

Office of Regulatory Management
Economic Review Form

Agency name	State Board of Education
Virginia Administrative Code (VAC) Chapter citation(s)	8VAC20-790
VAC Chapter title(s)	Child Care Program
Action title	Exempt action to revise 8-VAC-20-790 based on FY26 budget language
Date this document prepared	7/31/25
Regulatory Stage (including Issuance of Guidance Documents)	Exempt action

Summary of Actions Analyzed in Economic Review

VDOE is proposing an exempt action to revise two subsections of 8-VAC-790 in response to directives from the General Assembly in 2026. [Item 125.10](#) of the FY26 Virginia State Budget directs VDOE to make the following changes to copayments and family eligibility due to job search:

4. Family copayment rates for ~~the 2024-2026 biennium~~ *fiscal year 2025* shall not exceed those that were in effect at the beginning of fiscal year 2024. *Family copayment rates for fiscal year 2026 shall be \$5 per month for households whose income is below 100% of the federal poverty level and up to 5% of annual income for all other households with no household exceeding 5% of their income.*

5. Parental work and job search requirements for ~~the 2024-2026 biennium~~ *fiscal year 2025* shall not exceed those that were in effect at the beginning of fiscal year 2024. *Parental work and job search requirements for fiscal year 2026 shall include a time limit of 90 days for job search. Households are eligible for up to one extension for extraordinary circumstances, which shall be defined and tracked by the Department of Education.*

VDOE is amending Guidance accordingly to implement these statutorily required changes. These revisions have a measurable cost impact and are described in detail in this economic review.

Additionally, VDOE is amending guidance to comply with directives in:

1. House Bill 407 (2024 session), which deems any family that receives public assistance through Medicaid or the Special Supplemental Nutrition Program for Women, Infants, and Children to have categorically satisfied income eligibility requirements for the CCSP; and
2. The FY25 budget, which directed VDOE to “*establish an annual target at the local level for the number of children that may be served by available funds and ensure that each locality has mechanisms in place for maintaining waitlists if family demand exceeds the targets.*” Under the Governor’s *Building Blocks for Virginia Families* initiative, available slots are to be prioritized for children ages birth to 5, not yet in kindergarten.

These changes also have a measurable cost impact and are described in this economic review.

Additional revisions to the Guidance Manual are NOT summarized in this economic review because they are no-cost changes and were included to improve clarity and readability of the document. These reflect procedural updates; policy clarifications; and revisions to simplify language, sentence and paragraph structure, and make key points more visually identifiable.

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Note: this section focuses on costs and benefits experienced by the state, including VDOE and VDSS. Costs and benefits experienced by families, local partners, and small businesses (child care providers) are described in subsequent sections below.</p> <p>Direct Costs: VDOE made changes to the IT case management system (VaCMS) to comply with General Assembly directives and the Governor’s <i>Building Blocks for Virginia’s Families</i> initiative. These changes had direct costs to the state totaling \$1,596,763:</p> <ul style="list-style-type: none"> • FY26 budget directives: the cost to revise family copayments and implement time limits on job search in VaCMS was \$799,725. • FY25 budget directives: the cost to revise waitlist priority groups and bring waitlist workflows up to date with current policy was \$508,630. • HB407: the cost to revise workflows—which required creating a new program category with different income limits and income verification rules—was \$288,408. <p>Indirect Costs: None</p> <p>Direct Benefits: None</p> <p>Indirect Benefits: None</p>	
<p>(2) Present Monetized Values</p>	<p>Direct & Indirect Costs</p>	<p>Direct & Indirect Benefits</p>
	<p>(a) N/A</p>	<p>(b) N/A</p>

(3) Net Monetized Benefit	N/A
(4) Other Costs & Benefits (Non-Monetized)	The FY26 budget directives reduce the state share of cost of care through the CCSP per child, on average. VDOE will save an estimated \$13.6 million annually due to these changes. These cost savings will be applied to serve an estimated ~1,400 children off the waitlist. This is considered a transfer payment and is not counted as monetary benefit. However, there is a non-monetary benefit by way of public trust and view of the VDOE, VDSS, and Child Care Subsidy Program if additional families are able to be served off the waitlist, which is over 13,000 children as of June 1.
(5) Information Sources	<ul style="list-style-type: none"> IT system enhancement costs are based on invoices from VDSS. Cost savings associated with copayment changes are based on administrative data analysis conducted by VDOE.

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: None</p> <p>Indirect Costs: None</p> <p>Direct Benefits: None</p> <p>Indirect Benefits: None</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A
(3) Net Monetized Benefit	N/A	
(4) Other Costs & Benefits (Non-Monetized)	If VDOE were to leave the regulations unchanged, the regulations would be out of alignment with directives in the state budget and legislation. This could create confusion and mistrust.	
(5) Information Sources		

Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	No alternative approaches were considered. The change is the direct result from a budgetary and legislative directive.
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(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A
(3) Net Monetized Benefit	N/A	
(4) Other Costs & Benefits (Non-Monetized)	N/A	
(5) Information Sources		

Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 2: Impact on Local Partners

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: Local caseworkers must spend time learning new policies and processes under the revised regulation resulting from legislation and budgetary directives. It may also take additional time to process cases while caseworkers are becoming more familiar with new expectations. A monetary cost is not calculated here, as improvements to the organizational structure and clarity of the guidance manual will save time and it is estimated that these zero each other out.</p> <p>Indirect Costs: None</p> <p>Direct Benefits: None</p> <p>Indirect Benefits: None</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A
(3) Other Costs & Benefits (Non-Monetized)	None	

(4) Assistance	VDOE and VDSS are providing local caseworkers with resources and tools to support their implementation of these policies.
(5) Information Sources	

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 3: Impact on Families

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: The change in copayments requires families to contribute more to the cost of child care. This reduces the state contribution and allows the state to serve more families on the CCSP.</p> <ul style="list-style-type: none"> • The average per-child copayment is estimated to increase from approximately \$580 annually to \$870 annually, a change of \$410 per child or \$490 per family (at 1.2 children per family on average). • In aggregate, families will collectively contribute \$13.6 million more in copayments annually (assuming ~29,000 families enrolled each month of the year). <p>Indirect Costs: None</p> <p>Direct Benefits: The cost savings associated with the revised copayment scale will allow an additional 1,300 children to be served off the CCSP wait list. The monetary impact for these families is difficult to calculate due to the unknown tradeoffs families are making—i.e., families may be paying the full price of child care out-of-pocket, using nonpreferred lower-quality and/or lower cost care option, taking on fewer work hours or opportunities, or foregoing work altogether.</p> <p>If all 1,300 children on the wait list were receiving child care services at an estimated average price of \$11,500 annually across ages and settings, the cost of care would be reduced by \$9,862 per child—a \$14.65 million annual aggregate benefit to families.</p> <p>If all 1,300 children (865 families) had at least one parent foregoing work while on the wait list, each family’s net earnings would increase by \$32,800 annually (assuming \$15.77 hourly with full-time hours, less the</p>
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	annual copayment). In aggregate, that is a \$28.3 million annual benefit to families.	
	Indirect Benefits: None	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A
(3) Other Costs & Benefits (Non-Monetized)		
(4) Information Sources		

Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: None</p> <p>Indirect Costs: Because child care providers—generally small, privately-owned businesses—collect copayments directly from families, there may be some indirect costs associated with the change to the extent that families experience confusion about the change in what they owe and when it takes effect.</p> <p>Direct Benefits: None</p> <p>Indirect Benefits: The cost savings associated with the revised copayment scale will allow an additional 1,300 children to be served off the CCSP wait list, which means 1,300 more children that are able to access slots within participating programs.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) N/A	(b) N/A

(3) Other Costs & Benefits (Non-Monetized)	None
(4) Alternatives	None
(5) Information Sources	None

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved*	Authority of Change	Initial Count	Additions	Subtractions	Total Net Change in Requirements
8VAC20-790-10	(M/A):	2	2	1	1
	(D/A):	0	0	0	0
	(M/R):	0	0	0	0
	(D/R):	0	0	0	0
8VAC20-790-40	(M/A):	2	1	0	1
	(D/A):	1	0	0	0
	(M/R):	25	2	0	2
	(D/R):	2	0	0	0
Grand Total of Changes in Requirements:					(M/A):2 (D/A): (M/R):2 (D/R):

Key:

Please use the following coding if change is mandatory or discretionary and whether it affects externally regulated parties or only the agency itself:

(M/A): Mandatory requirements mandated by federal and/or state statute affecting the agency itself

(D/A): Discretionary requirements affecting agency itself

(M/R): Mandatory requirements mandated by federal and/or state statute affecting external parties, including other agencies

(D/R): Discretionary requirements affecting external parties, including other agencies

Cost Reductions or Increases (if applicable)

VAC Section(s) Involved*	Description of Regulatory Requirement	Initial Cost	New Cost	Overall Cost Savings/Increases

Other Decreases or Increases in Regulatory Stringency (if applicable)

VAC Section(s) Involved*	Description of Regulatory Change	Overview of How It Reduces or Increases Regulatory Burden

Length of Guidance Documents (only applicable if guidance document is being revised)

Title of Guidance Document	Original Word Count	New Word Count	Net Change in Word Count

*If the agency is modifying a guidance document that has regulatory requirements, it should report any change in requirements in the appropriate chart(s).