

OFFICE OF FISCAL ANALYSIS

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SR-34

RESOLUTION PROPOSING APPROVAL OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE STATE OF CONNECTICUT OFFICE OF EARLY CHILDHOOD AND THE CONNECTICUT STATE EMPLOYEES ASSOCIATION (CSEA-SEIU LOCAL 2001).

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 19 \$ | FY 20 \$ | FY 21 \$ |
|---------------------------|----------------|----------|-----------|-----------|
| Office of Early Childhood | Various - Cost | 638,263 | 2,608,348 | 5,089,176 |

Note: Various=Various

Municipal Impact: None

Explanation

The resolution proposes approval of a memorandum of understanding (MOU) between the Office of Early Childhood (OEC) and the Connecticut State Employees Association (CSEA- SEIU Local 2001). This agreement covers the period July 1, 2017 through June 30, 2022 and applies to family child care providers (licensed and unlicensed).

Total estimated costs associated with this agreement are \$638,263 in FY 19; \$2,608,348 in FY 20; \$5,089,175 in FY 21; and \$8,037,824 in FY 22. There is no fiscal impact associated with FY 18. A summary of these costs are reflected in the table below.¹

¹Cost estimates assume an average caseload of 18,000 children under the Care4Kids program and do not reflect future potential changes in caseload or the licensure status of providers.

Family Child Care Providers (Local 2001) Cost Estimate

| | FY 19 \$ | FY 20 \$ | FY 21 \$ | FY 22 \$ | \$ Annualized |
|-------------------------------------|-----------------|------------------|------------------|------------------|----------------------|
| Increase for Licensed Providers | 478,125 | 1,286,953 | 1,952,643 | 1,952,643 | 1,952,643 |
| Increase for Unlicensed Providers | 160,138 | 1,248,908 | 2,968,520 | 4,745,963 | 4,885,475 |
| Increase for Associate's Degree | - | 57,693 | 135,024 | 226,002 | 226,002 |
| Increase for National Accreditation | - | 14,793 | 32,989 | 54,217 | 54,217 |
| Lump Sum- 3 Years Consecutive Care | - | - | - | 1,059,000 | - |
| Total Increases | 638,263 | 2,608,348 | 5,089,176 | 8,037,824 | 7,118,336 |

Rate Increase for Licensed Providers - This agreement establishes a 2.5% wage increase annually, effective October 1, 2018 through June 30, 2021. The wage increases for licensed family child care providers are estimated to cost \$478,125 in FY 19, \$1,286,953 in FY 20, \$1,952,643 in FY 21, and \$1,952,643 in FY 22.

Rate Increase for Unlicensed Providers - This agreement establishes a 1.25% wage increase annually, effective October 1, 2018 through June 30, 2021. The agreement also continues to require the rate for unlicensed providers to be equal to one-third of the state's minimum wage rate and to increase accordingly. This estimate assumes that PA 19-4, An Act Increasing the Minimum Fair Wage, becomes law. The wage increases for unlicensed providers are estimated to cost \$160,138 in FY 19, \$1,248,908 in FY 20, \$2,968,520 in FY 21, and \$4,745,963 in FY 22.

Associate's Degree Increase - Family child care providers with an associate's degree in early childhood will receive a 3% increase in addition to the other increases required by the agreement. This is anticipated to result in a cost of \$57,693 in FY 20, \$135,024 in FY 21, and \$226,002 in FY 22.

National Accreditation Increase - Family child care providers with a national accreditation will receive a 2% increase in addition to the other increases required by the agreement while such accreditation is maintained. This is anticipated to result in a cost of \$14,793 in FY 20, \$32,989 in FY 21, and \$54,217 in FY 22.

Lump Sum for 3 Years of Consecutive Care - Family child care providers who have provided 36 months of consecutive care under the Care4Kids program as of July 1, 2021 will receive a one-time average payment of \$900. Per the formula specified in the agreement, licensed providers are anticipated to receive a payment of approximately \$1,200 while unlicensed providers will receive \$600. This will result in a cost of \$1,059,000 in FY 22.

Funding Availability - The Care4Kids program, which supports the costs associated with this agreement, is supported by both federal and state funds. sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee, does not include specific adjustments associated with the agreement. In total, the budget bill net appropriates \$54.6 million in FY 20 and \$59.5 million in FY 21 under the Care4Kids TANF/CCDF General Fund line item. The federal share is anticipated to total approximately \$94.3 million in FY 20 and FY 21 in Child Care Development Fund (CCDF) related funding. In addition, General Funds in excess of \$15 million are expected to be carried forward into FY 20. It is anticipated that sufficient funds will be available to support the costs associated with the agreement from FY 19 through FY 22.

Member Overview - As of April, there are approximately 2,914 members of the bargaining unit, 722 of whom are licensed and 2,192 are unlicensed.

The Out Years

The agreement is effective through June 30, 2022. The annualized ongoing fiscal impact identified above will continue into the future subject to the provisions of a successor agreement.