

## Department of Planning and Budget 2024 Session Fiscal Impact Statement

**1. Bill Number:** HB419H1

**House of Origin**    ☐ Introduced    ☒ Substitute    ☒ Engrossed  
**Second House**    ☒ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Bulova

**3. Committee:** Education and Health

**4. Title:** Early childhood care and education system; publicly funded providers, funding formula.

**5. Summary:** Requires the Department of Education to (i) annually project and report the state general funds needed for the upcoming two fiscal years, based on a cost of quality rate per child, in order to maintain the current number of slots, increase the number of slots using a growth rate differential based on enrollment and parent demand growth in prior biennia, and increase the number of slots to fully accommodate parent demand and eliminate waitlists at early childhood care and education sites; (ii) administer an early childhood educator incentive program to be known as RecognizeB5 whereby a monetary incentive is provided to teachers who work directly with children for at least 30 hours per week at early childhood care and education sites that participate in the uniform measurement and improvement system known as VQB5, with the exception of teachers who are employed by local school boards; and (iii) administer and make distributions, for the purpose of providing certain early childhood care and education services, from the Early Childhood Care and Education Fund established in the bill, to which all balances of state general funds intended for the provision of services to families at early childhood care and education sites that are unspent at the end of each fiscal year are required to be credited instead of reverting to the general fund.

**6. Budget Amendment Necessary:** Yes, language amendments and nongeneral fund appropriation in Item 117, Item 124, and Item 125.

**7. Fiscal Impact Estimates:** Preliminary, see item 8.

**8. Fiscal Implications:** The bill requires that state general funds to support the provision of services to families at early childhood care and education sites shall be provided as specified in the appropriation act. The Governor's introduced budget for the 2024-2026 biennium, HB/SB 30, 2024 General Assembly Session, includes funding for these services, therefore no budget amendment is required to meet this provision.

This bill requires DOE to each year report to the Governor and General Assembly the projected general funds needed for the upcoming two fiscal years to: (i) maintain the current number of early childhood care education slot; (ii) increase the number of slots using a growth rate differential based on enrollment and (iii) increase the number of slots to fully

accommodate parents demand and eliminate waitlist. DOE can absorb any costs to develop these cost projections.

The bill also requires publicly funded providers to report on the number of slots needed for certain early childhood care and education programs. Based on this, DOE is directed to reallocate slots with available funding by July 1 and again after the fall enrollment period. A budget language amendment would be required allowing funds appropriated for a specific program to be reallocated to other programs.

The bill establishes an early childhood educator and incentive program to be administered by DOE, known as RecognizeB5. HB/SB 30 provides \$10 million general fund in FY25 and \$10 million general fund in FY26 for RecognizeB5. The bill also requires that DOE submit to the General Assembly a report on the usage and impact of the program and any plans to phase out or otherwise transition the program. DOE can absorb any costs to report on the program.

The bill establishes a new non-general fund to be known as the Early Childhood Care and Education Fund. The bill directs that all balances of state general funds intended for the provision of services to families at early childhood care and education sites that are unspent at the end of each fiscal year shall be paid into the Fund. A budget language amendment may be necessary directing that general fund be deposited into the Fund. At this time, it is not possible to estimate what amounts be deposited into the Fund. An amendment appropriating these funds to be used on early childhood services may be required.

**9. Specific Agency or Political Subdivisions Affected:** Department of Education, local school divisions

**10. Technical Amendment Necessary:** No

**11. Other Comments:** This bill is similar to SB54.