

## **Department of Planning and Budget**

### **2020 Fiscal Impact Statement**

**1. Bill Number:** SB578

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

**2. Patron:** Howell

**3. Committee:** Passed both houses

**4. Title:** Early childhood care and education; establishment of system, definitions, licensure.

**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 Department of Education. The bill maintains current licensure, background check, and other requirements of such programs. 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 also requires the Board of Education to establish, no later than July 1, 2021, a uniform quality rating and improvement system designed to provide parents and families with information about the quality and availability of certain publicly funded early childhood care and education providers and to publish the initial quality ratings under such system in the fall of 2023.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Final. 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 (CCDBG), 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.

In federal fiscal year (FFY) 2019, the U.S. Administration for Children and Families awarded DSS, as lead state agency, a total of \$162.8 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. These federal CCDF grant funds as well as the Head Start State Collaborative Grant (\$175,000) would be awarded to DOE upon the transfer of lead agency status.

Currently, DSS relies on the CCDF grant to fund the allocated cost of agency-wide administration of activities such as general management, finance, human resources, information technology (Virginia Case Management System) and general services associated with support of the grant. The Governor's introduced budget included an additional \$3,055,524 general fund appropriation for DSS beginning in FY 2022 to cover the estimated cost of these administrative and overhead functions. A Conference budget amendment supplants this general fund appropriation with nongeneral fund appropriation from the CCDF grant, to be transferred from DOE to DSS.

The legislation requires the Superintendent of Public Instruction to convene a work group to develop and establish a plan for implementing a statewide unified early childhood care and education system. The legislation also requires DSS and DOE to enter into a cooperative agreement to coordinate the transition of CCDF lead agency from DSS to DOE. It is expected that DSS would continue to administer the CCDF subsidy program and local departments of social services would continue to determine eligibility for childcare services. As a result, it is assumed that DOE would contract with DSS for these functions. The use of local matching funds to meet CCDF maintenance of effort and matching requirements will be addressed in the cooperative agreement. The legislation requires the cooperative agreement to be cost effective and not interrupt the provision of state services or have undue impact on the operation or function of either agency.

With the passage of this legislation, DSS's Division of Licensing Programs would no longer be responsible for regulating child day programs and will no longer receive licensing fees from programs applying for licensure. By transferring DSS licensing authority of child day programs from DSS to DOE, this legislation would be transferring the service population of state-regulated child day programs plus child care programs and providers receiving services to improve the quality and availability of child care to DOE. DSS would still be responsible for the licensing of adult day care centers, child welfare homes, and assisted living facilities.

One-hundred fifty (150) DSS positions will be transferred from DSS to DOE for child licensing and CCDF quality functions. The Governor's introduced budget allocates an additional \$2,130,394 general fund appropriation and eight positions to DSS for adult and child welfare licensing functions each year beginning in FY 2022 to enable DSS's licensing division to continue to carry out these responsibilities.

In addition, the Governor's introduced budget includes an additional \$400,000 general fund appropriation in FY 2021 to support the transfer of positions from DSS to DOE. This

amount reflects the estimated costs to build out new office space at DOE to accommodate the additional staff that will be transferred to DOE and to move staff from DSS to DOE. DOE will need additional administrative staff to support the positions and functions transferred from DSS to DOE. DOE anticipates that these additional administrative positions can be supported with federal CCDF funds, which will be confirmed as part of the transition plan due August 2020.

The DSS Division of Licensing Programs currently is supported by one automated information system, DOLPHIN. Currently, the cost of the licensing information system is allocated by DSS based on the percentage of adult facility inspections and child facility inspections. Funding was included in the Governor's budget to develop and implement a new licensing system that would support both DSS and DOE.

The transfer of CCDF and child care licensing from DSS to DOE likely will require some type of transfer of small information systems which will be defined in the cooperative agreement. It is anticipated that the following systems would transfer to DOE:

- Scholarship program system
- Virginia Quality (quality rating and improvement system) system
- Impact Registry system

Until the cooperative agreement between DSS and DOE is finalized, this fiscal impact analysis should be considered preliminary.

**9. Specific Agency or Political Subdivisions Affected:** Department of Social Services, Department of Education, Secretary of Education, Secretary of Health and Human Resources, Department of Planning and Budget, Office of the Attorney General, Board of Education, House Committee on Appropriations, Senate Committee on Finance and Appropriations, local departments of social services, local school divisions

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None