

## **Department of Planning and Budget**

### **2019 Fiscal Impact Statement**

**1. Bill Number:** HB2458-H1

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Landes

**3. Committee:** Finance

**4. Title:** Early childhood care and education; licensing.

**5. Summary:** Requires the Board of Education to establish a statewide unified public-private system for early childhood care and education in the Commonwealth to be administered by the Board of Education, the Superintendent of Public Instruction, and the Department of Education. The bill transfers the authority to license and regulate child day programs and other early child care agencies from the Board of Social Services and Department of Social Services to the Board of Education and the Department of Education. The bill maintains current licensure, background check, and other requirements of such programs. The bill establishes the Early Childhood Innovation Fund for the purpose of facilitating regional public-private collaboration and to field test innovative strategies and evidence-based practices that support a robust system of comprehensive early childhood care and education services to deliver measurable school readiness outcomes and meet regional workforce support needs. Such provisions of the bill have a delayed effective date of July 1, 2021. The bill requires the Superintendent of Public Instruction to establish a plan for implementing the statewide unified early childhood care and education system and requires the Department of Social Services and the Department of Education to enter into a cooperative agreement to coordinate the transition. The bill provides that, beginning July 1, 2021, the Department of Education will be the lead agency for the administration of the Child Care and Development Block Grant and the Head Start Collaboration Office. Finally, the bill requires the Board of Education and the Board of Social Services to promulgate regulations to implement the provisions of the bill to become effective on July 1, 2021.

The substitute bill makes changes to the design of the early childhood care and education system proposed in HB2458, clarifies who shall serve on the advisory committee and requires the Superintendent of Public Instruction to review and consider recommendations in the report “Improving Virginia’s Early Childhood Development Programs,” by the Joint Legislative Audit and Review Committee during the establishment of his implementation plan.

**6. Budget Amendment Necessary:** See Item 8.

**7. Fiscal Impact Estimates:** Preliminary. See Item 8.

- 8. Fiscal Implications:** The major fiscal implications of this legislation are: (1) the transfer of lead agency status for the Child Care and Development Block Grant, more commonly referred to as Child Care and Development Fund (CCDF), from the Department of Social Services (DSS) to the Department of Education (DOE); and (2) the transfer of the authority to license and regulate child day programs and other child care agencies from DSS to DOE. An enactment clause on the bill makes both of these provisions effective July 1, 2021.

This analysis is preliminary, as the fiscal impact of this legislation cannot be finalized until DOE and DSS develop a plan to facilitate the above transfers. The plan shall be presented by the Superintendent of Public Instruction to the Chairmen of the House Committees on Appropriations, Education, and Health, Welfare and Institutions and the Senate Committees on Education and Health, Finance, Rehabilitative and Social Services by October 1, 2019. An update of the plan shall be presented by October 1, 2020.

In federal fiscal year (FFY) 2018, the U.S. Administration for Children and Families awarded DSS, as lead state agency, a total of \$161.5 million in federal CCDF funds. DSS currently uses these funds to support the payment of child care subsidies for low-income families, child care quality activities, licensing, local staff and operations, and state administration, including information technology services.

The impact to the ongoing operations of the Department of Social Services will need to be assessed as it relates to the transfer of lead agency status from DSS to DOE. Duties such as those of the staff in local departments of social services (LDSS) that determine eligibility for child care services and the use of local matching funds to meet CCDF maintenance of effort requirements will have to be considered and addressed as the implementation plan is developed. Accordingly, the resulting financial impacts cannot be determined at this time. Other impacts that will need to be considered include the loss of funding for administrative support DSS currently receives from federal funds that will be transferred to DOE. Currently, DSS relies on CCDF grant funds for allowable administrative activities to provide \$3.2 million of discretionary funds that do not require a state match to fund the allocated cost of agency-wide administration for activities such as general management, finance, human resources, information technology (VaCMS) and general services associated with support of the grant. The loss of these funds will have to be assessed against DSS's ability to reduce its overhead costs. Likewise, DOE will need to assess the impact to its overhead costs as it assumes the responsibilities associated the programs and grants that will be transferred.

The implementation plan must also consider the information systems that support the licensing functions at DSS and how they can be transferred or recreated at DOE. The DSS Division of Licensing Programs (DOLP) includes 200 full-time equivalent (FTE) positions and licenses and regulates over 7,000 adult and child facilities. Currently, 65 positions are assigned to adult licensing only, 130 positions are assigned to child licensing only, and five positions are shared between child and adult inspections and would need to remain at DSS. DOLP is supported by one automated information system, DOLPHIN. Currently, the total cost of licensing inspectors, the DOLPHIN information system, administration and management in DOLP is allocated based on the percentage of adult facility inspections and child facility inspections. The allocated cost of child care facility inspections is funded by CCDF grant funds and the allocated cost of adult facilities is funded by federal Social Services Block Grant (SSBG) and general fund dollars.

The implementation plan will need to address the continuation of these functions and the allocation of costs if the current system can be shared by DOE and DSS or how separate licensing systems would need to be supported. There may be additional costs incurred by DOE to develop a new licensing system and a new case management system for the Child Care Subsidy Program, if new systems are determined to be needed by the implementation plan.

The Department of Education is still examining this bill's impacts and may determine that additional funding may be needed prior to July 1, 2021, in order to facilitate the transition of programs and services required by this bill. DOE will need to assess its ability to support the assumption of responsibilities that previously were performed by DSS. The estimated cost of other affected areas, such as office space, nonpersonal services, and information systems, cannot be identified until an implementation plan is finalized. DOE will have to consider the functions it must create and examine the funds available in order to determine its resource needs.

The Office of the Attorney General has indicated that it will need one additional full time attorney to address the Department of Education's expanded legal needs resulting from this legislation. The annual cost for salary, benefits and non-personal services for this person is \$181,700, starting in FY 2020.

**9. Specific Agency or Political Subdivisions Affected:** Department of Social Services;  
Department of Education

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.