, the Commission shall submit its recommendations to the to the Governor and the Chairmen of the House Committee on Appropriations, the Senate Committee on Finance and Appropriations, the House Committee on Commerce and Energy, the Senate Committee on Commerce and Labor, the House Committee on Education, and the Senate Committee on Education and Health.

Context and Background:

The Child Care Subsidy Program (CCSP) and Mixed Delivery program play key roles in Virginia's efforts to increase access and choice for families across the state. These programs both provide public funding for early childhood care and education (ECCE) services for children in eligible families in community-based (non-school) settings, including childcare centers and family childcare homes. [Item 125.10](#) sets out requirements and expectations of CCSP for family copayment and eligibility based on parental work requirements, and for the first time, applies these same requirements to the Mixed Delivery program.

COPAYMENTS

Policies determining families' CCSP copayment requirements vary across states. While family copayments contribute to the overall cost of services and help states maximize the level of subsidized services available to income-eligible families, the CCDBG Act requires that the copayment amount *not be a barrier to families participating in the subsidy system*. In 2016, the Department of Health and Human Services established 7% of gross household income as a benchmark for an affordable copayment based on U.S. Census Bureau data indicating that child care costs often consume a higher percentage – at times *four times the percentage of their income* - than that of higher income families.

Recently, the new [Final Rule on CCDF](#) effective April 30, 2024 requires states to cap copayments at 7% of gross household income. The final rule also encourages copayments to be waived for additional populations, including families with income up to 150% of FPL, children in foster or kinship care, families experiencing homelessness, families with a child in disability, and families enrolled in Head Start or Early Head Start.

Virginia's 2025-2027 CCDF [draft plan](#) states that families with an income at or below 100% FPL are the only population waived from co-payment.

- In a 2023 report, [JLARC](#) found that extending the changes made in 2023 (that is, keeping co-payments at or below 7% of household income) reduces the financial burden on Virginia families.

Also per JLARC: On average, families participating in the subsidy program spend \$860 a year, or 2% of their income, on child care—significantly less than the cost of child care for private-paying families and well below the federal government’s affordability threshold of 7%. Note that this average reflects the fact that 40% of households are below 100% of FPL and pay 0%. In other words, families that do pay tend to pay more than 2% on average.

- The [sliding scale](#) for monthly co-payment in Virginia is based on federal poverty guidelines (FPG) and outlines the following per-child parental co-payment:
 - 0-100%: \$0
 - 101-200%: \$60/month
 - 201-300%: \$120/month
 - 301% FPG-85% State Median Income (SMI): \$180/month
- Copayments are set per child receiving child care assistance, up to three children. This means that if a family has four children participating in the Child Care Subsidy Program, copayments would only be owed for the youngest three. This means that the maximum amount that a family could pay would be \$540/month if they were at the highest income level and had three or more children.
- Total family copayments for all enrolled children are capped at 7% of gross countable income for all families.
- The current co-payment schedule is a per-child flat rate based on income levels, rather than a variable percentage of household income that does not change with the number of children. This is more like the market and tends to be more clear and consistent for providers. Providers only have to manage four different levels and copayments do not tend to change as much during the year.

As of FY25, implementation of the new requirement that Mixed Delivery policies align with those of CCSP relating to parental copayment and work requirements is underway, requiring immediate and ongoing efforts to communicate the new requirements with Ready Regions, Mixed Delivery sites/service providers, and families; update internal process and data platforms and procedures; and facilitate partners’ and participants’ understanding.

Considerations:

Funding

Under the current co-payment structure in FY25, the (tiered) family annual contribution ranges from \$0 to \$2,160¹ per child, generating approximately \$14.4 million or 2.5% of the total cost of CCSP services for children birth to age 6 (\$582 million). If copayments were increased up to but no more than 7%, the (tiered) family annual contribution could range from \$0 to \$7,207, generating a maximum of approximately \$41.4 million or 7% of the total cost of CCSP services for this age group.

It is estimated that revenue generated from the higher family copayment (savings for Virginia) would enable 1,522 additional slots that could be funded. Note that this assumption represents a maximum. Federal law prohibits states from raising copayments during the year, meaning that if a family’s income increases, the state cannot increase their copayment. On the other hand, if family income decreases, the family can receive a lower copayment.

Impact on Families and Children

No- and/or low-cost parent co-payments reduce burden on low- to moderate-income families for the

¹ Please note that in the current structure, parents with more than one child have a maximum contribution of up to \$6,480 (for a household with three children and at the upper end of income eligibility). The estimates noted in this sentence are based on payment amounts for households with one child and therefore point to the maximum possible percentage of total CCSP services and amount of generated revenue from parental copayments that could be expected.

cost of child care services. Virginia joined some other states that worked to eliminate or reduce copayment costs for families during the pandemic, when federal relief funding could support the accommodation. As the federal relief funding came to an end, Virginia worked to keep copayments as low as possible for families in low-income households and has been able to sustain required copayment levels that are on average well below the “affordability” bar of within 7% of household income (HHI). While generous for eligible families, the level of revenue from co-payments that average 2% of HHI have a consequence of inhibiting the number of children and families who could benefit from access to subsidized child care.

As noted above, comparing the revenue generated from an average 2% copayment by families, copayments at average 7% of HHI would yield revenue of \$41.4 million, or 7% of the total cost of CCSP for this age group (\$582 million). It is estimated that under this scenario, 1,522 additional children and their families would benefit from a subsidized slot.

Virginia will need to discern its priorities for the beneficiaries of CCSP, including balancing whether an alternative consideration to raise the parental contribution level to 7% of HHI – still within the federally-determined affordability rate for a family’s child care costs - would generate enough revenue to justify the burden added for families.

Impact on ECCE Providers and Educators

The state does not collect the copayment. Rather the state discounts how much providers receive per child based on the copayment. This means that ECCE providers are solely responsible for collecting all copayments. In addition, many providers charge rates that are higher than the state rate and have to collect both the official copayment and the difference between the provider’s rate and the state rate. Collecting additional copayments may prove challenging for providers who participate in the CCSP as [39% currently report](#) that they had to deal with families not paying subsidy copayments or other fees that they owe. Providers who are not participating in CCSP [also cited](#) that collecting copayments was one reason that they were not participating in CCSP, especially if copayments were unaffordable for families.

Part of the rationale for Virginia’s utilization of cost-of-quality methodology for setting reimbursement rates for CCSP and Mixed Delivery services is so that ECCE providers/sites receive enough compensation to more fully cover the cost of delivering quality services, including compensating early educators at a competitive rate. As they have the responsibility of collecting the family copayment which, combined with the payment from the state, come closer to covering their actual costs for delivering the services, family copayments that are perhaps more significant than current rates may provide more incentive for the providers to pursue full collection, rather than write off as bad debt to avoid the challenge of seeking and collecting co-payments from families, especially those experiencing financial distress, for payment.

PARENTAL WORK REQUIREMENTS

Context and Background:

Work requirements for the CCSP and MD are based on the federal Child Care and Development Fund (CCDF) laws. The federal law establishes parameters to be used by states as they set eligibility criteria for child care assistance. This includes ensuring that households are eligible because parent/guardians are working, attending a job training or education program or have children that receive protective services (e.g., foster care). The federal law also enables states to consider families that are actively searching for a job to receive assistance. Currently, Virginia limits CCSP and MD to families who are working, attending

a job training or education program or actively pursuing employment. [According to VDOE](#), the majority of households that are eligible for job search are also working, meaning that families are working but also seeking additional hours of child care in order to take on more work hours and/or pursue additional work opportunities.

Parental work requirements were changed in Virginia during the pandemic (March 2021) to include those searching for a job in order to encourage more Virginians to return to work. Job search was prioritized to include within this language, since many families, especially those with low HHI, had experienced job loss. Parental job loss can cause great instability within a family, and having confidence in their children's continued support at an ECCE site helps with reassurance as a parent seeks out a new job.

While it is important to provide stability of access to subsidized child care during job search, it is also important to consider the length of its availability, in consideration of slot usage and growing wait lists. If no limits are put on job search requirements, then fewer slots will be available for parents who are currently working and receiving training or education and also need child care. [JLARC](#) suggests that Virginia include language to limit searching for work to 90 days per job loss occurrence.

As noted above, effort is ongoing to implement aligned policies to CCSP in the Mixed Delivery program, effective FY25.

Considerations:

Funding/Cost

There is no cost impact of work requirements for CCSP or MD. These programs' policies limit how many households may be eligible and therefore provide an upper boundary on the potential costs of the programs to the state, but they do not have an explicit cost or savings factor per se.

The expansion of eligibility to include job search was estimated to cost an additional \$9.3 million, per a JLARC interpretation of VDOE cost estimates. Note these estimates are based on how many households report any type of job search. However, [two-thirds of households in 2023 reported](#) that they were both working and searching for a job because they needed additional hours or resources. Considering that all of these families may still be eligible, this projected cost may be an overestimation.

Impact on Families

- Supports families' ability to search for employment in order increase self-sufficiency.
- Supports consistent and stable access to ECCE services for children's well-being and school readiness.
- If not time limited, job search eligibility may reduce subsidy availability and access for families who are currently employed, leading to potential job loss.
- If job search eligibility is time-limited, it may increase motivation to seek jobs while childcare support is provided.

ECCE Providers and Educators

- Job search eligibility minimizes payment, attendance and enrollment disruptions when a parent becomes unemployed.

ATTENDANCE EXPECTATIONS

Context and Background

Chronic absenteeism has been on the rise in the United States. A student is considered chronically absent when they don't come to school 10% of the school year, at least 18 days of absences. On July 17, 2024, [The American Enterprise Institute, the EdTrust, and AttendanceWorks](#), issued a call to action to cut down chronic absenteeism by 50% in 5 years, showing [data](#) regarding the jump in chronic absenteeism from 2017 to now. In Virginia, Governor Youngkin has also prioritized addressing chronic absenteeism in K-12 through the creation of an [Absenteeism Task Force](#), made in response to record-high absenteeism in the Commonwealth.

[Studies](#) are now being conducted on the impact of early childhood education on these later outcomes in K-12. Students chronically absent in preschool are five times more likely to be chronically absent in second grade. Absenteeism in early grades predicts future academic success and further absenteeism. Not only do early childhood educators support children in school readiness, but they also help build those foundations for strong attendance early on.

Currently, there are no federal requirements around attendance in ECCE. The current [recommendation](#) based on the Final Rule suggests that unexplained absences should account for at least 15% of the child's planned absences before being considered excessive. The Administration for Children and Families highly encourages contacting families before making the decision to terminate families based on excessive absences. It is also recommended that the enrollment-based payment system will remove any issues around provider payments based around attendance.

The [Child Care Subsidy Program](#) pays Level 1 and 2 vendors for up to 60 days of absences in total for a fiscal year. When a child has extended absences, which is 30 days of no recorded attendance, it is recommended that families be contacted as soon as possible to confirm that the family needs the ECCE services or to address any ongoing issues with their access.

[Mixed Delivery](#) (MD) in Virginia tracks attendance requirements. MD monitors the data collected on absences and reaches out to support families. After 15 days of consecutive unexplained absences, as well as warnings warranted after outreach at 5 and then 10 days of consecutive absences, the family loses their MD slot. The slot will be filled within 30 days of the 10th day outreach to the previous family. If 15 days are missed within a month nonconsecutively, then an MD Coordinator will be contacted. Ready Regions and VECF will determine if any action shall be taken.

Discussions of the importance of attendance have grown in urgency as Virginia begins its work to align with a new federal rule of CCSP reimbursement/payment of ECCE providers for services on behalf of low- to moderate-income families on the [basis of enrollment](#), not by attendance, that is scheduled to take effect July 1, 2026. While there is a current mandate to make this shift, Virginia can utilize the time between now and the July 1, 2026 effective date to plan for effective administration of this policy and to identify relevant facilitators and incentives to encourage families to be attentive to the importance of robust attendance.

Funding

It is not anticipated that encouraging or enforcing attendance would carry a cost to the state. It should be noted that [JLARC estimated](#) that shifting to a pay-by-enrollment approach for CCSP would cost the state \$21.6 million per year at 2023 enrollment levels. This number would increase as enrollment has increased since 2023.

Impact on Children and Families

- Strong attendance policies and implementation:
 - Ensures that slots are being used intentionally – available for families who use them
 - Ensure that children and families are getting the most out of early education in preparation for kindergarten
 - Keep families accountable for attendance
 - Establish a routine for families that can carry forward into K-12