

# Proposed \$1.68 Billion Child Care Investment Would Generate \$1.79 Billion in New Annual Wages and Resources for Virginia Families and Businesses

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Virginia has been a national leader in child care for years, using federal pandemic funds and state dollars to expand and maintain access to affordable, high-quality care for working families across the state.<sup>1</sup> Virginia's investments have raised child care quality and have increased access to care for families. However, gaps remain: early childhood educators continue to earn well below a living wage,<sup>2</sup> and child care remains unaffordable for many Virginia families.<sup>3,4</sup>

Virginia's strategic access to relevant data has made it possible to project the annual cost of increasing educator wages to parity with elementary school teachers and funding access to high-quality child care that aligns with parent demand. Assuming an uptake of 70% of children in eligible working families, this expansion would require a new annual investment of \$1.68B per year<sup>1</sup>.

The annual \$1.68B investment would:

- **Create 47,334 new Child Care Subsidy Program (CCSP) slots** for families who earn less than 85% of the state's median income (SMI) and have a child under age 6. The investment would largely increase access to infant and toddler slots, which are in shorter supply and higher demand in the Commonwealth;
- **Increase CCSP reimbursement rates to providers** by updating the cost model to increase child care quality; and
- **Increase educator wages to parity with elementary school teachers.**

This brief provides estimates of the predicted annual increases in labor market activity and earnings, and the annual savings to businesses and households that Virginia could expect if the state makes this historic investment in affordable, high-quality child care.

**The annual \$1.68B investment would immediately and annually return \$1.79B to Virginia's working parents, early educators, businesses, and child care centers.** In addition to the investment paying for itself each year, the annual returns represent only a fraction of the potential longer-term benefits to children, families, and society.

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<sup>1</sup> This number is based on unpublished analyses conducted on behalf of Virginia Early Childhood Foundation by Prenatal to Five Fiscal Strategies. Estimates are based on models that use assumptions that may differ from the actual experiences of Virginia early childhood educators, families, and businesses.

## Affordable, High-Quality Child Care Benefits Children and Families

Affordable, high-quality child care enables parents to go to work and provides high-quality early learning opportunities for children. As such, it can act as a powerful intervention, generating cascading effects for children, families, and the economy that begin immediately and accumulate across people's lives.

Looking only at the immediate, annual impacts to individuals, businesses, and the Commonwealth, we find that the \$1.68B annual additional investment would:

- Provide stable, high-quality child care to more than 43,000 currently working parents,
- Allow more than 13,000 parents to join Virginia's workforce,
- Decrease child care costs for more than 21,000 working families,
- Raise wages for nearly 17,000 early childhood educators and other staff,
- Retain nearly 3,000 early childhood educators, and
- Improve productivity and save money for up to 56,000 Virginia businesses.

**In total, the investment would generate approximately \$1.79B in new annual wages and resources for parents and early childhood educators, along with savings for businesses.**

## Investments in CCSP Support Working Families & Stimulate Virginia's Economy

Individuals Impacted	Description	Estimated Economic Impact
13,323 parents would become newly employed	Child care in Virginia is unaffordable for most families, <sup>5</sup> leaving some parents unable to work without access to a subsidy. The 47,334 newly available CCSP slots would provide child care to 35,062 families. In approximately 38% of these families, at least one parent would become newly employed and work full-time, earning an average wage of \$23.85 per hour. <sup>6</sup>	\$660.9M <sup>ii</sup> in new annual earnings.
43,495 currently working parents would benefit from greater access to stable, affordable, high-quality child care	Parents without access to reliable, convenient, full-time child care may miss work, work fewer hours, and be more likely to quit or change jobs. <sup>7</sup> Lack of access to affordable, reliable child care costs Virginia \$4.6B per year in lost productivity, earnings, and tax revenue. <sup>8</sup> Because the new investment would increase the quality and stability of all publicly funded child care, we anticipate that both new and existing CCSP recipient parents would benefit from more stable child care.	\$303.6M in increased earnings for working parents.

<sup>ii</sup> New wages were calculated based on full-time work using the mean (\$23.85) 2025-adjusted hourly wages for CCSP-eligible parents.

	<p>Based on national estimates, we project that a CCSP-eligible working parent would increase their annual earnings by \$6,980, on average, as a result of access to high-quality child care.<sup>9</sup> This amount may be higher for higher-earning households and lower for lower-earning households.</p>	
21,037 additional families would save money on child care expenses	<p>The average annual price for center-based infant care in Virginia is \$16,796.<sup>10</sup> However, this price is out of reach for many families who must cobble together informal care to afford to go to work.</p> <p>On average, we find that a working family who newly receives a subsidy would save \$3,842 per year in child care expenses, while also benefitting from high-quality care for their child. This amount may substantially underestimate the actual cost savings to families as this relatively lower value assumes that most families are using a patchwork of formal and informal arrangements including family, friend, and neighbor care, some of which may be low to no cost.</p>	\$80.8M in increased disposable income as a result of reduced child care expenses.
Approximately 16,855 early childhood educators and other staff would benefit from higher wages	<p>Personnel costs account for an average of 70% of expenses for child care programs.<sup>11</sup> Increasing publicly funded reimbursement rates to reflect the true cost of high-quality services would support fair educator compensation that moves toward parity with elementary school teacher pay levels.</p> <p>This wage increase would likely also help keep high-quality classrooms open,<sup>12</sup> lift educators out of poverty,<sup>13,14</sup> and reduce educator reliance on safety net programs like SNAP.<sup>15,16</sup> The savings associated with these outcomes are not included in these calculations.</p>	\$598.7M in increased earnings for early childhood educators and other staff.
1,777 Virginia child care centers would reduce costs associated with retaining nearly 3,000 educators due to higher pay	<p>Child care centers are plagued by high levels of workforce instability, with nearly a quarter of centers losing half their educators each year.<sup>17</sup> For every educator who leaves, child care centers must spend over \$10,000 to recruit and hire a new educator.<sup>18</sup> When educators receive higher compensation, they are less likely to leave their centers to seek higher-paying opportunities,<sup>19</sup> and the quality of instruction increases, as well.<sup>20</sup> We estimate that the increased wages would retain 2,978 educators annually.</p> <p>Reductions in educator turnover may increase child care quality and lead to higher rates of school readiness</p>	\$31.6M in reduced costs related to educator turnover.

and achievement,<sup>21</sup> which have associated savings to Virginia that are not explicitly calculated in this brief.

Virginia businesses that employ subsidy-eligible parents would benefit from better access to quality child care

Beyond returns for children and families, investments in affordable, high-quality child care also provide critical support for businesses. Businesses suffer when parents cannot join the workforce or are unable to participate fully in the workforce because of lack of access to stable, high-quality child care.

\$112M in cost savings for Virginia businesses.

Nationally, businesses lose an estimated \$1,970 per year per working parent because of reduced productivity, employee turnover, and increased replacement costs that result from insufficient child care.<sup>22</sup> The new investment would provide newly stable child care for over 56,000 Virginia working parents.

These new annual wages and resources would also result in **\$66.5M in annual state income tax revenue, as well as \$18.7M in annual state sales tax revenue** for Virginia.

In total, we estimate that the \$1.68B annual investment would generate \$1.79B per year in new annual wages and available financial resources for working parents and early childhood educators, as well as savings for Virginia child care centers and businesses. This represents only a fraction of the overall, long-term benefits generated by this investment.

## Virginia's Investment in Affordable, High-Quality Child Care Would Generate Life-Changing Returns for Families and Educators

This analysis estimates only the immediate, annual impacts of this investment in high-quality, affordable child care. However, because the investment would increase household resources, it would do more than just stimulate the economy; it would promote immediate and long-term health, safety, and wellbeing for children, educators, and families, reducing both material hardship and family stress, and promoting positive outcomes across the life course.

Additionally, the proposed investment would raise child care quality for the approximately 141,000 children who attend a child care program that receives public funding. These children would benefit from more nurturing and responsive environments while their parents go to work. High-quality child care has the potential to confer even more benefits to young children, preparing them for school and setting them on a trajectory for success across the rest of their education and beyond.

These positive long-term outcomes also translate into economic benefits via the cost savings associated with better health and longevity, reduced crime and child maltreatment, reduced reliance on public safety net programs, reduced grade retention, higher graduation attainment, and higher lifetime earnings.<sup>23,24</sup> The full, long-term return on this investment would be far greater than the \$1.79B in increased household and business resources.

## Investing in Child Care is Good for Families and the Economy

A \$1.68B annual investment that expands access to affordable, high-quality child care in Virginia would generate \$1.79B annually in new wages and family resources for parents and educators and cost savings for Virginia businesses and child care programs. Even before accounting for the lifelong economic, social, and health benefits derived from both poverty reduction and access to high-quality child care, this investment would return more than its value back to the economy each year—substantially higher than is typical for public investments.<sup>25</sup> The money Virginia puts into child care goes back into the pockets of working families, helping them create the conditions that children need to thrive from the start, and generating a lifetime of benefits for children and families.

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<sup>1</sup> Virginia Department of Education. (July 2025). *Ready B5 Recap*.

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<sup>2</sup> McLean, C., Austin, L. J. E., Powell, A., Jaggi, S., Kim, Y., Knight, J., Munoz, S., & Schlieber, M. (2024). *Early Childhood Workforce Index – 2024*.

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<sup>3</sup> JLARC. (2023). *Virginia's Self-Sufficiency Programs and the Availability and Affordability of Child Care*. <https://jlarc.virginia.gov/landing-2023-virginias-self-sufficiency-programs-and-the-availability-and-affordability-of-child-care.asp>

<sup>4</sup> Pauley, M. (2025, May 22). *Long waitlist for subsidized child care in Virginia to continue into FY26*. <https://www.whro.org/education-news/2025-05-22/long-waitlist-for-subsidized-child-care-in-virginia-to-continue-into-fy26>

<sup>5</sup> JLARC. (2023). *Virginia's Self-Sufficiency Programs and the Availability and Affordability of Child Care*. <https://jlarc.virginia.gov/landing-2023-virginias-self-sufficiency-programs-and-the-availability-and-affordability-of-child-care.asp>

<sup>6</sup> Study of Early Education Through Partnerships. (2025). *2025 Virginia Child Care Subsidy Waitlist Survey*. (unpublished).

<sup>7</sup> Study of Early Education Through Partnerships. (2025). *2025 Subsidy Waitlist Survey Preliminary Findings*. <https://vecf.org/wp-content/uploads/2025/10/UVAWaitlistSurveyOnePager10.21.25.pdf>

<sup>8</sup> Ready Nation (2026, Feb). *The Child Care Crisis Costs the U.S. Economy \$172 Billion Each Year*.

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<sup>9</sup> Ready Nation (2026, Feb). *The Child Care Crisis Costs the U.S. Economy \$172 Billion Each Year*.

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<sup>10</sup> Child Care Aware. (2024). *Child Care Affordability in Virginia. 2024-2025-price-fact-sheet-child-care-affordability-Virginia.pdf*

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