

OFFICE OF FISCAL ANALYSIS

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HB-5465

AN ACT INCREASING EARLY CHILDHOOD EDUCATOR SALARIES AND EXPANDING CHILD CARE OPPORTUNITIES FOR FAMILIES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Office of Early Childhood	GF - Cost	at least \$120 million	at least \$120 million
Higher Ed., Off.	GF - Cost	Significant	Significant
Higher Ed., Off.	GF - Cost	90,000	90,000
State Comptroller - Fringe Benefits ¹	GF - Cost	at least \$103,000	at least \$103,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 23 \$	FY 24 \$
Various Municipalities	STATE MANDATE ² - Potential	See Below	See Below

Explanation

The bill results in significant costs to the Office of Early Childhood (OEC) associated with increasing child care rates, administering a salary enhancement program for early child care employees, and expanding

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

² State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

Care4Kids. The bill also results in a cost to the Office of Higher Education (OHE) associated with administering an early childhood educator loan forgiveness grant program.

Sections 1-3 result in a cost to OEC to administer and implement the early childhood care and education salary enhancement grant program beginning in FY 23. The total cost of grants is dependent the current salaries of early child care employees, the OEC compensation schedule, and the increases provided in the bill. The salary enhancement program is anticipated to impact up to approximately 21,000 employees. OEC will incur additional staffing costs of at least \$164,000 annually (with associated fringe of \$66,500) to administer the salary enhancement grant program.

The bill results in a cost to town-based early childhood care and education programs to the extent employee salaries are below the levels prescribed in OEC's early childhood educator compensation schedule, as well as a revenue increase associated with the salary enhancement grant provided by OEC.

Section 4 results in a significant cost to the Office of Higher Education (OHE) associated with the creation of a new early childhood educator loan reimbursement program.

OHE does not currently have the funds available to operate this program. This results in a significant cost to OHE; the scope of the costs are dependent upon the number of eligible grantees and the value of the remaining balance of such grantee's federal or state educational loans.

OHE would require one full-time program administrator, resulting in annual salary expenses of approximately \$90,000 and corresponding fringe benefit costs of approximately \$36,500.

Section 5 increases the annual, full-time rate for School Readiness programs by \$1,000 per child from \$9,027 to \$10,027, beginning in FY 23. The increased cost for existing seats is approximately \$10 million annually. Town based providers will receive a corresponding revenue

gain associated with the increased rate.

Sections 6-7, which allow certain lapsing funds to be used for scholarships and eliminate provisions requiring that increases in the per child rate be used for educator salaries, have no net fiscal impact.

Sections 8-10 result in increased costs for Care4Kids totaling approximately \$109.3 million beginning in FY 23.

Section 8 increases the income eligibility threshold from 50% of the state median income (SMI) to 75% SMI, resulting in a cost of approximately \$22.8 million to support an estimated 2,860 additional children annually. This section also limits the family copay to a maximum of 7% of a family's household income resulting in an annual cost of \$8.1 million.

Sections 8-9 remove provisions limiting the availability of benefits for applicants participating in certain postsecondary education and workforce training programs. This results in a cost to the General Fund when such federal funds are no longer available. Section 9 also results in a cost of approximately \$380,000 associated with three months of benefits for individuals registered with a DOL-administered job search assistance program (considered half-time employment for benefit purposes).

Section 10 results in a cost of approximately \$78 million by increasing Care4Kids rates to 75% of the market rate, beginning in FY 23.

Section 11, which makes changes to family child care home staffing and enrollment, has no fiscal impact as it does not impact subsidy eligibility requirements.

Section 12 requires local school readiness councils to conduct a needs assessment for early childhood education for children and families in the community, as needed. Following such assessment, councils may convert unused School Readiness spaces to infant and toddler spaces if the cost for conversion does not exceed the per child cost for infant and toddler spaces for state-funded child care centers. Towns could incur

costs associated with conducting a needs assessment. To the extent an assessment shows unused School Readiness spaces and local school readiness councils choose to convert such spaces to infant and toddler spaces, the state could forgo savings associated with unused School Readiness seats.

Section 13 appropriates an unspecified amount of General Funds to OEC to provide support to early childhood care and education program providers and staff for scholarships, professional development and meeting staff qualification requirements.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.