

Office of Regulatory Management
Economic Review Form

Agency name	State Board of Education
Virginia Administrative Code (VAC) Chapter citation(s)	_ VAC __ - ____ <i>N/A--no regulations on VQB5 at this time</i>
VAC Chapter title(s)	22.1-289.03
Action title	2024-2025 VQB5 Guidelines
Date this document prepared	June 26, 2024
Regulatory Stage (including Issuance of Guidance Documents)	Fourth annual revision of VQB5 Guidelines (First year of mandatory participation for all publicly-funded providers)

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Direct Costs:</p> <p>For ECCE providers: There are no direct monetized costs associated with participation or continuous improvement in the statewide uniform public-private system (VQB5).</p> <ul style="list-style-type: none"> • The primary measure of quality is teacher-child interactions as measured by the CLASS tool. VDOE works with outside partners to facilitate—and cover the costs associated with—all observations. • The secondary measure of quality is the use of a developmentally-approved curricula. Using an approved curricula is optional, and it is possible to receive a score that meets expectations in VQB5 without an approved curricula. <ul style="list-style-type: none"> ○ Providers that wish to use an approved curricula can choose to purchase their own, or use curriculum materials provided by VDOE at no cost. ○ Providers may also request to have a curriculum they already use reviewed by the VDOE team to determine if it meets the necessary criteria. To date, VDOE has reviewed and approved over 50 developmentally appropriate curricula. <p>For the state: The estimated cost to administer VQB5 at scale is ~\$30 million annually. This includes:</p> <ul style="list-style-type: none"> • \$3 million to support data infrastructure and the development and maintenance of site quality profiles; • \$14 million to support third-party CLASS observations and regional coordination of local CLASS observations; and • \$13 million to support continuous improvement, including coaching, professional development, and CLASS observation training, and to provide a free curriculum option to ECCE providers. <p>Of these total costs, VDOE estimates that \$19 million are effectively null:</p> <ul style="list-style-type: none"> • \$9 million supports legislatively-named regional coordinating bodies that otherwise would be responsible for self-funding coordination activities. • \$10 million supports continuous improvement activities and a free curriculum option, costs that would otherwise be incurred by ECCE providers.
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	<p>This leaves a total cost to the state of \$11 million.</p> <p>Indirect Costs: There are no indirect monetized costs of the proposed change.</p> <p>Direct Benefits:</p> <p><i>For the state:</i> Under state law, all publicly-funded ECCE programs are required to participate in VQB5. By implementing the law and ensuring program compliance, VDOE will continue to meet its direct service requirements associated with the federal Child Care and Development Block Grant (CCDBG), the primary federal funding source supporting child care assistance for low-income families and activities to improve the health, safety, and quality of the entire unified system, and will continue to receive discretionary federal funding year over year without penalty. This totals approximately \$150 million in federal funding annually. In addition, VQB5 and LinkB5 will enable Virginia to build the nation’s most comprehensive data system, enabling the Commonwealth to evaluate the extent to which early childhood experiences promote school readiness and other key longitudinal outcomes (e.g., third grade reading) and connect early childhood data to the Virginia Longitudinal Data System (VLDS) in order to fully measure the return on public investment in early childhood. Finally, VQB5 and LinkB5 allow the Commonwealth to ensure that ECCE services are delivered to families in the most efficient way possible by 1) prioritizing the measures of quality that are most likely to improve child outcomes; 2) individualizing feedback to early educators to continuously improve their practice; and 3) providing information to families to help make decisions about their ECCE options.</p> <p><i>For ECCE providers:</i> Participating in VQB5 enables publicly-funded providers to receive classroom level feedback in every single classroom, at least two times a year. Thousands of early childhood programs across the country pay out of pocket for CLASS training and observations but Virginia provides these resources for free as part of VQB5. Providers also have access to support for implementing free curriculum which can cost upwards of \$5,000 per classroom if privately procured. Providers also have free access to preschool assessments through Virginia Kindergarten Readiness Program (VKRP) which provides useful information in the areas of literacy, math, social skills and self-regulations for educators and families. Finally, in FY24, all full-time educators in community-based sites participating in VQB5 will be eligible for a \$3,000 retention bonus if they remain in</p>
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	<p>their program for the full year. VDOE projects that over 14,000 educators will be eligible for this resource.</p> <p>These supports are fully funded by the state with state and federal funds, so it is considered net neutral for this analysis but is monetized in Table 4.</p> <p>Additionally, certain publicly-funded ECCE providers—including those that receive Head Start—are required under federal law to participate in mandatory state quality rating and improvement systems to continue receiving federal funding. Implementing the new guidelines will support their participation and ensure ongoing receipt of critical federal funds that serve children and families across the Commonwealth.</p> <p>Indirect Benefits: There are no indirect monetized indirect benefits of the proposed change.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$11 million	(b) \$150 million+
(3) Net Monetized Benefit	\$139+ million benefit	
(4) Other Costs & Benefits (Non-Monetized)	<p>NON-MONETIZED COSTS: <i>For ECCE providers:</i> Additional “costs” associated with participation in VQB5 are primarily staff time:</p> <ul style="list-style-type: none"> • For leaders to ensure the site information is accurately reported in LinkB5, the VQB5 data system, and to facilitate improvement supports across the site. • For educators to enter information, participate in professional development and continuous improvement supports (note these are optional unless the site’s quality rating indicates that it needs improvement). <p>Because of the wide variety of site types, staffing structures, and level of support required, it is not possible to generate a monetary estimate of the cost of staff time associated with VQB5 participation. However, these activities are generally not a significant amount of time over and above regular duties, particularly for educators, who are already subject to annual professional development or training requirements. All improvement supports through VQB5 can be counted towards mandatory training hours.</p>	

NON-MONETIZED BENEFITS:

For ECCE providers: As stated above, educators in all ECCE programs are subject to mandatory annual professional development/training requirements. While there are a wide variety of supports that can meet these annual requirements, not all are individualized to educators' strengths and areas for growth. A direct benefit of VQB5 is that educators will receive customized feedback on their instruction and interactions, which can help to target their training and professional development needs to those activities that will most substantially improve their practice. Educators will also have the opportunity to use approved curriculum which enables them to be more intentional and use evidence-based, standards-aligned practices to support children's learning and development. Altogether this is a more effective and efficient use of their time.

In addition, the revised guidance offers clarity to help providers comply with participation requirements, streamlining enrollment, data entry, and observation activities and minimizing staff time spent trying to navigate these processes.

For families using ECCE: VQB5 will help to ensure that all families have access to high-quality ECCE options that support children's health and development and promote school readiness outcomes. Research demonstrates that access to high-quality ECCE promotes positive academic outcomes both immediately and throughout a child's educational career. Children that attend a high-quality ECCE program are less likely to be retained a grade, less likely to be placed in special education, and more likely to graduate high school. Participation in quality ECCE is also associated with better health and employment outcomes into adulthood.

VQB5 will also have economic benefits for families more immediately by promoting access to stable, high-quality ECCE settings for working families. Two-thirds of young children in Virginia have all available parents in the workforce, making access to stable, high-quality ECCE a must-have for families to promote self-sufficiency and stable employment. Research demonstrates that child care disruptions are a significant challenge for families. In one survey, 1 in 4 families reported being fired from their jobs due to job disruptions. Another analysis found that insufficient access to ECCE costs parents of infants and toddlers an average of \$5,520 annually due to missed work hours, job loss, and job search expenses. Stable child care helps families maintain employment and advance in their careers, promoting greater earnings and self-sufficiency

	<p>Additionally, when ratings are published beginning in the fall of 2024, families will directly benefit from the implementation of VQB5 as they will have more information about the quality of ECCE programs in their communities. This increases transparency and can help to inform their decision-making when selecting a care provider, therefore maximizing family choice. For parents, this information will also promote deeper engagement in their child’s teaching and learning.</p> <p>For employers: Employers rely on a stable, reliable workforce for maximum productivity.</p> <p>For the state: The state also benefits directly from the data available through the implementation of VQB5. As stewards of public resources, the state has an obligation to ensure that public dollars are going to providers that are able to meet families’ care needs and support the academic, social-emotional, and physical development of young children. The data through VQB5 will allow VDOE to understand the quality of providers receiving public funds, target continuous improvement supports appropriately, and prevent providers who cannot meet minimum quality expectations after targeted resources and support from accepting public dollars.</p>
(5) Information Sources	<p>VDOE FY24 budget; FFY 2023 discretionary allocations through CCDF; Child Care Program regulations (8VAC20-790); Head Start Performance Standards; VPI Guidelines; Mixed Delivery Guidelines; Bustamante, Dearing, Zachrisson, & Vandell, “Adult outcomes of sustained highquality early child care and education: Do they vary by family income?” <i>Child Development</i>, 93(2), 2022; Reynolds, Ou, & Temple, “A multicomponent, preschool to third grade preventive intervention and educational attainment at 35 years of age,” <i>JAMA Pediatrics</i>, 172(3), 2018; ReadyNation, “\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis,” https://www.strongnation.org/articles/2038-122-billion-the-growingannual-cost-of-the-infant-toddler-child-care-crisis;</p>

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs:</p> <p>State law requires all publicly-funded programs to participate in VQB5. This means that any program that chooses not to participate would no longer be eligible to serve at-risk children with public funds.</p> <p>In FY24, VDOE projects that it will spend nearly \$300 million in state general funds and regular federal appropriations on direct services— meaning funds that are administered directly to local school divisions and community-based child care programs. If VDOE had to remove public funds from nonparticipating</p>
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	<p>providers, the cost to the state and to the ECCE system would be significant.</p> <p>Assuming participation rates remained the same from FY23 to FY24, approximately 30 percent of publicly-funded ECCE sites would be out of compliance with state law, which could be equal to approximately \$90 million in funding for direct services that could no longer be paid to those programs. While some of these funds may be able to be redistributed to other participating programs, undoubtedly some funds would go unallocated.</p> <p>Importantly, VDOE is required under federal law to spend 70 percent of funds in a given year on direct services through the Child Care Subsidy Program (CCSP). To the extent that nonparticipating sites are CCSP vendors, the inability to direct federal resources to these sites could affect VDOE’s compliance with this minimum spending requirement, putting the entire block grant—nearly \$250 million annually—in jeopardy in future years. Beyond direct services, the CCDBG also funds activities across the child care system, including monitoring for minimum health and safety requirements and quality investments, as well as staffing to support these systems at the state, regional, and local levels.</p> <p>Indirect Costs: None.</p> <p>Direct Benefits: None.</p> <p>Indirect Benefits: None.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$90-250 million	(b) None
(3) Net Monetized Benefit	-\$90-250 million	
(4) Other Costs & Benefits (Non-Monetized)	N/A	
(5) Information Sources	VDOE FY24 budget; biennial state budget; FFY 2023 allocations through CCDF; LinkB5 data	

Table 1c: Costs and Benefits under Alternative Approach(es)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Direct Costs:</p> <p>For ECCE providers: While there would be no minimum costs associated with participating in Virginia Quality (VQ) for providers, the costs to increase in quality would be significant for community-based ECCE programs, which comprise a significant share of VDOE’s public-private ECCE system.</p> <p>Level 1 is accessible to all programs that are in good standing with state or local health and safety regulations.</p> <p>For centers to increase to Level 2, the director must have an associate’s degree or have earned at least 24 credits from an accredited college, and at least 50% of the lead teachers must have 12 credits from an accredited college, a Child Development Associate credential (CDA), or another approved credential. For family day homes to increase to level 2, the owner/operator must have 12 credits from an accredited college, a CDA, or another approved credential.</p> <p>Based on survey research, we can estimate that approximately one-quarter of center leaders, 30 percent of lead teachers, and more than half of family day home educators lack the necessary credentials to meet Level 2 quality requirements. The total cost for these leaders and educators to meet the qualifications necessary to achieve a Level 2 in VQ would exceed \$7 million.</p> <ul style="list-style-type: none"> • Assuming 1,800 publicly-funded centers with 1 director each, this would equal 450 site leaders that would need an associate’s degree or equivalent—a minimum total cost of \$1.7 million. • Assuming 1,800 publicly-funded centers with 4 lead teachers each on average and 1,000 publicly-funded family day homes, this would equal 2,650 educators that would need a CDA or equivalent—a minimum total cost of \$5.4 million every three years (CDAs must be renewed triennially). <p>Credential requirements would likely be a barrier to other ECCE programs choosing to be publicly-funded if these qualification requirements can’t be met.</p> <p>At Levels 3, 4, and 5, sites are expected to take on additional burdens to demonstrate participation in relevant training, complete checklists and self-studies, and achieve sufficient scores on observational measures of quality. Under VQ, sites bore the primary burden of becoming familiar with and understanding the observational measures of quality, and for developing their own quality improvement plans if needed. This</p>
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	<p>represents significant time and cost navigating and completing these processes.</p> <p>For the state: Historically, Virginia spent approximately \$8 million annually on Virginia Quality (VQ) administration and quality supports. However, the previous system had limited reach and impact. Just one in six child care providers participated in VQ, and very few improved—or attempted to improve—in quality levels. As of June 2020, only 457 out of 1,246 sites had moved up one level. Less than 200 reached levels 4 or 5.</p> <p>If VQ was brought to scale, costs to implement the program would likely reach at least \$20 million annually. This would include costs associated with regional coordination, score review and assignment, triennial quality observations, and quality improvement supports.</p> <p>Indirect Costs: No monetized indirect costs have been identified with this proposed change.</p> <p>Direct Benefits: No monetized direct benefits have been identified with this proposed change.</p> <p>Indirect Benefits: No monetized indirect benefits have been identified with this proposed change.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$27 million	(b) none
(3) Net Monetized Benefit	-\$27 million	
(4) Other Costs & Benefits (Non-Monetized)	<p>NON-MONETIZED COSTS</p> <p>If VQ were the mandatory system, Virginia could see a significant decrease in the overall population of publicly-funded ECCE programs. This would decrease the supply of care for families that rely on child care assistance to work, attend job training, or further their education. This could also jeopardize Virginia’s federal funding through CCDBG.</p>	
(5) Information Sources	<p>Digest of Education Statistics 2021, Table 330.10, https://nces.ed.gov/programs/digest/d21/tables/dt21_330.10.asp; Council for Professional Accreditation, “Apply for a CDA,” https://www.cdacouncil.org/en/faqs/#before-you-apply; VECF, 2017 Virginia Early Childhood Workforce Survey,</p>	

<p>https://vecf.org/wpcontent/uploads/2021/06/VECFChildrensWorkforceSurvey-12.19.pdf; Bassok et al, “Who Teaches Virginia’s Youngest Children?,” https://files.elfsightcdn.com/022b8cb9-839c-4bc2-992ecefccb8e877e/fbac15d3-06dc-4073-a40c-ec1b35ba9deb.pdf; Virginia Quality Standards, 2017, https://vecf.org/wpcontent/uploads/2021/06/VirginiaQuality_frameworks_Apr2017.pdf.</p>
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Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 2: Impact on Local Partners

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Direct Costs: Ready Regions are regional coordinating bodies for Virginia’s unified ECCE system, as directed under state law. Ready Regions are responsible for coordinating local observations in VQB5, a core requirement for participation for ECCE sites, and to help connect sites to improvement partners that can meet their needs.</p> <p>The implementation of VQB5 imposes operating costs on Ready Regions lead agencies, however these costs are fully covered by the state. This cost is therefore null.</p> <p>Indirect Costs: No indirect monetized costs on local partners.</p> <p>Direct Benefits: No monetized direct benefits on local partners.</p> <p>Indirect Benefits: No monetized indirect benefits on local partners.</p>	
<p>(2) Present Monetized Values</p>	<p>Direct & Indirect Costs</p> <p>(a) Null</p>	<p>Direct & Indirect Benefits</p> <p>(b) None</p>
<p>(3) Other Costs & Benefits (Non-Monetized)</p>	<p>The implementation of VQB5 will provide direct benefits to local departments of social services, who are charged with facilitating eligibility determination and enrollment functions for the Child Care Subsidy Program, which currently serves over 38,000 children. Under federal law, local departments are required to educate families about quality in ECCE and navigate the websites resources providing information about the health, safety, and quality of ECCE sites in communities. Beginning in the fall of 2024, site quality profiles will help to streamline these conversations and provide direct, tangible information for families enrolling in the CCSP.</p>	

(4) Assistance	VDOE will fully fund Ready Regions to coordinate quality observations and continuous improvement supports at approximately \$8 million.
(5) Information Sources	

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 3: Impact on Families

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: No direct monetized costs of this proposed change on families.</p> <p>Indirect Costs: No indirect monetized costs of this proposed change on families.</p> <p>Direct Benefits: No direct monetized benefits of this proposed change on families.</p> <p>Indirect Benefits: No indirect monetized benefits of this proposed change on families.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) None
(3) Other Costs & Benefits (Non-Monetized)	<p>NON-MONETIZED BENEFITS: <i>For families:</i> Child care and early education services are expensive. Virginia data suggests that families spend an average of \$16,700 annually for infants and \$13,400 for preschoolers. A family with two children earning the median household income could spend more than 30% of their income on child care each year.</p> <p>Yet child care is essential so parents can work. Two-thirds of young children in Virginia have all available parents in the workforce, making access to stable, high-quality ECCE a must-have for families to promote self-sufficiency and stable employment. Child care disruptions can lead to missed work hours and job loss, costing parents over \$5,500 annually. Publicly-funded programs help improve families’ access to affordable, stable child care and early education options that allow parents to maintain employment and advance in their careers, promoting greater earnings and self-sufficiency.</p>	

	<p>VQB5 ratings will provide families with highly valuable information about ECCE programs in their community, offering precise data about what their children will experience in a given setting. This increases can help to inform their decision-making when selecting a care provider, ensuring parents can choose an ECCE option that both meets their needs and will put their child on track for lifetime success.</p> <p>Families also benefit directly from improved instruction and care and increased retention in publicly-funded sites. As educators receive customized feedback on their instruction and interactions, they can target their training and professional development needs to those activities that will most substantially improve their practice. Educators will also have the opportunity to use approved curriculum which enables them to be more intentional and use evidence-based, standards-aligned practices to support children’s learning and development. As sites continuously improve and educators are more likely to remain in their classrooms, families will be more likely to benefit from higher quality instruction and minimal staffing disruptions.</p>
(4) Information Sources	

Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: For ECCE sites, no direct monetized costs of this proposed change on small businesses.</p> <p>Indirect Costs: No indirect monetized costs of this proposed change on small businesses.</p> <p>Direct Benefits: For ECCE providers: In FY 24, all full-time educators in community based sites participating in VQB5 will be eligible for a \$3,000 retention bonus if they remain in their program for the full year. VDOE projects that over 14,000 educators will be eligible for this resource. These resources are crucial to educators, who earn low wages on average and are at elevated risk of food insecurity, financial instability, and elevated stress and depression risk accordingly. These funds help programs to retain well-qualified staff, which in turn supports program stability and operations and ensures sites can maximize enrollment. Across all sites, VDOE estimates that this program will cost \$49 million in FY24—a cost fully incurred by the state.</p>
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	<p>Additionally, participating in VQB5 enables publicly-funded providers to receive classroom level feedback in every single classroom, at least two times a year. Thousands of early childhood programs across the country pay out of pocket for CLASS training and observations but Virginia provides these resources for free as part of VQB5. Providers also have access to support for implementing free curriculum which can cost upwards of \$5,000 per classroom if privately procured. Providers also have free access to preschool assessments through Virginia Kindergarten Readiness Program (VKRP) which provides useful information in the areas of literacy, math, social skills and self-regulations for educators and families. These supports are fully funded by the state with state and federal funds. Collectively, private providers could spend over \$75 million on these resources if procured individually.</p> <p>Indirect Benefits: No indirect monetized benefits of this proposed change on small businesses.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) \$125 million
(3) Other Costs & Benefits (Non-Monetized)	<p>ECCE sites are predominantly small businesses. “Costs” associated with participation in VQB5 are primarily staff time:</p> <ul style="list-style-type: none"> • For leaders to ensure the site information is accurately reported in LinkB5, the VQB5 data system, and to facilitate improvement supports across the site. • For educators to participate in professional development and continuous improvement supports (note these are optional unless the site’s quality rating indicates that it needs improvement). <p>Because of the wide variety of site types, staffing structures, and level of support required, it is not possible to generate a monetary estimate of the cost of staff time associated with VQB5 participation. However, these activities are generally an insignificant amount of time over and above regular duties, particularly for educators, who are already subject to annual professional development or training requirements. All improvement supports through VQB5 can be counted towards mandatory training hours.</p>	
(4) Alternatives	The law does not allow for exemptions to participation beyond those that are identified in code.	

(5) Information Sources	
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Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved*	Authority of Change	Initial Count	Additions	Subtractions	Total Net Change in Requirements
	(M/A):				
	(D/A):				
	(M/R):				
	(D/R):				
				Grand Total of Changes in Requirements:	(M/A):
					(D/A):
					(M/R):
					(D/R):

Key:

Please use the following coding if change is mandatory or discretionary and whether it affects externally regulated parties or only the agency itself:

(M/A): Mandatory requirements mandated by federal and/or state statute affecting the agency itself

(D/A): Discretionary requirements affecting agency itself

(M/R): Mandatory requirements mandated by federal and/or state statute affecting external parties, including other agencies

(D/R): Discretionary requirements affecting external parties, including other agencies

Cost Reductions or Increases (if applicable)

VAC Section(s) Involved*	Description of Regulatory Requirement	Initial Cost	New Cost	Overall Cost Savings/Increases

Other Decreases or Increases in Regulatory Stringency (if applicable)

VAC Section(s) Involved*	Description of Regulatory Change	Overview of How It Reduces or Increases Regulatory Burden

Length of Guidance Documents (only applicable if guidance document is being revised)

Title of Guidance Document	Original Word Count	New Word Count	Net Change in Word Count
VQB5 Guidelines	33,436 words	31,380 words	– 2,056 words

*If the agency is modifying a guidance document that has regulatory requirements, it should report any change in requirements in the appropriate chart(s).