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SENATE BILL NO. 20**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the Senate Committee on Finance and Appropriations
on February 10, 2026)

(Patron Prior to Substitute—Senator Locke)

A *BILL to amend the Code of Virginia by adding in Article 1 of Chapter 14.1 of Title 22.1 a section numbered 22.1-289.08:3, relating to early childhood care and education; Child Care Subsidy Program; income-based eligibility for assistance; development and implementation of phased reduction model; report.*

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 1 of Chapter 14.1 of Title 22.1 a section numbered 22.1-289.08:3 as follows:

§ 22.1-289.08:3. *Child Care Subsidy Program; income-based eligibility; development and implementation of phased reduction model; report.*

A. *To ensure that no family receiving assistance under the Child Care Subsidy Program (the Program) experiences a sudden loss of such assistance as a result of an increase in such family's maximum gross countable income amount beyond the initial eligibility limit, the Department shall develop and implement a phased reduction model providing for an assistance phase-out period for families that experience an income increase during which a family maintains eligibility for assistance but the assistance for which the family is eligible is reduced in proportion to increases in income.*

B. *The phased reduction model developed and implemented pursuant to subsection A shall consist of incremental income tiers, with each income tier corresponding to a proportional reduction in assistance for which a given family is eligible under the Program. The Department shall determine the number of incremental income tiers of which such phased reduction model shall consist and the percentage by which assistance shall be reduced per income tier, provided that (i) such percentage shall not exceed a 10 percent reduction per increase in income tier, determined based on a family's income as a percentage of the federal poverty level or the state median income as determined by the Department; (ii) the first income tier for which a proportional reduction in assistance shall be applied under such phased reduction model shall correspond to the gross countable family income that exceeds by \$1 the maximum income eligibility limit established by the Department in the current Child Care and Development Fund Plan for Virginia approved by the U.S. Department of Health and Human Services; (iii) families shall have a phase-out period not to exceed 12 months and shall go through redetermination six months after beginning the phased reduction, followed by a notification of the date on which their services will conclude; and (iv) the highest income covered under the phased reduction shall not exceed 125 percent of the state median income.*

C. *The Board shall promulgate regulations for the development and implementation of the phased reduction model in accordance with the provisions of this section. In promulgating such regulations, the Board shall (i) ensure that the percentage by which assistance is reduced per income tier is incremental such that no family experiences a sudden loss in eligibility for assistance under the Program as a result of an increase in income; (ii) provide for an appeal of any incremental reduction in assistance for which a family is eligible under the phased reduction model; (iii) provide that the maximum phase-out period does not exceed 12 months; and (iv) include provisions providing certain adjustments in the phased reduction model for families with special circumstances, such as families that include a family member with a disability and families experiencing unexpected financial hardship.*

D. *The Department shall, beginning in 2027, report annually on October 1 to the Governor and General Assembly on (i) the number of children being served within the phased reduction model, including information on how many children are being served within each tier; (ii) the estimated number of children exiting the program over the next 12 months based on their progression through the phased reduction tiers; and (iii) the estimated state general funds needed to support the model for the next two fiscal years to inform budget decisions.*

2. That the Department of Education shall submit to the U.S. Department of Health and Human Services any amendments to the current Child Care and Development Fund Plan for Virginia, required pursuant to the Child Care and Development Block Grant Act (42 U.S.C. § 9857 et seq.), as are necessary to implement the provisions of this act.

3. That the Department of Education shall report to the Governor and the General Assembly on the development of the phased reduction model with an interim report due on October 1, 2026, and a summative report due on April 1, 2027.

SENATE SUBSTITUTE

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