

BUILDING
BLOCKS

FOR VIRGINIA
FAMILIES

Early Childhood Investments in the
Governor's Proposed Budget (HB30/SB30)

January 2024



VIRGINIA DEPARTMENT OF EDUCATION

AGENDA



Objective:

Provide a brief overview of Virginia's early childhood landscape, review key components of Building Blocks for Virginia's Families and update on spend down on COVID-related federal funding

Agenda:

1. Overview of Early Childhood Care and Education in Virginia
2. *Building Blocks for Virginia Families: Governor's Proposed Budget*
3. Update on COVID-Related Federal Funds for Early Childhood

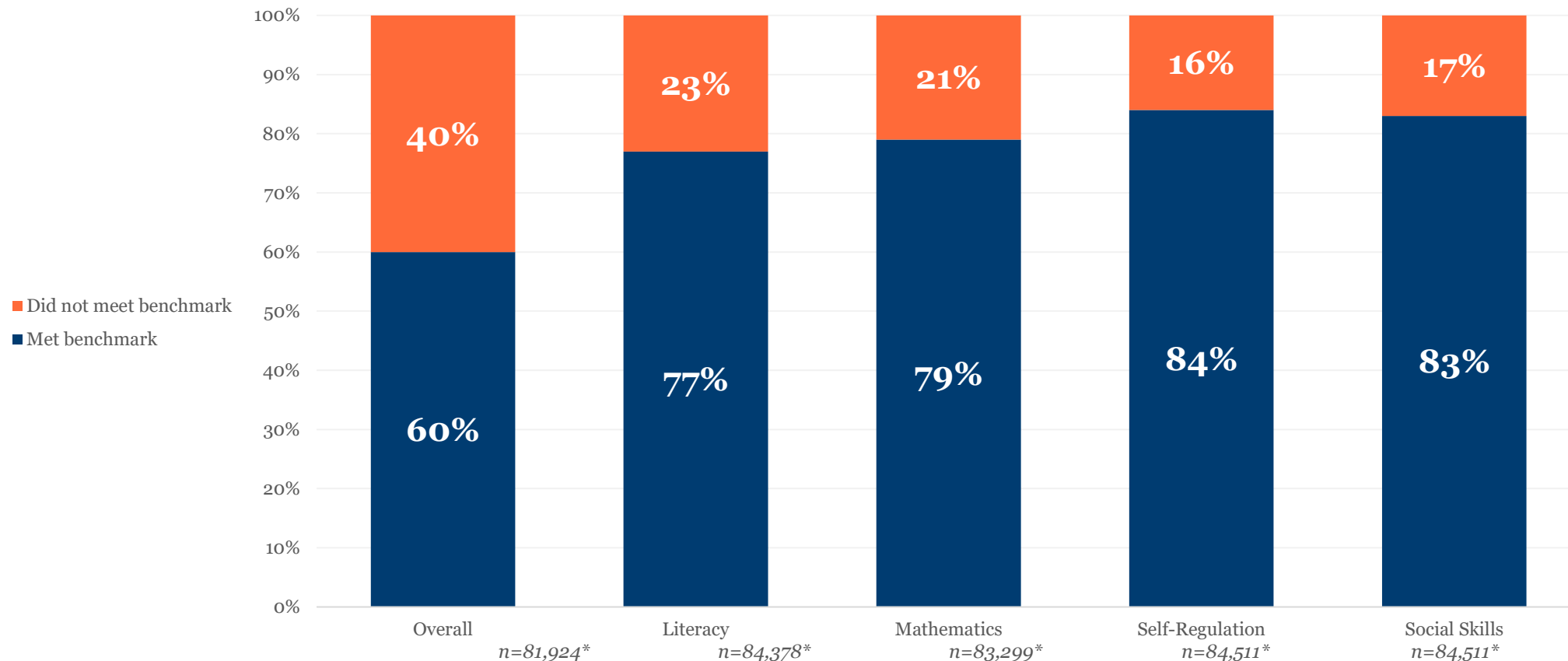
Overview of Early Childhood Care and Education in Virginia

SCHOOL READINESS IN VIRGINIA



40%

of Virginia's kindergarteners began the 2022-2023 school year still needing to build skills in Literacy, Mathematics, Self-Regulation, and/or Social Skills.*



EARLY CHILDHOOD IS THE FOUNDATION

Quality early childhood programming leverages rapid birth-to-five brain development, enabling children to maximize their potential.

Babies are beginning to link language to core cognitive abilities at **3 MONTHS**.



Gaps in children's vocabulary start to appear as early as **18 MONTHS**.



When children are **3 & 4 YEARS OLD**, their vocabulary, attention, and general knowledge are predictors of **THIRD & FOURTH GRADE** reading comprehension.

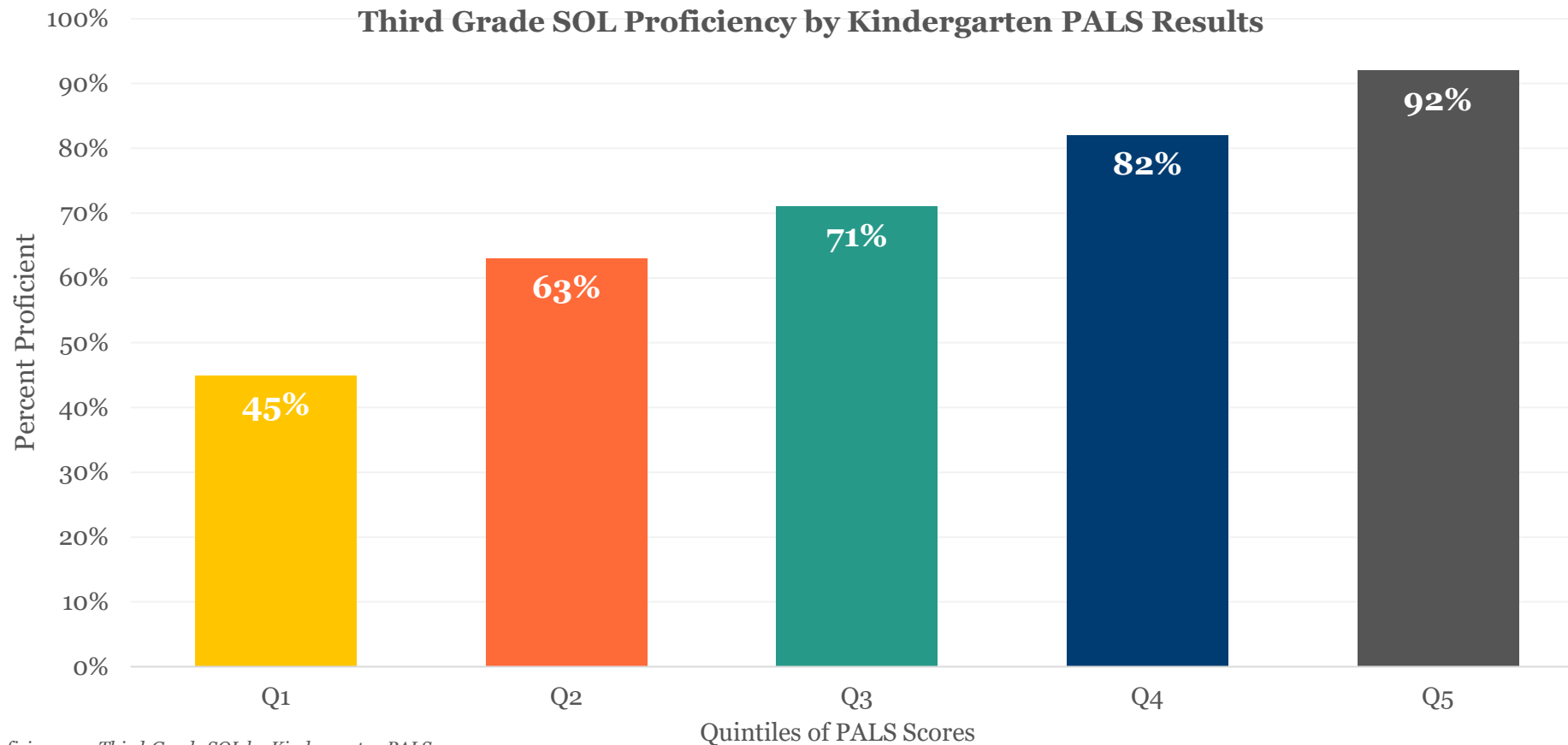


THIRD GRADE reading ability is one of the best predictors of **HIGH SCHOOL GRADUATION**.



LINKING READINESS TO 3RD GRADE READING

Virginia children who enter kindergarten ready are more likely to read on level in 3rd grade.



BENEFITS PERSIST OVER TIME

Research shows high-quality early childhood is linked to better life outcomes:



Academic Achievement

- Less likely to be chronically absent
- Less likely to be retained a grade
- Less likely to be placed in special education
- More likely to graduate high school
- More likely to pursue higher education
- More likely to achieve a post-secondary degree, license, or certification



Health and Well-being

- Fewer chronic health issues
- Lower rates of alcohol and tobacco use
- Lower rates of teen pregnancy



Employment and Earnings

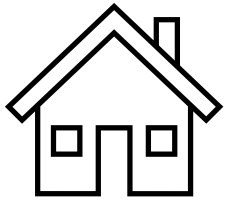
- Lower rates of criminal justice involvement
- Higher rates of employment and employability
- Increased earnings

Virginia's Early Childhood Landscape

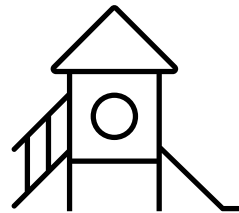
Building a premier birth-to-five, public-private parent choice system

PUBLIC-PRIVATE PARENT CHOICE SYSTEM

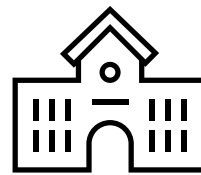
Virginia's early childhood system consists of multiple public and private providers that offer birth-to-five care and education across multiple settings.



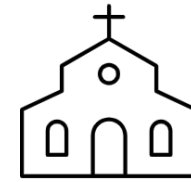
Over **1,900**
family child
care homes



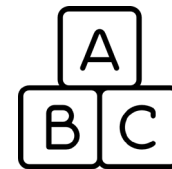
~2,700
licensed
child care
centers



946 public
schools



~870
religiously-
exempt child
care centers



52 Head Start
and Early
Head Start
grantees
(*across 364
sites*)

Note: Site totals are not mutually exclusive and should not be summed. Additional site types include certified preschools, local government approved centers, and short-term child day centers (generally summer camps).

ROLE OF PUBLIC FUNDING

Public funds enable choice and affordability in early childhood.

- Public funds enable families to choose options that meet their unique needs.
- All children are not guaranteed to be served like K-12. Different eligibility requirements are used to prioritize those in most need or who may benefit most.
- Public funds go to public and private settings in a system designed for 1) diverse providers and 2) diverse family preferences.

Across the public-private system, Virginia:

- Sets consistent expectations for health, safety, and quality, funds providers to meet expectations, and holds them accountable.
 - *VQB5 is the statewide quality measurement system and is now fully implemented.*
- Coordinates enrollment at the regional level to help families make informed choices.
- Captures consistent data down to the classroom level to promote continual quality improvement, support accountability and demonstrate impact.

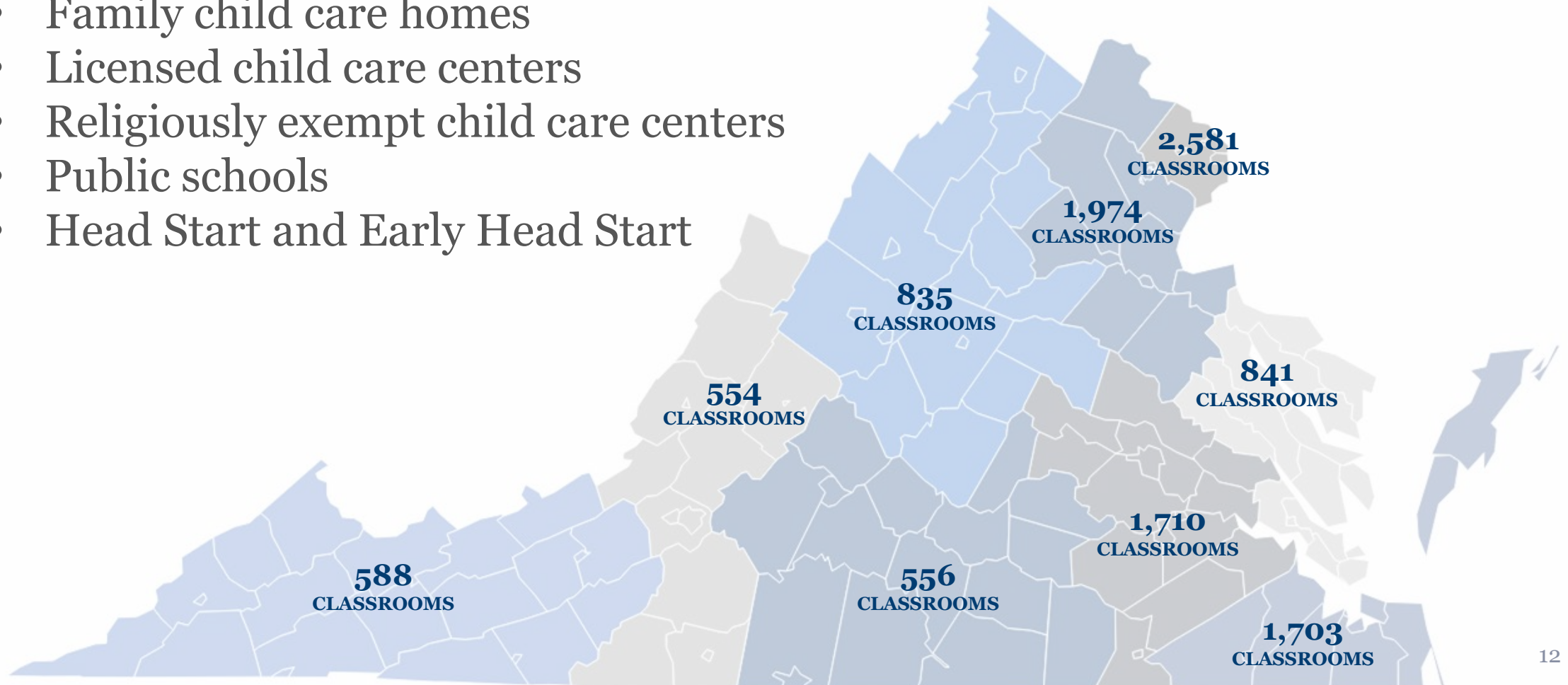
OVERVIEW OF PUBLIC FUNDING

Program	# of Children Served FY23*	Approx. Investment Per-Child, FY23	Typical Dosage	Family Expectations	Setting
Virginia Preschool Initiative (VPI)	22,290 (92% are 4-year-olds)	\$8,359 (\$6,353 in state funds) <i>(state funds and local match)</i>	990 hours/year	Child or family at risk; free to family; <u>not</u> connected to parental work status	Primarily schools; some child day centers
Mixed Delivery Preschool Grant Program (MDG)	2,142 (87% are 3- and 4-year-olds)	Between \$12,000-14,000 <i>(state and federal funds)</i>	Full-day, full year (~2,600 hours/year)	Child or family at risk; free to family; <u>not</u> connected to parental work status	Child day centers and family day homes
Child Care Subsidy Program (CCSP)	40,286 (68% are ages 5 and younger)	Average ~\$11,000 <i>(federal funds and state match)</i>	Up to full-day, full year (~2,600 hours/year)	Household income up to 85% SMI; family contribution of \$0-180 child/month; dependent on parental work status	Child day centers and family day homes
Early Head Start (EHS) and Head Start (HS)	13,866 (80% are 3- and 4-year-olds)	Between \$9,507-\$17,911 <i>(federal funds and local match)</i>	1,380 hours/year (EHS) 1,020 hours/year (HS)	Household income up to 130% FPG; free to family; <u>not</u> connected to parental work status	Schools, child day centers, and family day homes

PUBLICLY-FUNDED CLASSROOMS BY REGION

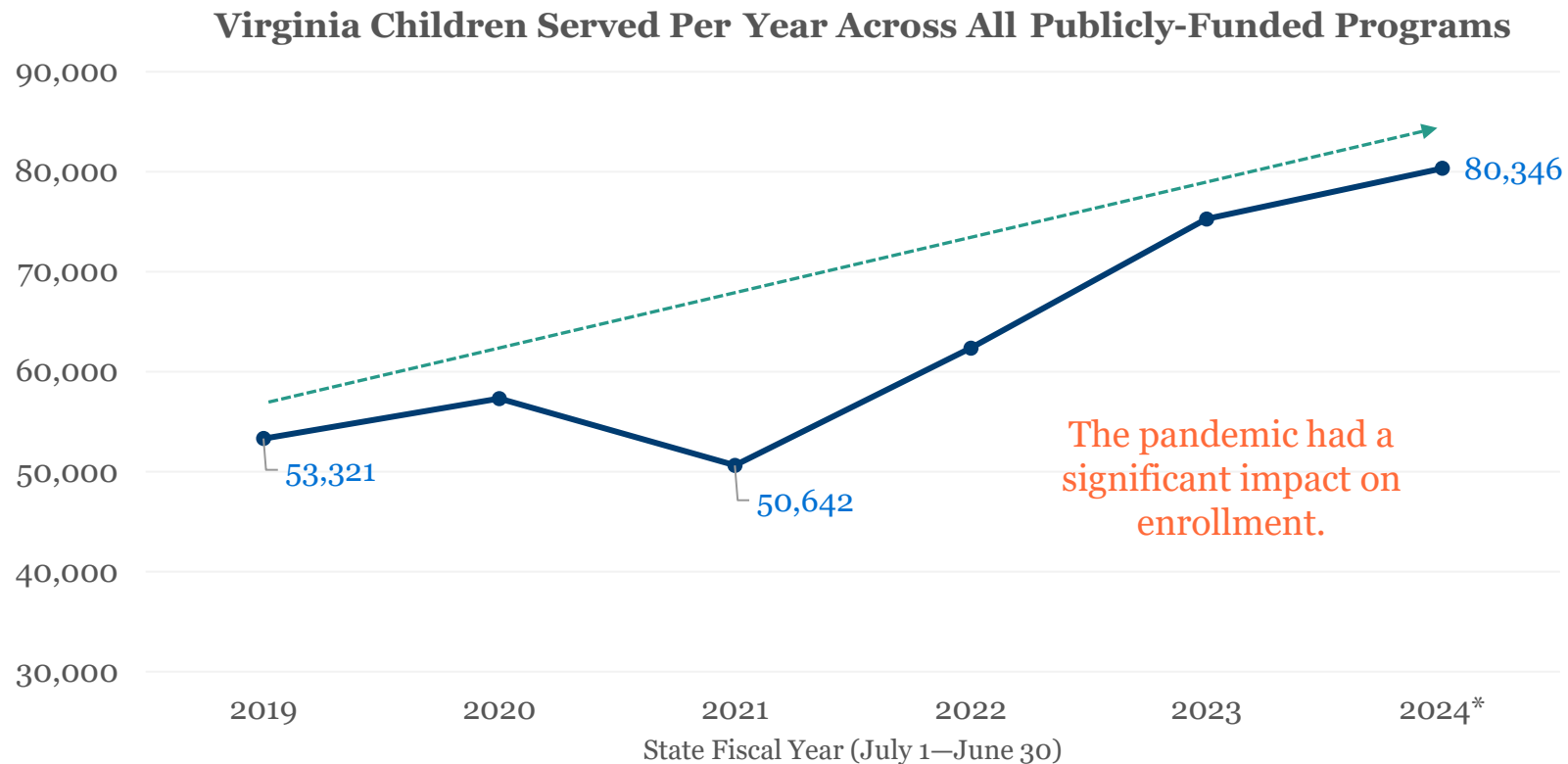
There are **11,342 classrooms in VQB5** across Virginia located in:

- Family child care homes
- Licensed child care centers
- Religiously exempt child care centers
- Public schools
- Head Start and Early Head Start



MORE CHOICES FOR MORE FAMILIES

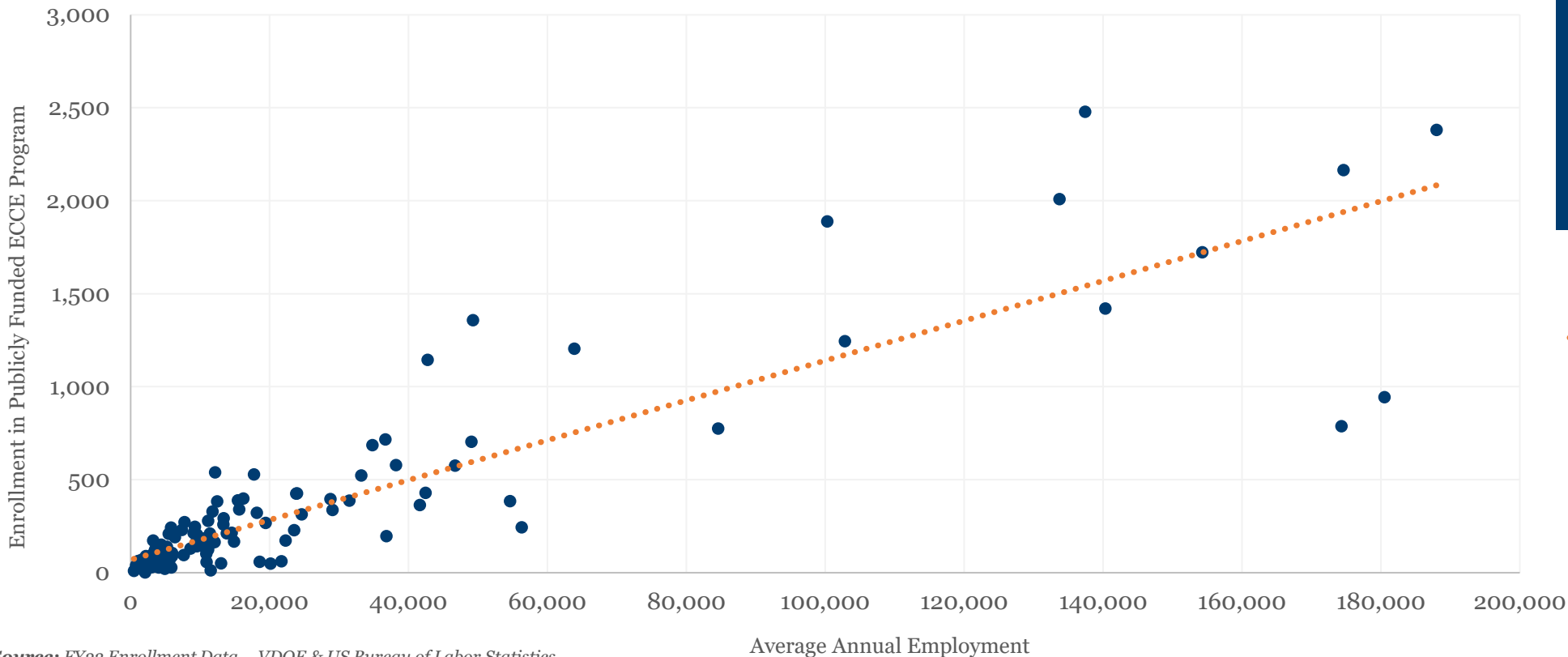
More families are participating in Virginia's publicly-funded early childhood system with two-thirds of families choosing private settings.



51% INCREASE
in enrollment
as of Fall 2023
compared to
pre-pandemic

ACCESS TO EARLY CHILDHOOD DRIVES EMPLOYMENT

Data shows a strong, positive and statistically-significant correlation between early childhood enrollment and employment in Virginia, meaning that communities with greater access to ECCE have higher rates of employment.



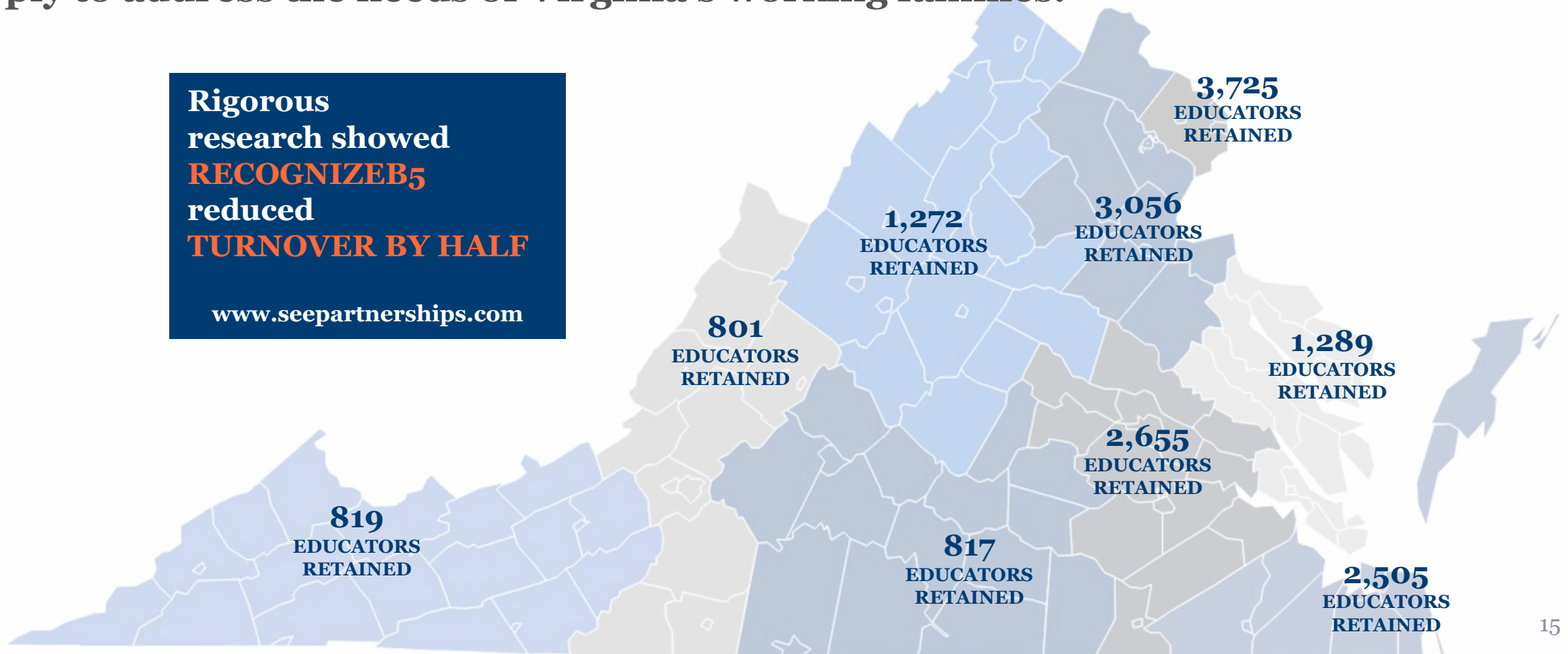
TWO OUT OF THREE
Virginia children under
the age of 6 have all
available parents in the
WORKFORCE

RECOGNIZEB5 – REACH AND IMPACT

With VQB5 fully implemented, RecognizeB5 is at full scale, providing ~\$41M to up to 16,929 child care educators in FY24 to reduce turnover and ensure sufficient child care supply to address the needs of Virginia's working families.

Rigorous research showed **RECOGNIZEB5** reduced **TURNOVER BY HALF**

www.seepartnerships.com



Building Blocks for Virginia Families

OVERVIEW



Building Blocks for Virginia Families seeks to:

1. Ensure every low-income working family that currently receives public support **continues to have access** to early childhood and after-school programs.
2. Accelerate **parent choice** across child care and early learning settings.
3. **Maximize all available local, state, and federal funding** – including allowing funds to be repurposed across programs based on parental demand.
4. Ensure all programs **measure and report unmet parental demand** and preferences (e.g., waitlists).
5. Prioritize **attendance** across all publicly-funded programs.
6. Ensure all **families are invested and contributing** by establishing consistent co-pays and work or activity requirements for full-day, full-year early childhood care and education (ECCE).
7. Encourage **shared contributions from employers, philanthropy, local government** and other community stakeholders via launching an innovative digital wallet for child care and early learning.
8. **Address deserts and increase supply of child care** – including replicating innovative regional public-private partnerships and identifying underutilized spaces in partnership with higher education and local government.

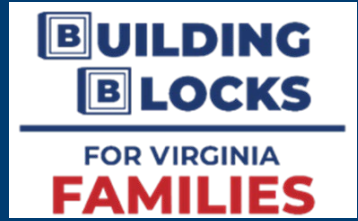
ITEM 117: SGF IMPACT

Item includes investments to accelerate parent choice and maintain current levels of enrollment in the Child Care Subsidy Program.

	FY24 SGF	FY25 SGF	FY26 SGF	Rationale
Child Care Subsidy Program (CCSP)*	\$0	\$173,358,588	\$237,815,584	<ul style="list-style-type: none"> Investments will maintain current service levels in the CCSP so no families or children will lose access. Federal COVID funds were used to address greater parental demand in the prior biennium.
Digital Wallet	\$0	\$1,000,000	\$0	<ul style="list-style-type: none"> Digital wallet will enable multiple entities to easily support child care costs, including families, businesses, local governments, and philanthropies. Platform will also help increase parental awareness of child care and early learning options.

*The Governor’s Budget also appropriates \$38,996,516 in NGF via the ARPA State and Local Fiscal Recovery Fund to the CCSP in FY25, bringing total new FY25 appropriations to \$212,255,104 to ensure no loss of access.

ITEM 117: LANGUAGE CHANGES (NO SGF IMPACT)



New budget language calls on the Virginia Department of Education (VDOE) to set a cap or target, establish waitlists, and measure and report unmet demand in the CCSP to track parental demand and preference:

- Establish an annual target at the local level for the number of children that may be served by available funds.
- Ensure that each locality has mechanisms in place for maintaining waitlists if family demand exceeds the targets.
- Any general fund appropriation that is unexpended as of June 30 each fiscal year shall be reappropriated for expenditure in the following year for the same purpose.

DETAIL ON DIGITAL WALLETS

Virginia will lead the nation by piloting the first early childhood "digital wallet":

- Every Virginia family with children under age 5 will be able to access a digital wallet to:
 - Set aside funds or receive contributions from others
 - Navigate their options – by location, setting, hours, quality level, health and safety record and other criteria families care about
 - Direct their funds to approved early learning and child care service providers of their choosing.
- Employers, philanthropies, local governments, community members and families will all be able to easily add funds to accounts, making it easier for all stakeholders to contribute.
- Proposed state funds will not go directly to families but will support the platform and creation of digital accounts for all families with children under age five who will be able to use the platform to search for options. Administration costs will be covered in part by a small fee charged to child care providers who receive funds.

ITEM 124: SGF IMPACT

Item includes investments to accelerate parent choice and maintain current levels of enrollment in the Mixed Delivery Program which is currently administered by the Virginia Early Childhood Foundation.

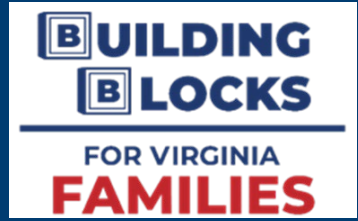
	FY24 SGF	FY25 SGF	FY26 SGF	Rationale
Mixed Delivery	\$9,736,015	\$36,500,000	\$36,500,000	<ul style="list-style-type: none"> Investments will maintain current service levels in the Mixed Delivery Program so no families or children will lose access. Federal COVID funds were used to address greater parental demand in the prior biennium.

ITEM 125: SGF IMPACT

Item includes investments to accelerate parent choice and maintain current levels of enrollment and flexibility in the Virginia Preschool Initiative based on actual enrollment.

	FY24 SGF	FY25 SGF	FY26 SGF	Rationale
Virginia Preschool Initiative—Per Pupil Amount	\$116,283,670 (\$104,725,591 in HB/SB29)	\$116,592,886	\$115,356,585	<ul style="list-style-type: none"> • Reflect increase in per-pupil of 19% based on rebenchmarking. • Investments will maintain current service levels in VPI so no families or children will lose access. • Assumptions reflect estimates of actual enrollment based on formula calculation.
Early Childhood Expansion	\$45,116,920 (\$27,328,279 in HB/SB29)	\$33,116,920	\$33,116,920	<ul style="list-style-type: none"> • Investments will maintain current service levels and flexibility in VPI so no families or children will lose access.

ITEM 124: LANGUAGE CHANGES (NO SGF IMPACT)



Revised budget language establishes Mixed Delivery as a birth-to-five initiative, aligns expectations for accountability, attendance, parental work and contributions and ensures parental demand and preference is tracked:

- Funding will be based on actual use of allocated slots. Unused funds shall be returned and may be transferred to VPI or CCSP based on parental demand.
- Local proposals must include a mechanism to measure and report unmet parental demand and preference.
- Local proposals must establish attendance requirements, parental activity requirements that align with CCSP, and a schedule of parental copays that align with CCSP.
- Language requires VDOE to produce a report on the efficacy, outcomes and path forward for Mixed Delivery by July 1, 2025.

ITEM 125: LANGUAGE CHANGES (NO SGF IMPACT)



Revised budget language maximizes all local, state, and federal funding for ECCE and directs local programs to measure and report unmet demand:

- Directs the VDOE to estimate an appropriate non-participation rate for VPI each year and communicate this rate to the Department of Planning and Budget by November 1. Resulting savings will be appropriated to the CCSP in the Governor’s proposed budget.
- Strikes language capping the composite index of local ability-to-pay at 0.5.
- Directs localities to have a plan to annually measure and report unmet parental demand and preference and to maintain a wait list.

Background:

Fiscal Year	Unused VPI Funding from Original Appropriation
2021	\$50,432,679
2022	\$21,875,472
2023	\$32,233,897

Note the 2021-2022 school year saw significant declines in enrollment due to school closures during the COVID-19 pandemic.

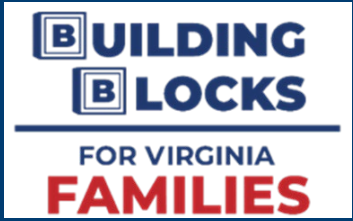
MISCELLANEOUS ITEMS

New language establishes the capital incentives fund and enables the Governor to maximize unused federal COVID funding to support CCSP if available.

- Item 103 establishes a \$25M early learning capital incentives fund to reduce deserts and increase supply in child care. Fund would be jointly administered by the Department of Housing and Community Development, SCHEV and VDOE through a competitive process with applications from higher education and local governments.
- Priorities would be:
 - Areas of greatest need;
 - Business models that are sustainable without state operating subsidies after the 1st or 2nd year;
 - Repurposing and/or retrofitting underutilized facilities for early learning centers; and
 - Engaging businesses and local employers directly to sustainable operating models.
- Item 471 authorizes the Governor to transfer unobligated amounts from ARPA SLFRF to the VDOE (201) to supplement funding for the Child Care Subsidy Program to ensure that such funds are obligated by December 30, 2024.

FUNDING AND SLOTS BY PROGRAM

VPI AND MIXED DELIVERY



Virginia Preschool Initiative	FY23 Actual	FY24 Caboose	FY24 Projected	FY25 Budgeted	FY26 Budgeted
Total Available Funding for Direct Services	\$190,706,160	\$212,989,052	\$192,303,111	\$258,828,774	\$256,828,774
- Per-Pupil Amount*	\$106,949,400	\$104,725,591	\$96,136,454	\$116,592,886	\$115,356,585
- Expansion Funding*	\$11,288,419	\$27,328,279	\$25,669,453	\$33,116,920	\$33,116,920
- Local Match*	\$68,000,308	\$80,935,181	\$70,497,204	\$109,116,926	\$108,355,269
Slots/Children Served (FY24-26 are Projections)	22,290	25,480	23,034	25,463	25,264
- Cost per Slot/Child (Based on Biennial Per-Pupil Amount)	\$8,359	\$8,359	\$8,359	\$9,968	\$9,968
- Average Hourly Amount per Slot/Child (990 hours)	\$8.44	\$8.44	\$8.44	\$10.07	\$10.07
Average Per-Child Co-Payment	\$0	\$0	\$0	\$0	\$0

*Note: FY23 expansion funding includes state share of slots for 3-year-olds and funds for the community-provider add-on. FY24 funding represents projected funds for per-pupil and expansion under the same assumptions. FY23 local match represents actual expenditures (LCI cap in effect, state share = 62%). FY23 and FY24 children served reflects total enrollment. FY24 local match represents expenditures based on projected winter enrollment (LCI cap in effect (state share = 62%). FY25 and FY26 estimates represent projected local match based on proposed funding in HB30, assuming all funds are used for slots and the LCI cap is eliminated (state share = 55%).

Mixed Delivery	FY23 Actual	FY24 Projected	FY25 Budgeted	FY26 Budgeted
Total Available Funding*	\$28,119,000	\$41,091,197	\$36,500,000	\$36,500,000
- Direct Services (Slots)	\$25,186,290	\$37,270,697	\$34,618,006	\$34,618,006
- State and Regional Administration	\$2,932,710	\$3,820,500	\$1,881,994	\$1,881,994
Slots/Children Served	2,142	2,500	2,530	2,530
- Cost per Child	\$11,758	\$15,126	\$15,126	\$15,126
- Average Hourly Cost per Child (2,600 hours)	\$4.62	\$5.82	\$5.82	\$5.82
Average Per-Child Co-Payment	\$0	\$0	\$1,462	\$1,462

FUNDING AND SLOTS BY PROGRAM: CHILD CARE SUBSIDY PROGRAM



Child Care Subsidy Program	FY23 Actual	FY24 Projected	FY25 Budgeted	FY26 Budgeted
Total Available Funding	\$315,514,892	\$411,503,493	\$368,991,541	\$396,198,731
SGF-- TANF VIEW at Department of Social Services	\$24,060,047	\$24,060,047	\$24,000,000	\$24,000,000
SGF-- Fee at Department of Social Services	\$2,647,305	\$2,647,305	\$2,647,305	\$2,647,305
SGF-- CCSP at VDOE	\$0	\$0	\$173,258,588	\$237,815,584
NGF -- CCDF Direct Services (Child Care and Development Fund)	\$150,992,962	\$353,228,568	\$129,871,766	\$131,518,476
NGF –ARPA Child Care and Development Block Grant	\$137,814,578	\$31,567,573	\$0	\$0
NFG -- ARPA State and Local Relief Funding (SLRF)	\$0	\$0	\$38,996,516	\$0
Total Per-Child/Slot Costs				
- Birth-to-5	\$10,232	\$12,790	\$13,309	\$13,309
- School-age	\$5,043	\$5,309	\$5,476	\$5,476
Average Hourly Amount per Child (Birth-to-5, Assuming 2600 hours)	\$3.93	\$4.91	\$5.12	\$5.12
Average Annual Per-Child Copayment	\$530	\$924	\$1,443	\$1,443
Slots/Children Served	40,286	42,200	42,200	44,153
- Birth-to-5	27,653	29,312	29,312	31,265
- School-age	12,633	12,888	12,888	12,200

Note: FY23 funding represents actual expenditures. FY24 funding estimates are projected assuming year-end enrollment of 42,200 and include multiple years of CCDF rollover. FY25 and 26 assume funding levels in HB30 and modest increases in annual federal appropriations. FY23 average hourly cost assume 3 months of 2018 market-based MRR. FY23 copayments are estimated if all families contributed for 12 months (copayments were waived July–December). FY24 slots are projected as of end of the fiscal year and held constant into FY25.

CHART OF POLICY SHIFTS

Program	Income Eligibility (No Changes)	Dosage (No Changes)	Attendance		Work Requirements		Copayments		Waitlists	
			Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Virginia Preschool Initiative (VPI)	<ul style="list-style-type: none"> Less than 200% of Federal Poverty Level (FPL) Homeless Child with disability Parent does not have high school degree Up to 15% local eligibility	School day / school year	Programs must track attendance and have policies in place for addressing absenteeism	No change	None	None	None	None	May maintain waitlists	Must maintain waitlists at the division level
Mixed Delivery (MD)	<ul style="list-style-type: none"> Less than 200% FPL Homeless Child with disability Parent does not have high school degree Up to 15% local eligibility	Full day / full year	Programs must track attendance and have policies in place for addressing absenteeism	Attendance requirements must be established	None	Families must be working, in school or job training or be actively looking for work and find work within 90 days	None	Would be required and aligned with CCSP Copayments	Maintain waitlists at the site level to fill slots	Must maintain waitlists at the regional level
Child Care Subsidy Program (CCSP)	Up to 85% of State Median Income (SMI) for families with children under age 5	Up to full day / full year	<ul style="list-style-type: none"> Programs must track attendance Parents must record attendance Attendance threshold is up to 60 absence days per year 	No changes	Families must be working, in school or job training or be actively looking for work	Families must be working, in school or job training or be actively looking for work and find work within 90 days	0-7% of income based on income; no copayments for families under 100% FPL	0-7% of income based on income	No waitlists according to state budget	Must maintain waitlists at jurisdiction level

Update on COVID-Related Federal Funds for Early Childhood

UPDATE ON COVID-RELATED FUNDING

Virginia has used relief funding to provide direct cash assistance, address pandemic-related needs and restore and strengthen the Child Care Subsidy Program (CCSP) and Mixed Delivery. All remaining funds have been obligated and are on track to be fully liquidated in advance of the deadline.

Funding Source	Child Care Total	Spending Deadlines	Funds Remaining as of 12/14/23
Coronavirus Aid, Relief, and Economic Security (CARES) Act via CCDBG	\$70,799,409	Obligate: 9/30/22 Liquidate: 9/30/23	\$0
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act via CCDBG	\$203,692,270	Obligate: 9/30/22 Liquidate: 9/30/23	\$0
American Rescue Plan Act via CCDBG (Child Care Stabilization Fund)	\$488,605,381	Obligate: 9/30/22 Liquidate: 9/30/23	\$0
American Rescue Plan Act via CCDBG (Discretionary)	\$305,492,999	Obligate: 9/30/23* Liquidate: 9/30/24	\$124,113,810

**All funds were obligated by 9/30/2023. All funds are expected to be liquidated by 9/30/2024.*

BREAKDOWN: NON-DIRECT SERVICES

Virginia will sustain select current ARPA investments with ongoing funding and reduce programming where no funding is available. All one-time investments will end.

ARPA Investments (Not Including Direct Services)	FY23	FY24	FY25	Notes
Quality - State Required for VQB5				
External CLASS Observations	\$1,561,550	\$0	\$0	State-required and will be sustained with ongoing federal funding
Ready Regions	\$5,905,546	\$18,970,380	\$0	
Recognize B-5				
Educator Payments	\$12,541,252	\$31,000,055	\$0	\$10 million in <i>Building Blocks</i> to sustain; additional funding needed to sustain at current level or will be reduced
Additional Improvement Supports				
Early Childhood Mental Health Consultation	\$499,718	\$2,212,818	\$0	Will be reduced and sustained with ongoing federal funding
Curriculum Access through StreamIn3	\$13,743,798	\$6,451,349	\$0	Will be reduced and sustained with ongoing federal funding
Fast Track Teacher Education Program	\$1,519,860	\$0	\$0	One-time investment
Microcredential on Early Learning Standards	\$67,500	\$0	\$0	One-time investment
WIDA Early Years – Support for English Language Learners	\$25,500	\$0	\$0	One-time investment
CLASS Training for Local Observers	\$392,743	\$0	\$0	One-time investment
Information Technology Projects				
Link B-5	\$2,315,200	\$4,500,000	\$0	Technology investments were primarily one-time investments for building systems; all ongoing needs will be sustained with ongoing federal funding
New Licensing Platform	\$5,479,779	\$0	\$0	
Attendance Tracking	\$0	\$1,600,000	\$0	
Integrated Data System - VA Connects	\$2,587,048	\$5,487,048	\$0	
Administrative				
Salaries and Other Administrative Costs	\$2,346,927	\$3,859,356	\$0	Grant-funded staff are no longer necessary; ongoing federal funding will support ongoing staff