

Summary Discussion - HB 627

Bill Motivation:

[HB 627](#) would act as an incentive to recruit and retain early childhood care and education (ECCE) employees as the ECCE sector experiences ongoing staffing challenges that impact the availability of services for children and families.

Bill Intention:

HB 627 would enable ECCE employees to be eligible for free child care under the Child Care Subsidy Program (CCSP), regardless of their household income. While many ECCE employees receive low wages, they may be a part of a household that earns more than is allowable yet they cannot afford child care. Often, they opt out of the workforce as their entire paycheck would have to go toward child care. In addition, in higher cost-of-living parts of the Commonwealth, ECCE employees' income may be just above the CCSP income requirements, but they still cannot afford to pay for child care.

Bill History:

HB 627, introduced by Delegate Elizabeth Bennett-Parker in the 2024 General Assembly, was considered by the House Appropriations Subcommittee on Elementary and Secondary Education Committee and recommended (voice vote) to be continued to the 2025 session and referred to the ECCE Commission for further consideration.

Context and Background:

As proposed in HB 627, ECCE employees who exceed household income eligibility for the Child Care and Development Fund (CCDF) in accordance with Federal requirements from the U.S. Department of Health and Human Services, would still need to meet other eligibility criteria. The ECCE employee must:

- have a dependent child that meets CCSP eligibility and
- work directly with children at a publicly funded child care program for at least 30 hours per week. Publicly funded programs include those that participate in CCSP, Mixed Delivery, Head Start/Early Head Start, Early Childhood Special Education, and the Virginia Preschool Initiative
 - However, HB 627 specifies that ECCE employees are not eligible if they are employed by a local school division.

Child care would be of no cost to eligible ECCE employees and they would not be required to provide a copayment.

Also known in research and other states as an example of “**Categorical Eligibility**,” this idea/innovation is rising in popularity across the U.S. After Kentucky rolled out their categorical eligibility program to ECCE employees in 2022, eight states have begun to follow suit. In Kentucky, one key problem heightened during the pandemic was the loss of ECCE teachers to retail and hospitality fields, paying about \$2 more an hour. With less stress as well as higher pay, many in the field felt that leaving the early childhood workforce was a better option.

Kentucky pursued this [categorical eligibility](#) as a solution to the workforce shortage, naming ECCE employees in Kentucky under their “protected populations” to exclude ECCE employees from income requirements for their childcare subsidy program known as the Kentucky Child Care Assistance Program (CCAP). Kentucky’s program extends categorical eligibility to not only ECCE teachers, but also cooks, janitors and other staff members. This eligibility provided a strong incentive to combat the childcare staffing crisis by offering ECCE employees a more robust benefits package, when wages were low.

While Kentucky found that many ECCE employees were already eligible for CCAP, participation in the program increased once ECCE programs and directors began promoting the benefit. The overall effect on the workforce is still being [studied](#), but so far, 3,200 ECCE employees and 5,600 children are now benefiting from the program in Kentucky.

Considerations:

Funding/Cost

- Fiscal implications from HB627 were noted as follows: ***The Department of Education (DOE) estimates that approximately 3,600 additional children that are currently ineligible for CCSP would become eligible as a result of this bill. This estimate is based on existing DOE data of teachers in publicly funded early childhood care and education providers and an assumption of 1.7 children per teacher. Based on early childhood workforce survey data, DOE estimates that of the newly eligible children, about 2,100 are currently ineligible under state regulations but would be eligible under the federal CCSP program requirements based on income and could be supported by federal CCDF funds at an estimated cost of approximately \$19.7 million per year. Approximately 1,500 children would be federally ineligible and would be required to be supported by state general funds only, at an estimated cost of approximately \$14.1 million per year. These estimates assume that half of children served will be age birth to five at an average annual cost per child of \$13,309, and half of children served will be school age at an average annual cost per child of \$5,476. The appropriation provided in HB/SB 30 is intended to support approximately the same number of children that are currently served. If expanded eligibility for CCSP leads to additional enrollment that cannot be accommodated, waitlists would be utilized to manage enrollment and costs within the available appropriation.***
- As a point of reference, Kentucky originally funded its categorical eligibility program using American Rescue Plan Act (ARPA) funds. In FY2025, the [executive budget](#) included \$11 million from the general fund and approximately \$3 million from the remaining federal funds. \$15 million was also appropriated for FY2026. Note that all ARPA funds are expiring on September 30, 2024, and Virginia is on track to exhaust all of its ARPA funds in the next 60 days.

System Changes

- If enacted, administrative and process changes would need to be made to the CCSP program including:
 - Application and technology system
 - Development of an employment verification process for applicants

- Development of process for prioritizing applicant categories (e.g., low income ECCE employee, higher income ECCE employee, income eligible non-ECCE working parent)
- Increased demand/interest in expanding CCSP categorical eligibility to other essential industries (health care, K-12 public education, public safety)

Impact

Families

- Improved recruitment and retention of childcare workforce may lead to increased supply/availability of subsidized services for low- to moderate-income families with young children.
- ECCE employees who are also parents will be able to redirect income spent on child care toward other family expenses, such as rent or groceries.
- Considering that Virginia now has waitlists, lower income families who may be less able to afford child care would face a potential reduction in access as more families are seeking these limited slots. More than 80% of households on the Child Care Subsidy Program are below 200% of the Federal Poverty Level.
- This would make more families eligible for Child Care Subsidy, meaning that there would need to be additional funding made available or there would be more competition for existing funding, meaning more families on waitlists.

ECCE Providers and Educators

- Attractive benefits for ECCE employees in the face of low wages
- Improved recruitment and retention of ECCE staff, leading to increased capacity for ratios and classrooms, keeping programs open/stable services for existing and new families
- Increased participation in subsidy program by childcare programs needing to remain competitive with workforce recruitment/retention
- This benefit is limited to ECCE employees who have young children; this would not benefit all ECCE employees, even though all receive low wages on average. This could create concerns about fairness, especially for ECCE educators who may have significantly lower household income levels than their colleagues.

A Look at Approaches in Other States

- [30 states](#) have said that they are interested in implementing this program. There are currently eight states that have enacted similar programs into law during the 2024 legislative session or have extended their pilot programs to conduct more research.
- **Arizona** has ended their pilot program due to budget cuts.
- [Iowa](#) has extended their research pilot until June 30, 2025, costing the state \$10.2 million, which is funded by the state's CCDF. Preliminary research shows that 92% of participants were already ECCE-employed, and 99% of them were retained. 37% of these staff members said that they would leave the field if this option was not available to them.
- [Massachusetts](#) has set up a waitlist system due to demand and slot availability, which prioritizes income-eligible teachers below those with immediate priority (homelessness, domestic violence) but above those with general eligibility when they apply.

- **Maine** has set up a waitlist, capping the funding on their pilot at \$2.5 million for two years.
- States like **Kentucky, Nebraska, and Colorado** have set no income eligibility, opening the program to all employees.
- States like **Washington, Massachusetts, and Indiana** apply income eligibility at 85% state median income (SMI).
- It should be noted that making child care educators “categorically eligible” is one of [multiple approaches](#) that states have implemented to help address workforce shortages. Other efforts include increasing reimbursement rates, funding wage supplements, providing direct-to-educator incentives (e.g., [RecognizeB5](#) in Virginia), increasing scholarships and funding efforts to support more educators to access benefits such as health care.

Further Materials and References

<https://www.youtube.com/watch?v=GBwr4xiBf-Y>

https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/providing_child_care_for_child_care_providers.december_2022.pdf

<https://cscce.berkeley.edu/publications/brief/kentucky-model/>

<https://www.npr.org/2023/10/06/1203182131/kentucky-free-child-care-day-care-workers>