
OLR Bill Analysis

HB 5003

AN ACT CONCERNING THE EARLY CHILDHOOD CARE AND EDUCATION FUND.

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SUMMARY

This bill makes numerous additions and changes to the early childhood care and education laws, as described in the section-by-section analysis that follows.

EFFECTIVE DATE: Various, see below.

§§ 1 & 2 — EARLY CHILDHOOD CARE AND EDUCATION FUNDING AND EXPANSION OF FUND USES

Transfers up to \$100 million of unappropriated surplus to the Early Childhood Care and Education Fund at the close of both FYs 25 and 26; broadens the use of fund deposits to four specific early childhood and education programs

At the close of both FYs 25 and 26, the bill requires the treasurer to transfer up to \$100 million of unappropriated surplus for each year from the General Fund to the Early Childhood Care and Education Fund (see *Background – Early Childhood Education Fund*). This specifically occurs after General Fund accounts close each year and the comptroller determines the unappropriated surplus amount, if any.

Additionally, the bill requires the transferred amount to be deducted when determining the amount of the unappropriated surplus for transfer to the state's Budget Reserve Fund (BRF). (By law, the treasurer transfers unappropriated surplus to the BRF after deducting any amounts the law requires for other purposes.)

The bill requires the fund to keep at the end of each fiscal year at least 10% of the funds transferred or deposited in the fund in that year. By law, the treasurer manages the fund and the Early Childhood Care and Education Fund Advisory Commission ("advisory commission") reports to the legislature on the fund's finances and prepares a five-year plan for the fund (see § 4 below).

Fund Uses

By law, the early childhood fund is used to support early childhood education in, and child care needs of, the state. The bill broadens its uses to specifically include:

1. expanding the Care 4 Kids child care subsidy program,
2. providing salary increases for early childhood educators,
3. subsidizing health care plans for early care and education program employees as the bill allows (§ 5), and
4. providing administrative and technical support to implement the bill's competitive capital expenses program for early childhood education and child care facilities (§ 8).

EFFECTIVE DATE: Upon passage, except the expansion of the uses of the early childhood fund is effective July 1, 2025.

Background — Early Childhood Education Fund

By law, the fund contains any money the law requires to be deposited there; federal, state, or local grants; and any earnings, until they are disbursed. The amounts in the fund are not state property and cannot be combined with state funds.

The law also specifies that (1) any contract entered into by the fund,

or any obligation of the fund, is not a state debt or obligation and (2) amounts that must be paid from the fund are limited to the amount deposited there that is available for payments.

§§ 3 & 4 — EARLY EDUCATION AND CHILD CARE PROVIDER PAYMENT RATES

Requires OEC to develop a report on the cost of increasing provider payment rates and recommendations for implementing the increases; requires the advisory commission to consider the provider payment rate report when it makes recommendations as part of its five-year plan

Provider Payment Rate Report (§ 3)

The bill requires the Office of Early Childhood (OEC) commissioner to develop a report on the cost to increase the Care 4 Kids provider payment rates to cover the cost of care, as described in the Connecticut Narrow Cost Analysis (CNCA) prepared for OEC in June 2024 (see *Background – CNCA*). The report must use the following specified salary levels identified in the CNCA:

1. the current registry salary levels to provide bonuses of 10% to programs operating in an OEC-named child care desert and 25% to programs accredited by the National Association for the Education of Young Children (NAEYC) or the National Association for Family Child Care (NAFC), and
2. the workforce compensation schedule mid-career levels to provide bonuses of 10% to programs operating in an OEC-named child care desert and 25% to programs accredited by NAEYC or the NAFC.

The CNCA considers the following two different salary structures: (1) the registry salary levels (current salaries in state-supported programs) and (2) the workforce compensation schedule mid-career levels (based on OEC’s Connecticut Early Childhood Educator Compensation Schedule).

The report must also include a proposal for implementing the plan and a timeline that phases in the increased provider rates over five years beginning with FY 26.

The report is due by September 1, 2025, from the commissioner to the Early Childhood Care and Education Fund Advisory Commission (“advisory commission”) and the Appropriations, Children, Education, and Finance, Revenue and Bonding committees.

Advisory Commission Recommendations (§ 4)

Existing law requires the advisory commission to annually, beginning by January 1, 2026, submit a report to certain legislative committees on the early childhood fund’s finances, including deposit amounts and disbursements, rates of return on investments, and a statement on whether the deposits are enough to meet the fund’s purposes. It also requires recommendations for policy or legislative changes, including ideas for implementing the findings of the OEC provider payment rate report.

By the same date, the law requires the commission to submit a five-year plan with recommendations for the best use of fund expenditures to support early childhood education and child care needs. The bill also requires the commission to consider the provider payment rate report when it develops the plan.

EFFECTIVE DATE: Upon passage, except the provision on advisory commission recommendations is effective July 1, 2025.

Background — CNCA

OEC, as a Child Care Development Fund (CCDF) lead agency, is required to complete a Narrow Cost Analysis as part of its FY 25-27 CCDF state plan that it must submit to the federal government.

The CNCA estimates the cost of care (including relevant variations by geographic location, provider category, or age of child) necessary to support (1) child care providers’ implementation of health, safety, quality, and staffing requirements and (2) higher quality care, as defined by the state.

§ 5 — NEW HEALTH CARE FOR EARLY CARE AND EDUCATION EMPLOYEES

Requires the comptroller to establish an HSA and HDHP subsidy program for employees of early care and education programs; requires the comptroller to establish a premium subsidy program for early care and education providers that offer certain health plans; requires the comptroller and the advisory commission to enter into an MOU related to these programs

HSA and High-Deductible Health Plan Subsidy Program

Beginning with FY 26, the bill requires the comptroller to establish a subsidy program, within available appropriations, for employees of licensed early care and education programs who (1) open a health savings account (HSA) or (2) are eligible for Medicare and enroll in a high-deductible health plan (HDHP).

Under the bill, the subsidy is in an amount up to a certain percentage of the health plan deductible minus employer contributions to an HSA or health reimbursement account. The comptroller specifies the percentage and maximum subsidy and an employee is limited to receiving one subsidy in a fiscal year. The bill allows the comptroller to work with an early care and education provider to distribute the subsidy.

Premium Subsidy Program for Early Care and Education Providers

The bill requires the comptroller, beginning with FY 26, to set up a program to give subsidies to early care and education providers that provide coverage to employees and their dependents under a health benefit plan (generally, a health insurance plan) or partnership plan (a health benefit plan the comptroller offers to nonstate public employers and certain others), but not under an HDHP. The subsidies must be given from any funds appropriated for this purpose.

The bill caps the subsidy at 10% of the aggregate premium cost, including the employee and employer shares, that the provider paid for coverage under the plan, divided by the number of the provider's employees enrolled in the health coverage. It requires that the subsidy be used to offset the employee's share of the premium that is deducted from the employee's paychecks during the fiscal year.

MOU

The bill requires the comptroller and the advisory commission to enter into a memorandum of understanding (MOU), under existing procedures, to allow the comptroller to use an unspecified sum appropriated to the early childhood fund to implement the subsidy programs.

EFFECTIVE DATE: July 1, 2025

§ 6 — INCREASED ELIGIBILITY FOR CARE 4 KIDS

Raises the Care 4 Kids family income eligibility level to 85% of SMI and raises the graduated phase out for incomes between 85% and 100% of SMI

By law, Care 4 Kids is a state and federally funded program that provides a child care subsidy for income-qualified families with a parent or caregiver who is either working or engaged in an approved job training or educational program such as the Department of Labor’s Jobs First Program.

Under current law, the OEC commissioner must set the family income limit for Care 4 Kids eligibility at between 50% of the state median income and the maximum federal law allows, which is 85% of the state median income (SMI) (she has currently set it at 60%). The bill instead requires the limit to be 85% of the SMI. Current law has required OEC to gradually phase out subsidies for families with incomes of 60% to 85% of the SMI. The bill requires OEC to phase out subsidies for families with incomes of 85% to 100% of the SMI.

EFFECTIVE DATE: July 1, 2025

§ 7 — EXEMPTS CHILD CARE PROVIDER EMPLOYEES FROM CARE 4 KIDS FAMILY FEE

Exempts Care 4 Kids participants from paying the program’s family fee if they work for a licensed child care provider

The bill exempts Care 4 Kids program participants who are also employed by a licensed child care provider from paying the family fee required under Care 4 Kids, which is a portion of the authorized cost of care based on income. The bill requires the OEC commissioner to begin the exemption in FY 26.

EFFECTIVE DATE: July 1, 2025

§§ 8-10 — NEW CAPITAL FACILITIES GRANT

Requires OEC to administer a new competitive capital grant for early childhood and child care facilities; establishes the early care and education capital account; authorizes up to \$100 million in state GO bonds over five years to fund the capital facilities grant program

OEC Competitive Capital Facilities Grant (§ 8)

The bill requires, beginning with FY 26, OEC to design and administer a competitive grant program to provide capital grants for construction and renovation of early childhood education and child care facilities. To be eligible under the bill for a grant, an early care and education program operator must run a state-licensed child care service and may apply to OEC beginning July 1, 2025, in a manner the commissioner determines.

To be eligible, an applicant operator must:

1. show the need for building a new or renovating an existing child care facility, using information the commissioner requests on an OEC form, and
2. submit a grant fund expenditure plan outlining how the operator will use the funds, including how the work may increase child care access for families in the community.

The bill requires the commissioner to prioritize operators that show the greatest need for building or renovating a child care facility. Each early care and education operator receiving a grant must submit an annual report to OEC on its enrollment and operation.

The bill allows the commissioner to contract with nongovernmental entities, including nonprofit organizations, lending institutions, and technical assistance providers, to carry out the program.

Early Care and Education Competitive Capital Account (§ 9)

The bill establishes the “early care and education program competitive capital grant account,” which will be a capital projects fund. It must contain the amounts authorized by the State Bond Commission under the bill (§ 10) and any other deposits required for the account. It requires OEC to use account funds for the competitive grant program

the bill establishes.

Bond Authorization (§ 10)

The bill authorizes up to \$100 million in state general obligation (GO) bonds and requires OEC to use the proceeds for the competitive capital facilities grant program the bill establishes. Of this amount, \$20 million becomes effective July 1, 2025, with an additional \$20 million effective each following July 1, from 2026 to 2029. The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

While the bill limits the authorization for each year at \$20 million, it also states that the cost of issuing the bonds and any capitalized interest may be added to the capped amount in each fiscal year. Additionally, if OEC does not use all or a part of the yearly amount, the remaining funds will carry forward and be added to the authorized amount for the next fiscal year.

MOU

The bill requires the State Bond Commission to approve an MOU between the OEC commissioner and the Office of Policy and Management secretary and the treasurer, acting for the state, that (1) provides for the competitive grant bond issuance and (2) addresses the extent to which federal, private, or other moneys available for costs should be added to the bond proceeds for the program. The bill deems the MOU to satisfy the standard statutory bond issuance procedures and repayment requirements.

EFFECTIVE DATE: July 1, 2025

§ 11 — PRESUMPTIVE ELIGIBILITY FOR CARE 4 KIDS

Creates a presumptive eligibility system for Care 4 Kids applicants

Under the bill, OEC must develop and administer a presumptive eligibility system for Care 4 Kids applicants, by July 1, 2026. The system must:

1. have a screening tool for applicants to determine presumptive eligibility under the program,

2. provide applicants who are determined presumptively eligible services for a 60-day trial period,
3. require applicants who receive services during the trial period to complete the full application for the program to continue to be eligible, and
4. require OEC to make a final eligibility determination before the end of the trial period.

EFFECTIVE DATE: July 1, 2025

§ 12 — CARE 4 KIDS PROSPECTIVE PAYMENT SYSTEM

Requires OEC to implement a prospective payment system for Care 4 Kids

The bill requires OEC, by July 1, 2025, to implement a prospective payment system (payment based on enrollment rather than attendance) for Care 4 Kids to comply with federal law. Care 4 Kids receives federal dollars from the CCDF administered by the U.S. Department of Health and Human Services. (The CCDF is the largest federal funding source for child care, with funds distributed to states, tribes, and territories to help them administer child care assistance programs for low-income working families.)

EFFECTIVE DATE: Upon passage

§ 13 — REQUIREMENTS FOR CARE 4 KIDS PROVIDERS

Establishes new (1) funding conditions for large providers and (2) reporting requirements for all providers

Payments for Operators of More Than 10 Child Care Centers

The bill places new requirements, starting July 1, 2025, on Care 4 Kids providers that operate, directly or through an affiliate, more than 10 child care centers.

First, the bill caps the total amount of Care 4 Kids payments the OEC commissioner pays to any of these providers at 1% of the total program appropriation for the fiscal year, unless the commissioner determines that making payments to the provider in a greater amount is in the state's best interests. It also requires the commissioner to make these

providers (1) show a willingness to enroll more children of families who are Care 4 Kids recipients at each child care center location they operate and (2) annually give OEC an audited financial statement detailing how Care 4 Kids payments were spent during that fiscal year.

Additional Reporting by Providers

The bill expands the information that all child care providers (i.e. whether licensed or exempt from licensure) must give OEC to maintain their eligibility to receive Care 4 Kids provider payments to include certain business information.

Currently, they must provide OEC with the following:

1. the name, address, appropriate identification, Social Security number, and telephone number of the provider and all adults who work for or live at where care is provided;
2. the name and address of the child’s doctor, primary care provider, and health insurance company;
3. whether the child is immunized and had health screenings pursuant to the federal early screening requirements; and
4. how many children the provider cares for.

The bill requires them also to give the (1) provider’s business entity type and (2) names of the provider’s officers, directors, and owners, or, in the case of a provider affiliate that is receiving payments, the names of the affiliate’s officers, directors, and owners.

EFFECTIVE DATE: July 1, 2025

§ 14 — ANNUAL CHILD CARE PROVIDER TUITION RATE REPORT

Requires child care providers to report tuition rates and tuition rate changes to OEC, which must then publish the information on its website

Starting with FY 26, the bill requires all licensed child care providers to annually submit to OEC the (1) tuition rates charged to families during the fiscal year and (2) change in tuition rates from the previous fiscal year. OEC must annually publish this information on its website.

EFFECTIVE DATE: July 1, 2025

§ 15 — DATA-SHARING AGREEMENT AND FISCAL MAP ON FUNDING FOR CHILDREN

Conditionally requires OEC to enter into a data-sharing agreement to create a fiscal map of funding and spending for children in Connecticut

The bill conditionally requires the OEC commissioner, by October 1, 2025, to enter into a data-sharing agreement with the Children’s Funding Project (CFP) to create a fiscal map showing a comprehensive view of state funding and spending for children in Connecticut. However, OEC does not need to do this if CFP charges a direct fee for its services. (CFP is a national non-profit organization that focuses on financial strategies for funding programs for infants, toddlers, and youth. It helps governments and other organizations develop strategic public financing campaigns, fiscal mapping, and other tools.)

EFFECTIVE DATE: Upon passage

§ 16 — STUDY ON CHILD CARE CENTER AND FAMILY CHILD CARE HOME LIABILITY INSURANCE

Requires OEC, the Insurance Department, and the attorney general to study liability insurance for child care centers and family child care homes

The bill requires OEC, in collaboration with the Insurance Department and the attorney general, to jointly study liability insurance for child care centers and family child care homes. The study must (1) assess liability insurance’s prevalence, appropriateness, and affordability and (2) examine factors contributing to increasing liability insurance costs.

OEC must submit a report on the study’s findings and any recommendations by January 1, 2026, to the Children, Education, and Insurance and Real Estate committees.

EFFECTIVE DATE: Upon passage

§ 17 — STUDY ON MEN IN CHILD CARE

Requires OEC to study the prevalence of men in child care and early childhood education

The bill requires OEC to study the prevalence of men in the child care and early childhood education workforce. The study must analyze factors affecting and reasons for the low representation of men in these fields and recommend ways to increase their representation.

OEC must submit a report on the study's findings and any recommendations by January 1, 2026, to the Children, Education, and Labor and Public Employees committees.

EFFECTIVE DATE: Upon passage

§ 18 — REPORT ON BACKGROUND CHECKS FOR EARLY CHILDHOOD EDUCATORS

Requires OEC, in consultation with DESPP, to develop a report on background checks for early childhood educators, including ways to improve processing time

The bill requires OEC, in consultation with the Department of Emergency Services and Public Protection (DESPP), to develop a report on background checks for early childhood educators.

The report must examine the average processing time for background checks, ways to improve processing speed, and options for improving the convenience and ease of fingerprinting and submitting background check materials. It must also assess the possibility of educators sharing fingerprint and background check results with multiple prospective employers.

The bill requires OEC to submit a report by January 1, 2026, on its findings and recommendations, to the Children, Education, and Public Safety and Security committees.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Committee on Children

Joint Favorable

Yea 12 Nay 5 (03/06/2025)