

**Department of Planning and Budget**  
**2026 General Assembly Session**  
**State Fiscal Impact Statement**

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**ORIGINAL**

**Bill Number:** SB20 **Patron:** Locke  
**Bill Title:** Child Care Subsidy Program; income-based eligibility for assistance.

**Bill Summary:** Requires the Department of Education to develop and implement a phased reduction model for the Child Care Subsidy Program (the Program) that provides for an assistance phase-out period during which the assistance for which a given family is eligible is incrementally reduced in proportion to the increase in such family's income for the purpose of ensuring that no family receiving child care assistance under the Program experiences a sudden loss in eligibility for assistance as a result of an increase in family income. The bill requires the phased reduction model developed and implemented by the Department to consist of incremental income tiers, with each increase in income tier corresponding to a proportional reduction in the percentage of assistance for which a given family is eligible under the Program. The bill directs the Board of Education to (i) promulgate regulations for the development and implementation of the phased reduction model in accordance with the provisions of the bill and (ii) submit to the U.S. Department of Health and Human Services any amendments to the current Child Care and Development Fund Plan for Virginia as are necessary to implement the provisions of the bill.

<b>Budget Amendment Necessary:</b>	Yes	<b>Items Impacted:</b>	123, 126
<b>Explanation:</b>	<p>This bill establishes a new eligibility level for the Child Care Subsidy Program, which would require additional state funding under Direct Aid to Public Education to support. Additionally, the Department of Education would have one-time implementation costs.</p>		

**Fiscal Summary:** Any actual impact to fund the phased reduction model would depend on the model as developed and the families enrolled. The Department of Education (DOE) estimates a rough annual cost of \$3 million general fund per year based on current Child Care Subsidy Program (CCSP) enrollment. Additionally, DOE estimates \$600,000 in one-time cost for technology changes to support implementation.

### General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
201 (DOE)	\$0	\$600,000	\$0	\$0	\$0	\$0
197 (Direct Aid)	\$0	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
<b>TOTAL</b>	<b>\$0</b>	<b>\$600,000</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>

**Fiscal Analysis:** This bill establishes a phased reduction model for the Child Care Subsidy Program (CCSP) based on family income. CCSP is currently supported by both federal and state general funds and as the program is structured, all slots are subject to the federal guidelines. This includes the federal maximum eligibility requirement, 85% state median income (SMI).

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This fiscal impact statement assumes that the “initial eligibility limit” would remain at the federal maximum, 85% SMI, and that additional assistance would be provided in the phased reduction model for families who are no longer eligible for CCSP under current guidelines. Establishing a graduated phaseout model above the federal maximum would require changes to the structure of CCSP and would require all families in the phase out period to be supported by state dollars.

Virginia currently uses Virginia Case Management System (VaCMS) as the technology platform for CCSP. VaCMS is Virginia’s statewide eligibility and case-management platform used by the Department of Social Services to process public assistance programs, which includes CCSP and a variety of other programs. VaCMS is designed to streamline eligibility determination, improve coordination, and support the delivery of services to Virginia residents, but the integrated nature of the platform can make changes more expensive and complex. Expanding CCSP eligibility above the federal level would require extensive IT system updates. DOE estimates a one-time cost of \$600,000 general fund in FY27 to support these costs.

Given the changes required, DOE anticipates that a phased reduction model could not be implemented in FY27. DOE would require at least a year to complete the work needed to successfully develop and implement this program, including determining the parameters for the model; drafting regulations; revising and developing guidance documents, trainings, and technical assistance; communicating with families and child care providers; establishing a monitoring plan to ensure that Virginia is in compliance with federal guidelines; and implementing the required IT updates. Existing early childhood staff would absorb any impact to complete this work.

DOE is able to provide estimated costs for subsidy payments for the phased reduction model based on existing CCSP enrollment and costs per child. Currently only about 4% of families served by CCSP have family incomes in the highest eligible category, between 300% Federal Poverty Level and 85% SMI, and would potentially become eligible for the phased reduction models. Annually, an estimated 1% of cases are ineligible at redetermination due to excess income, equal to 517 children, with 75% just over current maximum income limit of 85% SMI. Based on current average costs per child, and assuming that family copayments would increase as income increased, DOE estimates it would cost about \$3 million general fund per year to implement a phased reduction model. Any actual impact for subsidy payments would depend on the model adopted and the actual income eligibility limits established, and subsidies provided at each level.

**Other:** This bill is identical to HB254.