Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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Bill Number: HB1366 S1 **Patron:** Callsen

Bill Title: Local boards & departments; DSS to create corrective action plans & assumption of temporary control.

Bill Summary: As substituted by the Senate, amends several provisions of the Code of Virginia related to the provision of child welfare services.

The bill authorizes the Commissioner of the Department of Social Services (DSS) to provide supportive assistance to any local department of social services (LDSS) upon request and authorizes the issuance of a corrective action plan (CAP) for any local board or LDSS that (i) fails to administer public assistance programs, social services programs, and/or child welfare programs in accordance with applicable laws and regulations or (ii) takes any action or fails to act in a manner that poses a substantial risk to the health, safety, or well-being of a child or adult. Under current law, the Commissioner only has the authority to issue CAPs to a local board or LDSS as it relates to the provision of foster care services. If a local board or LDSS fails to timely comply with a CAP, the bill authorizes the Commissioner to temporarily withhold state funds otherwise appropriated for the locality's use until compliance is observed. The substitute bill directs the provisions of the bill related to the issuance of CAPs to take effect on July 1, 2026 and requires the State Board of Social Services to promulgate associated regulations.

The bill requires the state Child Protective Services (CPS) Unit to establish and maintain a centralized 24/7 hotline capable of receiving reports and complaints of child abuse and neglect, to assess each complaint, and determine the validity of each report and complaint. For any valid complaints, DSS is required to notify the LDSS of jurisdiction and determine whether the LDSS shall conduct an investigation or family assessment pursuant to existing statute. The bill requires LDSS who receive reports or complaints of abuse and neglect to immediately forward such complaints to the DSS hotline. The bill makes technical updates to existing Code language related to CPS reporting mechanisms to require the use of the DSS hotline. The substitute bill requires that the provisions related to the use of a centralized hotline model for reports of child abuse and neglect be reenacted by the General Assembly at a subsequent regular or special session prior to taking effect.

The bill directs the State Board of Social Services to promulgate regulations requiring that LDSS (i) respond to valid reports and complaints alleging suspected abuse or neglect of a child under the age of three within 24 hours of receiving such reports or complaints and (ii) determine the validity of complaints alleging suspected abuse or neglect of children under the age of three and children under the age of 18 with disabilities, as that term is defined in relevant law.

The bill finally requires the development of two work groups; the bill's eighth enactment requires DSS to contract with a third party to conduct a comprehensive study and review of the screening process used for CPS complaints across Virginia, and to convene a work group of relevant stakeholders (defined in the bill) to evaluate such recommendations. DSS is required to report on best practices and any recommendations from the study and work group to the Governor and select committees of the General Assembly by December 1, 2026. The bill's ninth enactment requires the Secretary of Health and Human Resources (OSHHR) to convene a Social Services Task Force consisting of relevant stakeholders (defined in the bill) to address changes needed with DSS and LDSS related to the eligibility and administration of state-administered benefit programs. DSS is required to contract with a third party to review the current funding sources for such benefits and associated methodology. OSHHR is required to report on Task Force recommendations and any plans for implementation by November 1, 2026.

Budget Amendment Necessary: No **Items Impacted:** Item 333

Explanation: Although this legislation is expected to result in a significant fiscal impact for the Department of Social Services, general fund appropriation, nongeneral fund appropriation, and positions addressing the provisions of this bill were provided in the introduced budget. Therefore, no budget amendment is necessary.

Fiscal Summary: The substitute legislation will require additional positions and general and nongeneral fund expenditures on the part of the Department of Social Services (DSS). The impacts in the table below are offset by appropriation provided in the proposed budget that addresses the provisions of the bill (Item 333).

The table does not address fiscal impacts for any provisions of the bill subject to reenactment. Any potential impacts associated with the removal of certain provisions in the initial bill via the substitute bill are indeterminate. See fiscal analysis for additional information.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DSS (765) Corrective Action Plans	-	$656,842	$2,696,234	$2,696,234	$2,696,234	$2,696,234
DSS (765) Priority Response	-	$212,046	$212,046	$212,046	$212,046	$212,046
DSS (765) Work Groups	-	$1,000,000	-	-	-	-
TOTAL	**-**	**$1,868,888**	**$2,908,280**	**$2,908,280**	**$2,908,280**	**$2,908,280**

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DSS (765) Corrective Action Plans	-	$218,946	$898,744	$898,744	$898,744	$898,744
DSS (765) Work Groups	-	$1,000,000	-	-	-	-
TOTAL	**-**	**$1,218,946**	**$898,744**	**$898,744**	**$898,744**	**$898,744**

Position Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DSS (765) Corrective Action Plans	-	6.0	26.0	26.0	26.0	26.0
TOTAL	**-**	**6.0**	**26.0**	**26.0**	**26.0**	**26.0**

Fiscal Analysis: As substituted, this bill proposes multiple interventions related to the provision of child welfare services that are discussed in detail below. The fiscal impacts for corrective action plans and priority response outlined in the following analysis are reflective of estimates provided by the Department of Social Services (DSS) that were included in the introduced budget.

State Oversight Mechanisms and Issuance of Corrective Action Plans (CAPs)

The bill authorizes the DSS Commissioner to issue CAPs to local boards of social services and LDSS that fail to adequately administer public assistance, social services, and/or child welfare programs. While the Commissioner is currently able to issue CAPs for local boards or LDSS that fail to adequately administer foster care services, DSS anticipates that expanding state oversight of local boards or LDSS as it relates to the provision of public assistance, social services, and/or child welfare services will create new responsibilities for state program staff that cannot be absorbed as part of existing resources. DSS maintains that the creation of an internal state oversight division will be the most effective way to focus and coordinate the development and issuance of CAPs, as well as any related monitoring responsibilities and supportive assistance services.

DSS estimates that the new state oversight division will require a total of 26 new full-time (FTE) positions with the following responsibilities:

- 1 Assistant Director
- 5 Program Administrators
- 2 Supervisors
- 18 Program Analysts

The costs to fully staff this division are estimated at $875,788 ($656,842 general fund (GF)/$218,946 nongeneral fund (NGF)) in FY 2027 and $3,594,978 ($2,696,234 GF/$898,744 NGF) in FY 2028 and each year thereafter. The cost estimate assumes that the assistant director and program administrator positions (six total positions) would be hired in FY 2027 to establish agency protocols and workflows around state oversight mechanisms and associated interventions. The supervisor and program analyst positions (20 total positions) would be hired in FY 2028 to execute the established workflows, provide assistance to local boards and LDSS, and monitor ongoing compliance with CAPs. The costs for all positions are inclusive of salary, benefits, and non-personnel operating costs (supplies, equipment, and travel). The FY 2027 position costs also include one-time onboarding costs (estimated at $5,163 per position for six FTEs) associated with the establishment of the new division.

The substitute bill removes provisions requiring localities to pay the local share of any costs incurred for services that are intended to align the locality's public assistance services, social services, and/or child welfare services with state and federal laws and regulations. It is possible that the removal of this provision would increase costs borne by the state for such services; however, the annual number of instances in which such services may be required and the scope of such services are unknown at this time. Accordingly, any fiscal impacts associated with the removal of these provisions are indeterminate.

Priority Response for Children Under Three

The substitute bill continues to direct that new regulations be promulgated requiring that LDSS respond to valid reports or complaints of child abuse or neglect involving a child under the age of three within 24 hours of receiving such report or complaint. Under current law, LDSS are required to respond to valid reports or complaints of child abuse or neglect within 24 hours if the report or complaint involves a child under the age of two.

In FY 2024, LDSS received a cumulative total of 10,591 valid referrals of alleged abuse or neglect involving a child under the age of three. Of these, 6,378 referrals were categorized as Response Priority 1 under the state differential response system, which already requires a 24-hour response time. Additionally, 4,125 valid referrals were received outside of traditional business hours. The overlap of referrals that were both Response Priority 1 and received after hours totaled 2,728. Consequently, 1,397 referrals (4,125 referrals received after hours minus 2,728 referrals received after hours and Response Priority 1) would now necessitate a 24-hour response from LDSS. The increase in workload created by this legislation is expected to require additional compensation for overtime hours worked.

Each of the 1,397 new referrals is expected to require around three hours of after-hours CPS response. The average overtime compensation rate is $47 per hour plus FICA taxes, which are estimated at nearly 1.08%. This results in an estimated cost increase of $212,046 GF beginning in FY 2027 and continuing each year thereafter.

Work Groups

The substitute bill requires DSS to contract with third parties for two studies, one of which shall study and review the screening process used for child protective services complaints across Virginia and one of which shall review the current funding sources and methodology for state-administered benefits and associated administrative costs. Reports on each study, associated recommendations, and any implementation thereof are due to the General Assembly and/or the Governor by December 1, 2026, and November 1, 2026, respectively. Based on prior agency study costs, DSS anticipates that the cost to contract with one or more consultancies who can execute the studies at the required scope will be at least $2.0 million ($1.0 million GF/ $1.0 million NGF).

It is expected that any potential impacts associated with convening work group meetings for the Social Services Task Force and/or the evaluative work group for the child protective services study can be absorbed by DSS and/or the Secretary of Health and Human Resources.

Centralized Hotline for Child Abuse and Neglect Reports

The substitute bill establishes a new organizational structure within DSS to coordinate statewide intake and determine validity for all child abuse and neglect reports that are submitted through a centralized hotline system. It is unclear whether the hotline system established by the substitute bill is intended to be synonymous with or an extension of the existing state Child Protective Services 24/7 toll-free hotline. Pursuant to the substitute bill, any costs to support the centralized hotline system are subject to available appropriation upon reenactment of certain provisions by the General Assembly at a future regular or special session.

Other Possible Costs

This bill requires the Board of Social Services to amend and/or promulgate regulations to reflect the provisions of this bill, including the requirement for LDSS to respond to valid reports and complaints involving children under the age of three within 24 hours of receiving such report or complaint. It is expected that any workload or cost impacts associated with amending or promulgating regulations are minimal and can be absorbed within existing resources.

DSS maintains that the provisions of the bill's third enactment would require LDSS to respond to valid reports and complaints of child abuse or neglect involving a child under the age of 18 with disabilities within 24 hours. However, the provisions of the bill appear to distinguish between the promulgation of regulations requiring LDSS to respond to reports or complaints of child abuse or neglect involving children under the age of three within 24 hours and the promulgation of regulations requiring LDSS to determine the validity of reports or complaints of child abuse or neglect involving a child under the age of three or a child under the age of 18 with disabilities. Should the bill text be understood to include children with disabilities as part of the population requiring a 24-hour response, there will be additional costs to LDSS associated with compensation for overtime hours worked that are not currently included in the cost estimates represented in the introduced budget. Such costs are not currently included in the fiscal impact table but may be included upon additional clarification.

Other: As amended by the Senate, HB1366 is similar to portions of SB640 and HB1490.