

**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**Special Report:  
Impact of Proposed Child Day Care  
Center Regulations in Virginia**

**Staff Briefing  
Linda Ford  
September 13, 2004**

# Introduction

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## Staff for this study:

**Glen S. Tittermary, Deputy Director**

**Linda B. Ford, Project Leader**

**Jennifer N. Jenkins**

# Presentation Outline

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- Introduction
- Overview of Child Day Care in Virginia
- Regulations for Child Day Care Centers
- Potential Impact of the Revised Child Day Care Center Regulations

# Study Mandates

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- **House Joint Resolution 114 and Senate Joint Resolution 80 (2004) direct JLARC to review the impact of revised child care center regulations in Virginia:**
  - **The resolutions direct JLARC to evaluate the impact of the revised regulations on child care providers, parents, and children**
  - **Findings are to be reported to the Governor by September 15, 2004, and the Governor is requested to consider these findings prior to his approval of the regulations**

# JLARC Staff Review

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- JLARC staff reviewed the final regulations approved by the Council on May 13, 2004
- The review focused on the potential impact of key regulatory changes on children, their parents, and center providers
- The key changes reviewed were:
  - minimum square footage per child
  - child-staff ratios
  - director and staff qualifications and training
  - resilient surfacing on playgrounds
  - transportation

# **JLARC Staff Review** (continued)

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- **Sources of data for the JLARC staff review included:**
  - **Information on a sample of 360 child care centers in Virginia obtained from DSS licensing files**
  - **Public comments from providers, parents, and educators provided during the regulatory process and interviews of people with expertise in the child day care field**
  - **Research on early childhood development and child care**
  - **Council meeting minutes**
  - ***Code of Virginia* and child day care center regulations**
  - **Data on other states' regulatory structures for centers**
  - **National standards for child care centers and playgrounds**

# Summary of Study Findings

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- **Impact on children:** Academic research appears to support the conclusion that the types of regulatory changes proposed can have a positive impact on children's development and well-being
- **Impact on parents:** Parents will benefit from the positive impact of the regulations on their children, and some parents will likely have to pay increased fees
- **Impact on providers:** Revised regulations will have little or no financial impact on the majority of providers, but will have a significant adverse financial impact on some centers

# Presentation Outline

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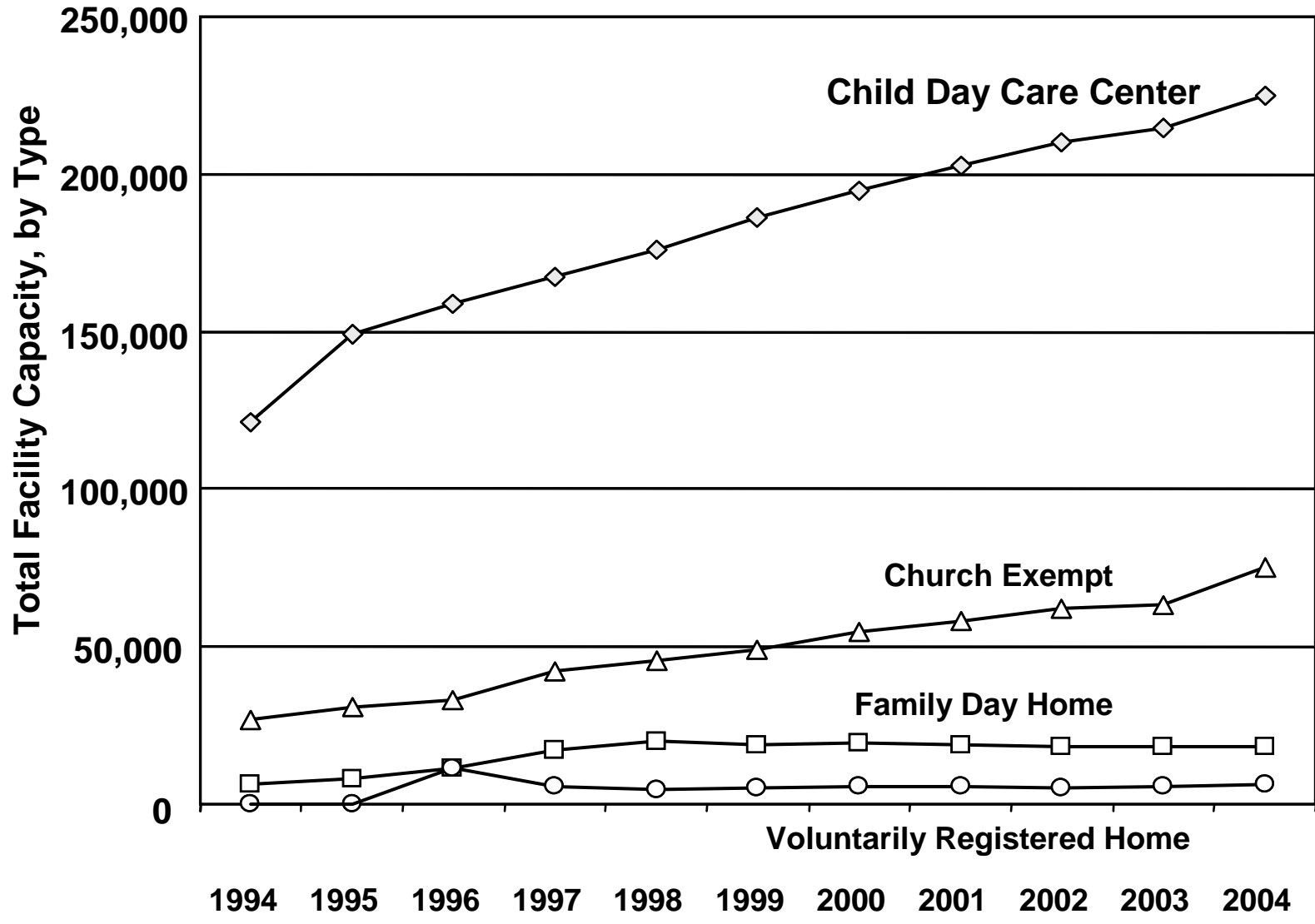
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# Growth in Child Day Care

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- **Statewide, the number of children potentially requiring child care increased during the 1990s**
  - **Number of children younger than five years old grew by 4.3 percent between 1990 and 2000**
  - **Number of children five to nine years old grew by 16.7 percent**
  - **Number of children ten to 14 years old grew by 24.5 percent**
  
- **Against this backdrop of growth in children of child care age, there has been substantial growth in the child care industry**
  - **The number of licensed child care centers grew from 1,495 centers in 1994 to 2,531 centers as of June 1, 2004 – a 69 percent increase – and capacity grew almost 86 percent**

# Child Day Care Capacity Trends



# Child Day Care Centers in Virginia

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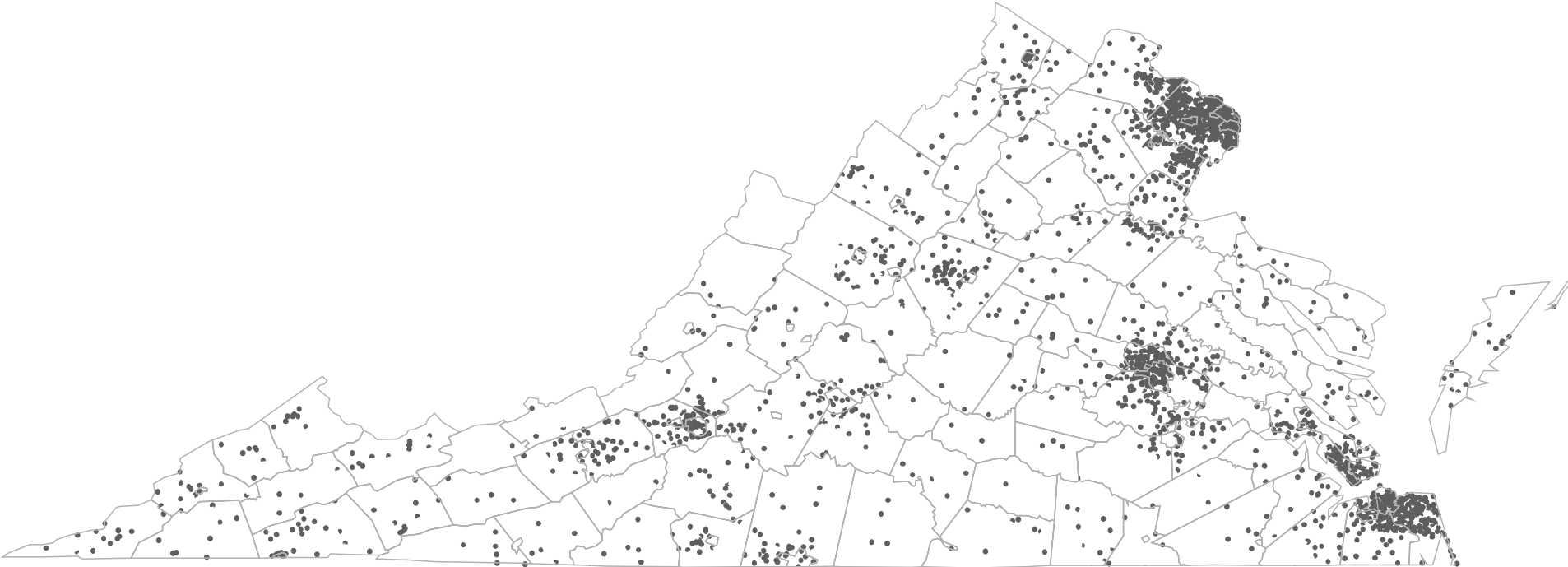
## ■ Of the 2,531 child day care centers:

- 37 percent have a maximum capacity of 50 or fewer children
- 35 percent have a maximum capacity between 51 and 100 children
- 28 percent have a maximum capacity greater than 100 children

## ■ Centers vary in terms of the age range of the children who are served:

- Some centers choose to serve children from birth to 12 years old, while others may only serve school age children or may serve only three-to-five year olds

# Distribution of Child Day Care Centers



# Center Enrollment

- While centers have a total capacity of 224,674 children statewide, not all enrollment slots are filled
- Based on the sample data from 360 child care center licensing files, JLARC staff calculated average “vacancy” rates by region and by center size:

## Average Vacancy Rate by Region

Southwest	19.0%
Richmond	25.8%
Newport News	24.2%
Virginia Beach	34.5%
Fairfax	21.3%
Warrenton	29.7%
Roanoke	29.3%
Shenandoah	19.5%

## Average Vacancy Rate by Center Size

Small	26.9%
Medium	24.2%
Large	27.3%

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# Child Care Affected by Revised Regulations

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- While there are various types of child care providers in the State, the focus of this review is on child day care centers
  
- The *Code of Virginia* defines a child day center as:
  - A child day program offered to (i) two or more children under the age of 13 in a facility that is not the residence of the provider or of any of the children in care or (ii) 13 or more children at any location

# Role of the Child Day-Care Council

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- **The Child Day-Care Council was created in 1987 and assigned responsibility for regulating child day care centers**
- **Section 63.1-202 of the *Code of Virginia* requires the council to:**
  - promulgate regulations for the activities, services, and facilities to be employed by [child care centers], which shall be designed to ensure that such activities, services and facilities are conducive to the welfare of the children under the custody or control of [the centers]**
- **The council consists of 28 members with representatives from a wide range of entities involved in the care of children**

# Child Day Care Center Regulations

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- **Standards for Licensed Child Day Centers (22 VAC 15-30) set out the requirements to which centers must adhere to legally operate in Virginia**
  
- **The regulations cover a broad range of administrative and operational aspects of child day care, including:**
  - **Physical plant, staffing and supervision, record-keeping and other administrative requirements, daily activities and programs, sanitation, medication, food services, and transportation**

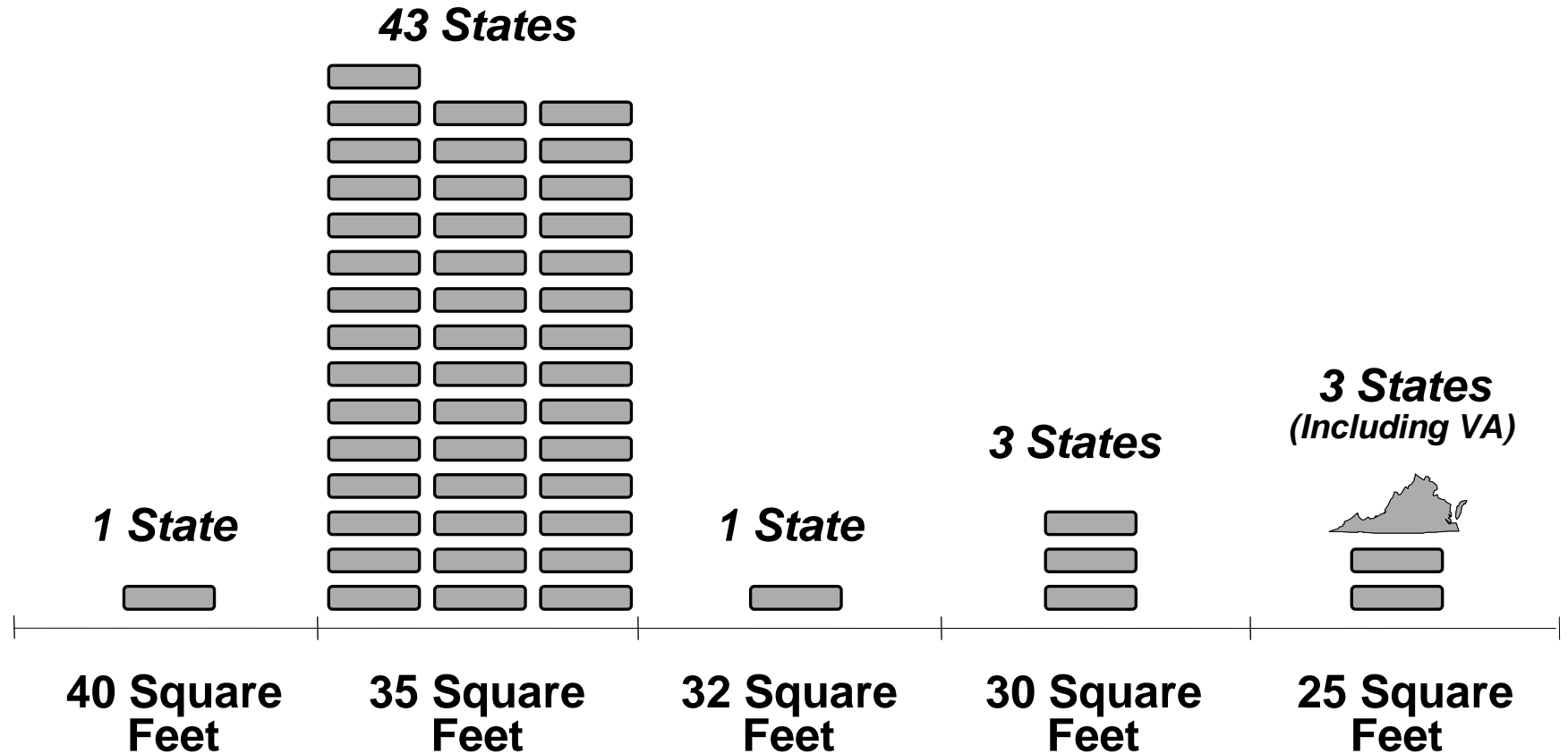
# Role of the Department of Social Services

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- **DSS is responsible for providing staff support for the council, issuing child care center licenses, and enforcing the child care center regulations**
  
- **DSS also administers the Child Care and Development Fund, which is a federal program that assists low-income families by paying for a portion of an eligible family's child care cost**
  - **In FY 2004, 39,109 children received subsidized care from centers, at a cost of almost \$71.7 million**

# Virginia Compared to Other States: Minimum Square Footage Per Child







**Note:** In addition to State standards, the federal military sets the minimum square footage per child for child care facilities on military installations. These centers are required to have a minimum of 45 square feet per child (except the Army, which requires 35 square feet of usable space per child). For infants, the military standards require 60 square feet per child.

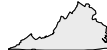
**Number of States with Selected Child-Staff Ratio Requirements**

<i>Ratios (Child/Staff)</i>	<i>Age of Child</i>				
	2 Years	3 years	4 years	5 years	School Age
4:1	3				
5:1	7				
6:1	9				
7:1	8	2			
8:1	9	5	1		
9:1	1	2		1	
10:1	9	22	17	7	2
11:1	3				
12:1	2	11	14	7	2
13:1		4	3	1	3
14:1		1	2	4	3
15:1		4	6	13	14
16:1			3	3	3
17:1				1	
18:1			3	2	6
19:1				1	
20:1			2	6	11
21:1				1	
22:1				1	2
23:1					
24:1					
25:1				3	4
26:1					1

 Indicates Virginia's placement among the states.

 Indicates National Health and Safety Performance Standards.

<b>Number of States with Selected Staff Qualifications and Training Standards</b>		
	<b>Director</b>	<b>Teacher</b>
<b>Amount of Minimum Pre-Service Training in Early Childhood Education (ECE)</b>		
College Degree in ECE or related field	2	1
Credit Hours in ECE or related field	7	1
Early Childhood Credential (CDA, CCP, or NAC)	17	7
Clock Hours of ECE Training	11	3
High School vocational programs	1	3
None	13 	36 
<b>Amount of Annual/Ongoing Training Hours</b>		
20 or More	13	9
13 to 19	9	9
Unspecified or 1 to 12	20	29 
None	9 	4

 Denotes Virginia's standards. Note: In Virginia, the current minimum requirements for child care center directors are a high school diploma or equivalent and three years of programmatic experience in the group care of children, with one year as a staff supervisor.

# Revision of the Child Day Care Center Regulations

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- In December 2002, the Child Day-Care Council issued a notice of its intent to revise the child day care center regulations (22 VAC 15-30)
- After the issuance of draft regulations in 2003 and a public comment period, the council approved a revised set of regulations on May 13, 2004

# Key Changes to the Child Day Care Center Regulations

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- **Square Footage Per Child**: increases the minimum space per child to 35 square feet for all ages; for current centers, beginning nine years after effective date of regulations
- **Child-Staff Ratios**: decreases by two children each the child-staff ratios for two year olds, four year olds, five year olds, and school age children five to eight years old; decreases by one child the child-staff ratio for balanced mixed age groups; beginning one year after effective date of regulations

# Key Changes to the Child Day Care Center Regulations (continued)

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## ■ Director and Staff Qualifications and Training:

- **Increases the educational requirements for directors and requires management training for directors with less than six months supervisory experience; provides phase-in period**
- **Minimum pre-service training hours for lead teachers will gradually increase from 12 hours to 24 hours; three year phase-in period**
- **Minimum annual training will increase: for directors - from none to 16 hours; for staff - from eight hours to 16 hours; three year phase-in period**

# Key Changes to the Child Day Care Center Regulations (continued)

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- **Resilient Surfacing on Playgrounds**: instead of six inches of resilient surfacing, amount of resilient surfacing will vary depending on height of playground equipment, consistent with testing conducted by National Program for Playground Safety
- **Transportation**: one staff member in addition to the driver must be present when transporting 16 or more preschool or younger children

# Presentation Outline

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# Potential Impact of Revised Child Day Care Center Regulations

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- **The State has a responsibility to protect the welfare of Virginia's children**
  - **If children are not adequately cared for, there can be long-term detrimental effects for children and their families**
  - **Further, the State's economy is dependent on families in the workforce that are able to make acceptable child care arrangements**
  
- **In examining the potential impact of the recently revised regulations, JLARC staff first examined whether the changes may have a positive impact on children's well-being**

# Potential Impact on Children of Regulatory Changes

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- A growing body of academic research on early childhood development and child care arrangements appears to provide a reasonable basis for the overall direction of the Child Day-Care Council's proposed regulatory changes
- The general consensus in the research literature is that improvements in structural dimensions, such as child-staff ratios, group size, staff education, and square footage per child, reflect increasing child care quality, which subsequently has a positive impact on both short- and long-term child outcomes

# Potential Impact on Children of Regulatory Changes (continued)

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- **Positive child outcomes include: higher cognitive functioning and intellectual development, better language development, and better social development**
  - **For example, a 1999 study using data from the National Institute of Child Health and Human Services found that children in child care that met recommended standards have higher average school readiness scores, improved language comprehension, and fewer behavior problems**
  
- **Longitudinal research has found that high quality programs result in benefits accruing into adulthood**
  - **For example, results from the High/Scope Perry Preschool Project indicate that adults born into poverty who participated in a high-quality preschool program have “half as many criminal arrests, higher earnings and property wealth, and greater commitment to marriage.”**

# Potential Impact on Children of Regulatory Changes (continued)

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- Research has linked the amount of square feet per child to positive child development outcomes
- Generally, the research shows positive child outcomes, such as less disruptive behavior, when there is at least 35 square feet per child:
  - For example, a 1995 study found that increased space per child reduced the occurrence of conflicts and competition and instead promoted positive interactions between children

# Potential Impact on Children of Regulatory Changes Regarding Playgrounds

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- Over the past two decades several studies have concluded that the height of playground equipment and characteristics of surfacing materials are related to playground injuries
- The National Program for Playground Safety (NPPS) conducted tests of materials commonly used as resilient surfacing on playgrounds, and identified the minimum depth for each type of material that would be needed to prevent a life-threatening head injury
- The revised regulations follow the results of the NPPS testing, and therefore, would appear to have a positive impact on the health and safety of children

# Potential Impact on Children of Regulatory Changes

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- **There are also some limitations to the academic research:**
  - **None of the research reviewed by JLARC staff identifies the incremental impact on children from the specific changes proposed in the new regulations**
  - **There is no research that identifies the thresholds for various structural factors, below which additional positive child development outcomes do not accrue**

# Financial Impacts of Regulatory Changes

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- JLARC staff were able to estimate potential financial impacts on providers and parents of some of the more significant changes in the new regulations, in part, using data from a random sample of centers
- For some changes, the number of centers impacted could not be determined, but JLARC staff were able to estimate what the cost would be if a center were impacted
- Overall, there is likely to be a financial impact for some centers

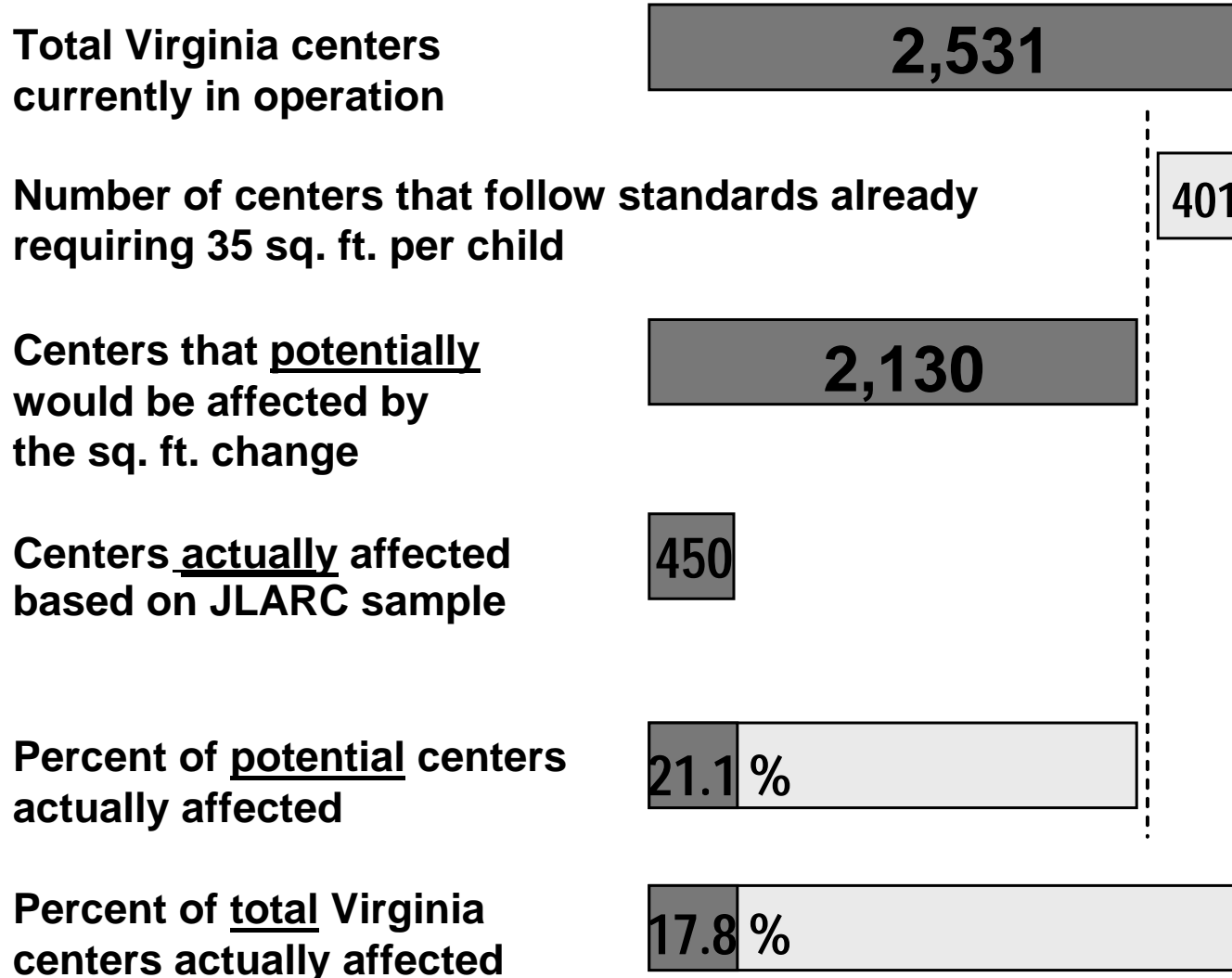
# Financial Impacts of Square Footage Change

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- **To determine the extent to which centers may be affected by the square footage change, JLARC staff collected data from DSS licensing files for a sample of 360 child care centers across the State**
  - **For each center in the sample, JLARC staff collected data on the square footage of each room in the center, total enrollment, and enrollment by age group**
  - **Based on the analysis, centers would be impacted if they have an enrollment that is more than the number of children they would be allowed to have under the new minimum 35 square foot rule**
  - **Data were weighted to proportionally represent the number of child care centers in each region of Virginia**

# Impact of Square Footage Change on Centers



# Estimated Percentage of Centers Impacted by Square Footage Change

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**Statewide: 17.8% of centers**

<b>Percent of Centers Impacted, by Region</b>	
<b>Southwest</b>	<b>21.6%</b>
<b>Richmond</b>	<b>23.0%</b>
<b>Newport News</b>	<b>25.6%</b>
<b>Virginia Beach</b>	<b>24.6%</b>
<b>Fairfax</b>	<b>11.2%</b>
<b>Warrenton</b>	<b>14.4%</b>
<b>Roanoke</b>	<b>15.7%</b>
<b>Shenandoah</b>	<b>11.0%</b>

<b>Percent of Centers Impacted, by Center Size</b>	
<b>Small</b>	<b>11.9%</b>
<b>Medium</b>	<b>18.4%</b>
<b>Large</b>	<b>25.8%</b>

# Impact of Square Footage Change

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- **On a broad level, centers have two options for addressing the reduction in capacity**
  - They can reduce enrollment or they can add square footage to their existing structure
  
- **To a large extent, a center's decision would be impacted by how many enrollment positions it would lose under the new rule:**
  - On average, centers affected by the square footage change may lose 14 enrollment slots
  - A center that would lose five positions would be less likely to build an addition than a center that would lose 25 slots
  
- **Physical limitations of the property may also dictate what actions a center may take**

# Impact of Square Footage Change on Revenues and Fees

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- JLARC staff calculated an estimated loss of revenue as a proportion of estimated total revenue for each center in the sample, based on DSS survey data on center tuition, enrollment levels, and the JLARC staff estimates of enrollment losses due to the new regulation
- The impact on provider revenues and parent fees can be viewed along a continuum
  - At one end, a center may absorb all of the revenue loss
  - At the other end, a center may eliminate any revenue loss by increasing the fees for the remaining children to a level that would equal its revenues prior to the enrollment loss

# Impact of Square Footage Change on Revenues and Fees for the 18 Percent of Centers Affected

	Effect If Center Absorbed Full Impact of Enrollment Loss		Effect If Families Absorbed Full Impact of Enrollment Loss at Centers
<b>Center Size:</b>	<b>Average Percentage Loss of Revenue for Providers that Are Impacted*</b>		<b>Average Weekly Fee Increase to Fully Recover Revenue Loss*</b> <b>Average Percent Fee Increase to Fully Recover Revenue Loss*</b>
<b>Small</b>	17.2%	⇐ OR ⇒	\$26.68      22.3%
<b>Medium</b>	19.4		28.51      24.7
<b>Large</b>	14.4		24.18      17.0

Note: Small centers have a licensed capacity of one to 50 children, medium centers have a licensed capacity of 51 to 100 children, and large centers have a licensed capacity of greater than 100 children.

\* Weighted estimates.

Sample N = 75

# **Impact of Square Foot Change on Revenues and Fees** (continued)

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- **Market conditions in a center's vicinity will have a bearing on what actions a center takes to manage the enrollment loss:**
  - **Since enrollments are impacted at only 18 percent of centers, the ability of those centers to increase fees and remain competitive with the other centers may be limited**
  
- **The feasibility of centers absorbing the full impact of the enrollment loss for substantially impacted centers is questionable:**
  - **Estimates of average center profit margins ranged from three to ten percent of revenues**
  
- **Therefore, some level of fee increase would be expected for substantially affected centers, but this scenario may only apply to a small portion of centers overall**

# Impact of Square Footage Change

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- In examining the option to build additional space, JLARC staff obtained typical costs for constructing a commercial child care building
  
- Average cost to construct a center varies by region:
  - Northern Virginia                      \$154 per sq. ft.
  - Richmond                                      \$140 per sq. ft.
  - Norfolk/Newport News              \$139 per sq. ft.
  - Roanoke    \$137 per sq. ft.
  
- ***Example:*** JLARC staff estimate that it would cost approximately \$140,000 to build a 1,000 square foot building in the Richmond area, which could hold approximately 26 children under the 35 square foot rule

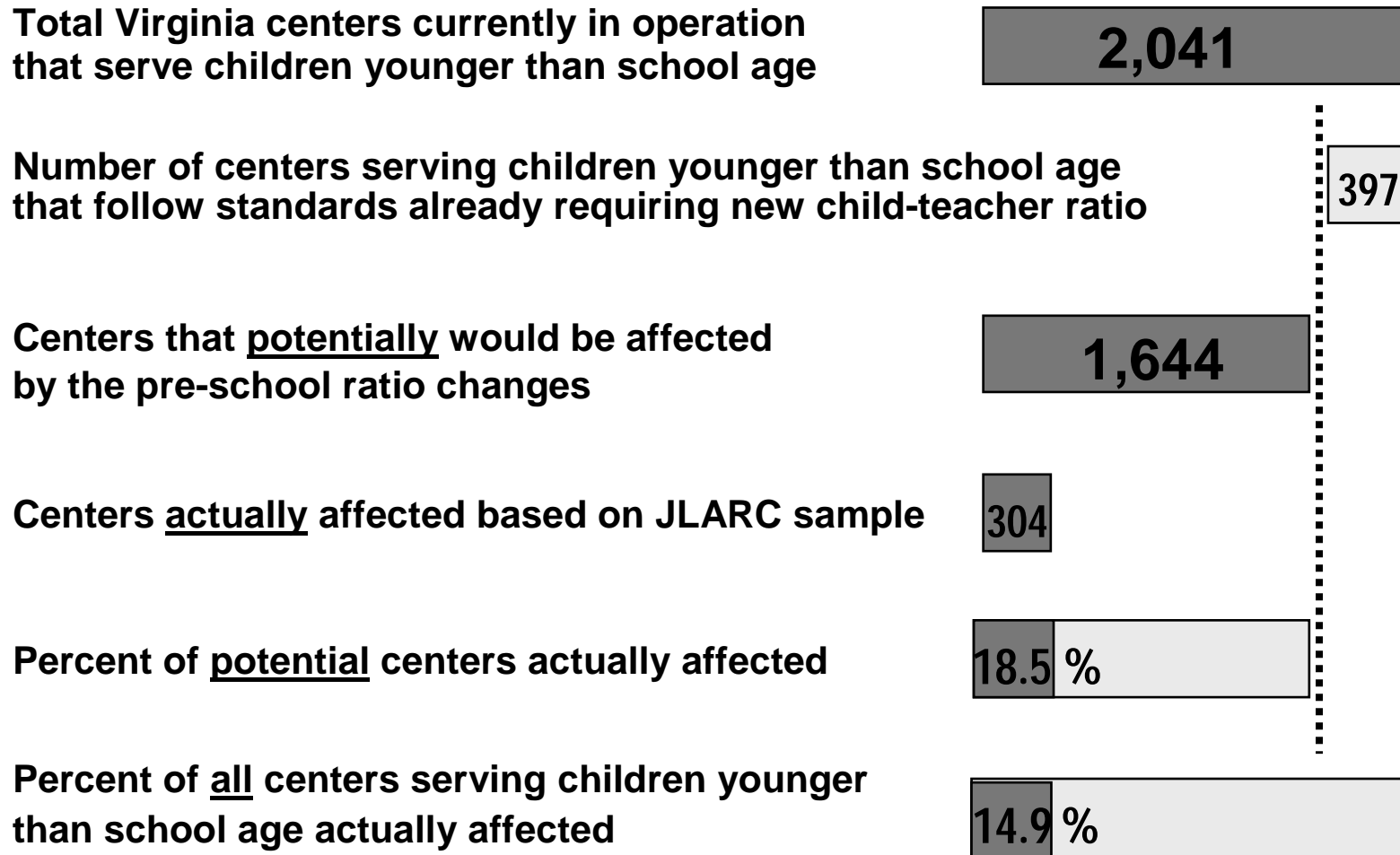
# Financial Impacts of Changes to Child-Staff Ratios

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- JLARC staff found that the changes to the child-staff ratios would have a lesser financial impact on centers and parents than the square footage change
- However, there would be an impact for some centers

# Impact of Changes to Child-Staff Ratios on Centers that Serve Children Younger than School Age



# Estimated Percentage of Centers Serving Children Younger than School Age Impacted by Changes in Child-Staff Ratios

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**Statewide:** 14.9% of centers serving children younger than school age

## Percent of Centers Impacted, by Region

Southwest	0%
Richmond	21.9%
Newport News	30.9%
Virginia Beach	11.2%
Fairfax	15.0%
Warrenton	17.9%
Roanoke	10.6%
Shenandoah	5.5%

## Percent of Centers Impacted, by Center Size

Small	5.7%
Medium	12.0%
Large	28.0%

# Impact of Changes to Child-Staff Ratios

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- Centers impacted by the ratio changes would lose an average of three enrollment positions
- An important limitation of this analysis is that it does not account for management decisions that might reallocate staff to minimize the impact
  - For example, if a center does not meet the ratio requirement for a class of four year olds but exceeds it for a class of five year olds, the center could choose to combine the different ages to comply with the ratios for both classes
- Alternatively, the center may determine that it is more cost-effective to hire additional staff and maintain or even increase current enrollment (space permitting)

# Impact of Child-Staff Ratio Changes on Revenues and Fees for the 15 Percent of Centers Affected

**Effect If Center Absorbed Full Impact of Enrollment Loss**

**Effect If Families Absorbed Full Impact of Enrollment Loss at Centers**

Center Size:	Average Percentage Loss of Revenue for Providers that Are <u>Impacted*</u>	⇐ OR ⇒	Average Weekly Fee Increase to Fully Recover Revenue Loss*	Average Percent Fee Increase to Fully Recover Revenue Loss*
	Small		5.9%	\$7.09
Medium	3.9		5.17	4.1
Large	2.3		3.17	2.3

Note: Small centers have a licensed capacity of one to 50 children, medium centers have a licensed capacity of 51 to 100 children, and large centers have a licensed capacity of greater than 100 children.

\* Weighted estimates.

Sample N = 42

# Impact of Playground Regulation Changes

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- **The potential impact of the revised playground regulations on providers will vary based on management decisions regarding two factors:**
  - (1) the type of surfacing material used by the center
  - (2) the height of its playground equipment
  
- **Based on the revised regulations, centers that use wood chips or sand on their playgrounds and that have playground equipment in which the unenclosed climbing portion is no taller than six feet will not be affected by the changes**

# Impact of Playground Regulation Changes (continued)

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- **To determine the potential financial impact for equipment not in compliance, JLARC staff developed an estimate of the cost to add surfacing materials in the fall zone of a typical piece of equipment:**
  - *A center that has a slide with a fall height of seven feet and uses wood chips as its resilient surfacing currently is required to have six inches of material under and around the slide. To comply with the revised regulations, the center must add three inches of resilient material to the fall zone. Based on cost estimates provided by playground surface manufacturers in Virginia, the estimated cost for three inches of wood chips is approximately \$1 to \$1.50 per square foot. Based on the dimensions of the fall zone, the center should expect to spend from \$364 to \$546 to bring this playground equipment into compliance with the new regulations. Maintenance costs would not increase above current requirements*

# **Impact of Playground Regulation Changes** (continued)

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- **Potential alternative costs to families should also be considered**
  - **When a child is injured, there are a number of costs that are incurred by the family, such as hospital bills and days of missed work**
- **A Virginia Department of Health study found that \$486,877 in hospital charges were expended on 103 individuals due to playground-related injuries in 2000**
- **A reduction in severe injuries on playgrounds could result in reduced medical costs for some families as well as reduced costs for insurance companies**
- **Also, reduced insurance claims against centers for playground injuries could result in lower liability insurance costs for centers**

# Impact of Changes in Staff Qualifications and Training

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- **The financial impact of the education and training requirements will vary by center, depending on the current staff qualifications and number of training hours that staff currently obtain**
  
- **For centers not currently meeting the revised standards, there are two types of costs that may be incurred in meeting the new requirements:**
  - (1) **the cost of the training or educational courses**
  - (2) **staff salary costs incurred for training obtained during normal business hours**

# **Impact of Changes in Staff Qualifications and Training** (continued)

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- **Increased minimum educational requirements for directors could result in costs incurred to complete college courses**
  - **For current directors without college-level education or a child development credential, the director will have to obtain a minimum of three semester hours of college credit per year, beginning three years after the effective date of the revised regulations**
  
- **The revised regulations also require additional training hours for new program leaders and for all center staff who work directly with children. The additional training hours will be phased in over a three-year period**

# Example of Potential Costs Incurred to Meet Revised Regulations

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- ***A center has a staff of 12 employees who work with children and typically hires or promotes two program leaders each year. The staff receive training equivalent to the current minimum training requirements. The center director has a high school diploma and needs three additional college courses to be fully qualified. Additional costs that may be incurred by the center to meet the new regulations during the first year would include the following: approximately \$208 for the director's college course work, \$120 for staff training, and \$223 for staff salary costs, for a total of \$551. (The director's course work will count toward the training hours required, and therefore would not be an added cost.) Compared to costs under the current regulations, the center could expect to pay the following additional costs after the third year: \$400 for staff training, including the director; \$60 for program leader training, and \$1,377 for staff and director salary costs, for a total of \$1,837***

# Sources of Assistance with Training

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- **At least two sources of funding can provide assistance with some training costs:**
  - **DSS offers a scholarship program in which it will pay the tuition for up to eight child-related community college courses per applicant**
  - **VOICES for Virginia's Children offers a scholarship that helps pay for an associate of arts degree in a child-related field. The program requires a ten percent match each from the student and the day care provider**
  
- **DSS is in the process of substantially increasing the number of training classes offered each year in order to meet the increased training demand**

# Impact of Changes in Transportation

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- Few centers provide routine transportation to children younger than school age
- When provided, centers often use 15-passenger vans, which would not be affected by the change
- The potential cost of adding a staff person on a bus for the few centers that may be impacted is an estimated \$16 per day, or \$4,320 per year
- Given this cost, some centers may decide to eliminate their transportation service for preschool or younger children

# Cumulative Impact of Regulatory Changes

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- JLARC staff were able to identify the extent to which centers would be impacted by both the ratio and square footage changes:
  - Enrollments at approximately 29 percent of centers may be impacted because of the square footage and/or the child-staff ratio changes, although a significant portion of these centers (46 percent) may lose five or fewer enrollment positions
- Of the three percent of centers that might be impacted by both the square footage and ratio changes, the impact is not cumulative – a loss in enrollment resulting from the square footage change would likely also result in compliance with the child-staff ratio change
- It cannot be determined which centers will be impacted by the playground, training, and transportation regulatory changes, so it is not possible to identify a cumulative cost impact from these proposed changes

# Conclusions

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- **The academic research on early childhood development and child care appears to support the Child Day-Care Council's conclusion that the proposed changes would improve the quality of care for Virginia's children**
- **The final regulations will have a financial impact on some centers, but the changes do not appear to impact centers enough to cause a significant decline in total capacity across the State, particularly given the current vacancy rates and growth in the day care industry during the 1990s**
- **Since centers have nine years to comply with the square footage standard, most children currently enrolled will not be affected**

# Conclusions (continued)

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- **If the regulations are approved in final form, there are steps that could assist providers and families affected by the changes:**
  - **The subsidy rates for infants, toddlers, and preschoolers provided through the Child Care and Development Fund on behalf of low income families have recently been increased, and should help defray some of the cost increases**
  - **Early childhood training opportunities offered by DSS could continue to be enhanced, with a particular focus on providing more advanced training for child care professionals**
  - **Day Care centers may wish to take greater advantage of the Virginia Small Business Financing Authority Child Day Care Financing Program, which provides loans of up to \$50,000 to centers**