



Economic Impact Analysis Virginia Department of Planning and Budget

22 VAC 40-690 Child Day Care Scholarship Programs
State Board of Social Services
June 28, 2000

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Virginia Child Care Provider Scholarship Program provides tuition assistance to Virginians taking courses in child care or child development who are either employed in or plan to work in a child care program. The State Board of Social Services proposes to substantially amend two aspects of these regulations: the formulas determining the dollar amounts of scholarships awarded and the eligibility criteria for receiving scholarships.

Estimated Economic Impact

Under the current regulations, students attending classes at institutions other than community colleges may only receive scholarship funds equal to the amount contemporaneously charged for a similar course in the community college system. Presently, Virginia community colleges charge \$115.86 per course,¹ which is substantially less than the per course tuition at

¹ Source: Virginia Department of Social Services (June 22, 2000).

many four-year colleges. Under the proposed regulations, individuals are eligible to receive a total lifetime award of scholarship funds equal to the tuition for eight community college courses. Going by the current community college fee rate, individuals would now be eligible for \$926.88² in scholarship funds over their lifetime. If community college tuition rates increase, the cap on lifetime scholarship dollars awarded would increase accordingly. Students would be eligible to receive scholarship funds for the full tuition cost of a course at a four-year college, or for a lesser amount still in excess of the community college rate, as long as the amount does not put the recipient over their lifetime limit.

This proposed change would likely transfer some demand for scholarships and courses from community colleges to four-year institutions. For example, without the change, some potential scholarship recipients that live closer to a four-year college may have traveled to a more distant community college in order to have their tuition fully paid for by the program. With full tuition scholarships at four-year institutions, these same individuals will be more likely to attend the closer school. Also, some potential applicants may believe the courses at a four-year school may be superior or otherwise fit their needs better. The proposed change permitting a full tuition scholarship may allow some individuals to afford to take child care or child development classes at a four-year school when it would not otherwise have been financially feasible. Clearly, the proposal to permit the awarding of scholarships for the full tuition amount at relatively expensive schools would be beneficial for some potential applicants by increasing their choice and opportunity to take courses. Increasing the number of individuals with college-level child care training, and possibly the quality of training received, will likely improve the care given to the Commonwealth's children. According to a U.S. General Accounting Office report, research has shown that the education and training of caregivers is "one of the most critical areas for ensuring and improving the quality of child care."³

The proposal to permit the awarding of scholarships for the full tuition amount at relatively expensive schools would likely result in increased demand for scholarship funds. There is insufficient information to conclusively determine whether the potential additional cost would outweigh the potential additional benefit. If more child care and child development

² Calculation: \$115.86 multiplied by 8 equals \$926.88.

courses were taken by more potential child care providers, or if courses at more expensive schools provided greater skill acquisition, it seems likely that the benefits could be substantial and would likely outweigh the costs.

Under the current regulations, applicants are permitted to apply repeatedly for courses without any penalty for not following through. According to the Department of Social Services (DSS), 43% of all courses approved for scholarship reimbursement are not registered, not completed, or failed. Under the proposed regulations, potential applicants will not be eligible for scholarship funds if they have, on four or more occasions, failed to register, complete, or pass courses for which they have received a scholarship.

It seems probable that prohibiting the awarding of scholarships to potential applicants who have failed to register, complete, or pass courses on four or more occasions would reduce the percentage of scholarships awarded for courses that are not completed with a passing grade. The time of DSS' staff would be used more efficiently by dedicating a higher percentage of their time on processing applications for scholarships that will actually be used. The benefits created by successfully educating students in child care and child development per hour of time spent on processing applications by DSS staff would most likely be higher. According to DSS, their staff is currently working at full capacity to handle scholarship applications. Reducing the time spent on processing applications for unused scholarships will help enable DSS to handle somewhat more applications for used scholarships without increasing labor costs.

Businesses and Entities Affected

All potential applicants for the Virginia Child Care Provider Scholarship Program, as well as colleges and universities in the Commonwealth, may be affected by the proposed amendments. According to DSS, 5,428 persons applied for at least one scholarship from the Spring 1999 semester through the Summer 2000 semester.

³ U.S. General Accounting Office, Health, Education, and Human Services Division, "Child Care: Use of Standards to Ensure High Quality Care," Washington, D.C., Publication number B-280544, July 31, 1998.

Localities Particularly Affected

The proposed regulations potentially affect citizens in all localities within the Commonwealth.

Projected Impact on Employment

The proposed change that allows for full reimbursement of tuition for courses at institutions of higher learning other than community colleges will likely produce an increase in demand for courses at these other institutions and a smaller decrease in demand at community colleges. Thus, there may be an increase in employment (number or course sections taught) at four-year colleges and a small decrease in employment (number or course sections taught) at community colleges.

Effects on the Use and Value of Private Property

Demand for courses on child care and child development may increase at private colleges due to the new formulas on determining scholarship award amounts.