

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: SB54

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

2. Patron: Locke

3. Committee: Finance and Appropriations

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

5. Summary: Requires the Department of Education to (i) establish and maintain a funding formula for the provision of state general funds that support the provision of services to families at early childhood care and education sites that establishes the minimum funding and number of slots per biennium based on a cost of quality rate per child, actual data from the prior year, unserved waitlists, and a growth rate differential based on enrollment and parent demand growth in prior biennia; (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, Item 117, Item 124 and Item 125.

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

8. Fiscal Implications: The Governor's introduced budget for the 2024-2026 biennium, HB/SB 30, 2024 General Assembly Session, provides several sources of funding and new administrative and budgeting requirements for the state's publicly funded early childhood care and education programs. General fund appropriation is provided under the Department of Education (DOE) for the Child Care Subsidy Program (CCSP) and under Direct Aid to Public Education for the Mixed Delivery Program and the Virginia Preschool Initiative (VPI).

This bill requires DOE to determine minimum funding and slots needed for publicly funded early childhood care and education using a formula based on several factors and requires state

general fund appropriation to support this formula. Most of these factors were already used by DOE to determine the funding provided in HB/SB30 based on the Governor's proposed amendments for these programs in Items 117, 124, and 125. The factors required by this bill that were not accounted for in the HB/SB 30 calculations for early childhood care and education programs are: 1) using a growth rate differential based on growth in prior biennia, and 2) eliminating copays for families whose income is at or below 200 percent of the federal poverty level.

In HB/SB 30, the VPI and Mixed Delivery appropriations assume growth, but the CCSP appropriation is intended to maintain current service levels. The impact of reflecting additional growth in the formula would depend on the growth rate used. The actual year-over-year growth rate in the last biennium was six percent. Using a six percent growth rate, DOE estimates an additional state cost of \$69.2 million general fund in FY25 and \$85.2 million general fund in FY26. If a lower capped growth rate is applied, then the additional cost would be less. Additionally, in HB/SB 30, the CCSP and Mixed Delivery appropriations assume copays for families at or below 200 percent of the federal poverty level; no copays are assumed for VPI. DOE estimates that the additional state cost to eliminate copays under CCSP and Mixed Delivery for families at or below 200 percent of the federal poverty level is \$21.7 million general fund in FY25 and \$22.6 million general fund in FY26. The total estimated additional state cost to support the requirements of this bill is \$91 million general fund in FY25 and \$108 million general fund in FY26. Any balances from the VPI appropriation at the end of each fiscal year that are deposited to the Early Childhood Care and Education Fund may reduce the additional state cost in future biennia.

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. DOE estimates that in order to serve all eligible teachers through RecognizeB5, based on the FY24 projections, there would be an additional state cost of approximately \$31 million general fund each year.

Additional language changes would be needed in Items 117, 124, and 125 to ensure that the requirements of this bill are reflected in the budget language that lays out requirements for each program, that the process for DOE to calculate the minimum funding needed in each program is communicated to the Department of Planning and Budget in order to be included in the Governor's budget, and that funding can be transferred between early childhood programs throughout the year in order to make the adjustments during fall enrollment as required by the bill and at year end.

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

10. Technical Amendment Necessary: No

11. Other Comments: This bill is identical to HB419.