

This bill establishes a new non general Early Childhood Care and Education Fund for the purpose of supporting the provision of early childhood care and education services. If it is the intention of this bill that all state funds

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State Fiscal Impact Statement

provided for early childhood services shall be deposited into this fund, budget language would be necessary in Item 125.10 to direct that deposit.

The bill directs that funds shall be used to support the provision of early childhood services using a funding formula that establishes the minimum funding and number of slots per biennia based on a cost of quality rate per child, actual data from the prior year, unserved waitlists, and a multiplier based on enrollment and parent demand growth in prior biennia. The bill also requires that the formula include an estimate of the number of slots to be added to support local or regional economic development efforts and public-private partnerships focused on increasing the supply of child care services. The Department of Education (DOE) can absorb any impact to develop this funding formula.

Funding additional slots or higher rates for early childhood services would require additional state funding to be provided for these services under Direct Aid to Public Education in future years. Any actual impact would depend on the formula that is established by DOE, including the demand growth multiplier, and recalculated each biennium based on updated data.

There are currently estimates available from DOE on the costs to cover certain expansions of early childhood services in FY26 that could be a part of the formula required by this bill based on DOE projections in the 2025 Annual Report on Early Childhood Care and Education Scenarios published January 2025. DOE estimates that to fully eliminate waitlists and accommodate parent demand across state funded early childhood programs for birth to five children only would require an additional \$7,850,499 general fund in FY26. To fully eliminate birth to five waitlists, accommodate parent demand for birth to five children, and sustain school age children enrollment would require at a minimum \$110,539,179 additional general fund in FY26. DOE notes that these assumptions include the current rate for all programs and do not account for the proposed policy changes included in HB1600/SB800, such as increasing parental copayments, limiting job search, strengthening attendance, and freezing school age participation in the Child Care Subsidy Program; therefore, the additional state cost may be less if changes are adopted. DOE estimates that to fund based on an updated cost-of-quality rate and eliminate wait lists for birth to five and school age enrollment, an additional \$326,413,172 general fund would be required in FY26. The updated cost-of-quality model would calibrate salary assumptions to the most recent DOE salary data for K-12 educators and revise data sources for non-personnel costs based on recommendations from national experts. DOE does not have data on which to base a fiscal impact estimate for the slots required to support local or regional economic development efforts and public-private partnerships; however, incorporating this data into a formula would increase the estimated total of state general fund needed to comply with the legislation. For the purpose of this fiscal impact statement, this estimated general fund impact is reflected in FY27; however, as noted above, the actual cost in future biennia would depend on the formula that is established by DOE, including the demand growth multiplier, and recalculated each biennium based on updated data.

Additional information on Early Childhood Care and Education cost scenarios and calculations can be found in DOE's January 2025 Annual Report on Early Childhood Care and Education Scenarios, which can be found on the Reports to the General Assembly website.

Other: This bill is similar to SB756.