Senate

General Assembly

File No. 624

February Session, 2022

Substitute Senate Bill No. 487

Senate, April 25, 2022

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING THE INFANT AND TODDLER EARLY CARE AND FAMILY SUPPORT INITIATIVE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective July 1, 2022*) (a) As used in this section:

(1) "Child care services provider" means a child care center, group child care home or family child care home that provides child care services, each as defined in section 19a-77 of the general statutes;

(2) "Staffed family child care network" means a group of family child care homes supported by the Office of Early Childhood for the sharing and coordination of administrative and child care services;

(3) "Early care availability" means the ratio of infant and toddler spaces in licensed child care centers and family child care homes in a town for every one hundred children under the age of three years in such town; and

(4) "Accredited" means accredited by the National Association for the Education of Young Children, National Association for Family Child Care, a Head Start on-site program review instrument or a successor instrument pursuant to federal regulations, or otherwise meeting such criteria as may be established by the Commissioner of Early Childhood, unless the context otherwise requires.

(b) The Office of Early Childhood shall establish and administer the Infant and Toddler Early Care and Family Support Initiative. The initiative shall provide grants-in-aid to child care service providers and staffed family child care networks to support the growth and enhancement of a system of high-quality early childhood care and education by creating and subsidizing infant and toddler spaces in high-need areas throughout the state. The office shall establish standards for the initiative. The standards may include, but need not be limited to, guidelines for staff-child interactions, lesson plans, parental involvement, staff qualifications and training and curriculum content including preliteracy development.

(c) The Commissioner of Early Childhood may enter into a five-year contract with a child care service provider or staffed family child care networks, to create new or support existing infant and toddler spaces in such child care centers, group child care homes and family child care homes. In entering into a contract under the initiative, the commissioner shall give priority to those child care centers, group child care homes and family child care homes that are (1) located in towns with the lowest median household income and greatest deficit of early care availability, (2) creating new infant and toddler spaces, (3) accredited, and (4) licensed to individuals who reflect the demographics of the infant and toddler population in the community in which such center or home is located.

(d) Any contract entered into under the initiative shall provide (1) a grant-in-aid for each infant and toddler space that is in an amount that is at least seventy-five per cent of the market rate, as determined by the Commissioner of Early Childhood pursuant to the current market rate study required under federal law, (2) a bonus equal to twenty-five per cent of the amount described in subdivision (1) of this subsection to any accredited child care center, group child care home or family child care home, (3) access to family support services in accordance with the provisions of subsection (e) of this section, and (4) in the case of a child care center, group child care home or family child care home that enters into a contract with the office and is not accredited, additional assistance to help such center or home get accredited within three years after the date such center or home enters into such contract.

(e) Each contract entered into under the initiative shall include provisions requiring the office to provide access to and support for family support services in the amount of ten per cent of the total grant-in-aid under the contract. Such family support services shall include, but need not be limited to, parenting support, information about child development and assistance to help parents complete their education, learn English, enroll in a job training program or find employment.

(f) (1) There is established an account to be known as the "early care and family support account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Office of Early Childhood for the purposes of the initiative established under this section.

(2) For the fiscal year ending June 30, 2024, and each fiscal year thereafter, an amount equal to the percentage remaining after the amounts have been calculated pursuant to section 2-33c of the general statutes, as amended by this act, shall be transferred from the resources of the General Fund to the early care and family support account and credited to such account for the purposes of such initiative. The Office of Policy and Management shall make such funds available in quarterly allotments.

(3) (A) The office may use a portion of the funds in the account to (i) provide technical assistance to existing child care centers, group child care homes and family child care homes in planning for the expansion

of infant and toddler spaces under the initiative, including business planning, accreditation support, predevelopment expenses for any major renovations to an existing building or for new construction and the development of standardized plans and prefabricated buildings, (ii) develop family support services, and (iii) develop data collection and evaluation tools for continuous program improvement, as follows: For the fiscal year ending June 30, 2024, up to fifty per cent of such funds; for the fiscal year ending June 30, 2025, up to thirty-five per cent of such funds; and for the fiscal year ending June 30, 2026, up to twenty per cent of such funds.

(B) For the fiscal year ending June 30, 2027, and each fiscal year thereafter, the office may expend up to ten per cent of the funds in the account for the initiative for program evaluation, quality improvement and capacity expansion.

Sec. 2. Section 10-507 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2022*):

(a) There is established an account to be known as the "smart start competitive capital grant account" which shall be a capital projects fund. The account shall contain the amounts authorized by the State Bond Commission in accordance with section 10-508, as amended by this act, and any other moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Office of Early Childhood for the purposes of the Connecticut Smart Start competitive grant program established pursuant to section 10-506 and the Infant and Toddler Early Care and Family Support Initiative established pursuant to section 1 of this act.

(b) There is established an account to be known as the "smart start competitive operating grant account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Office of Early Childhood for the purposes of the Connecticut Smart Start competitive grant program established pursuant to section 10-506 and the Infant and Toddler Early

Care and Family Support Initiative established pursuant to section 1 of this act.

Sec. 3. Subsection (b) of section 10-508 of the 2022 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2022*):

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Office of Early Childhood for the purposes of early care and education facility improvements in the Smart Start competitive grant program established pursuant to subsection (a) of section 10-501, section 10-506 and section 3 of public act 14-41, the school readiness program, as defined in section 10-16p, state-funded day care centers pursuant to section 8-210, Even Start program pursuant to section 10-265n, programs administered by local and regional boards of education, and to expand the delivery of child care services to infants and toddlers **[**where a demonstrated need exists, as determined by the Office of Early Childhood**]** under the Infant and Toddler Early Care and Family Support Initiative established pursuant to section 1 of this act. Grants awarded pursuant to this subsection shall be used for facility improvements and minor capital repairs. Applicants eligible pursuant to this subsection may submit an application to the Office of Early Childhood and may receive a grant for capital expenses in an amount not to exceed seventy-five thousand dollars per classroom for costs related to the renovation of a facility.

Sec. 4. Section 2-33c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

[(a)**]** In addition to the provisions of section 2-33a, on and after July 1, 2019, **[**except as provided in subsection (b) of this section,**]** the General Assembly shall not authorize General Fund and Special Transportation Fund appropriations for any fiscal year in an amount that, in the aggregate, exceeds the percentage of the statement of estimated revenue passed pursuant to subsection (b) of section 2-35 for each fiscal year indicated as follows:

Fiscal Year Ending June 30,	Percentage of Estimated Revenue
2020	99.5
2021	99.25
2022	99
2023	98.75
2024	98.5
2025	98.25
2026, and each fiscal year thereafter	98

[(b) The General Assembly may authorize General Fund and Special Transportation Fund appropriations for any fiscal year in an amount that, in the aggregate, exceeds the percentage of estimated revenue specified in subsection (a) of this section for such fiscal year, if:

(1) (A) The Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such percentage for the purposes of such emergency or extraordinary circumstances, and (B) any such appropriation is for the fiscal year in progress only. Any such declaration shall specify the nature of such emergency or circumstances; or

(2) Each house of the General Assembly approves by majority vote any such appropriation for purposes of an adjusted appropriation and revenue plan.]

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2022*	New section
Sec. 2	*July 1, 2022*	10-507
Sec. 3	*July 1, 2022*	10-508(b)
Sec. 4	*July 1, 2023*	2-33c

Statement of Legislative Commissioners:

In Section 1(b), the provisions in the last sentence were reordered for clarity, in Section 1(d)(4), "after the date such center or home enters into such contract" was added after "three years" for clarity, and in Section 1(e), the last sentence was rewritten for consistency with standard drafting conventions.

FIN *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: None

Explanation

The bill redirects General Fund revenue to the Office of Early Childhood (OEC) to establish and administer the Infant and Toddler Early Care and Family Support Initiative to provide grants to child care service providers and staffed family child care networks. Grants must (1) support infant and toddler spaces in an amount equal to at least 75% of the market rate for such spaces, (2) include a bonus of 25% of the grant to accredited providers, and (3) provide access to and support for family support services totaling at least 10% of the total grant amount.

Beginning in FY 24 the bill diverts, to the newly established Early Care and Family Support account within OEC, General Fund revenues equivalent to the budgeted surplus requirements calculated for the General Fund under CGS Section 2-33c. Estimated transfers are provided below.

Source	FY	Max appropriations as % of revenues	Budgeted surplus requirement %	Budgeted surplus requirement (in $ millions)
FY 20 – FY 21 Budget	2020	99.50%	0.50%	92
	2021	99.25%	0.75%	140.2
FY 22 – FY 23 Budget	2022	99.00%	1.00%	210.2
	2023	98.75%	1.25%	272.6
January 2022 Consensus	2024	98.50%	1.50%	321.2
	2025	98.25%	1.75%	385
	2026	98.00%	2.00%	452.5

The bill results in additional staffing costs to OEC of approximately $350,000 annually (with associated fringe of $142,000) to support two Grants and Contracts Specialists, one Associate Accountant and an Education Consultant to administer the Infant and Toddler Early Care and Family Support Initiative. Staffing costs are anticipated to begin in FY 23 as the program is developed, prior to funding availability and grant distribution in FY 24.

The bill makes changes to the Smart Start competitive grant program that could result in increased or more rapid use of bond funds authorized for the program. The program is funded through General Obligation (GO) bond funds. Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been.

As of April 1, 2022, the unallocated bond balance available for the Smart Start program is $25 million; $10 million will become effective under current law to start FY 23. The bill does not change GO bond authorizations relevant to the program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued.

OLR Bill Analysis

SB 487

AN ACT ESTABLISHING THE INFANT AND TODDLER EARLY CARE AND FAMILY SUPPORT INITIATIVE.

SUMMARY

This bill requires the Office of Early Childhood (OEC) to establish the Infant and Toddler Early Care and Family Support Initiative to provide grants to support the growth and enhancement of a high-quality early childhood care and education system by creating and subsidizing infant and toddler spaces in high-need areas throughout the state.

Under the bill, OEC may enter into five-year contracts with eligible providers, giving priority to accredited centers that are, among other things, creating new infant and toddler spaces and located in towns with the lowest median incomes and greatest early care availability deficits. The bill sets conditions and requirements for the grants and contracts. Generally, grants must equal at least 75% of the market rate for each infant and toddler slot, plus specified bonuses and additional funds for family support services.

Beginning in FY 24, the bill funds the program by transferring an amount equal to the percentage of revenue remaining after the revenue cap is calculated (see BACKGROUND). It also eliminates, beginning July 1, 2023, current law's procedural requirements for exceeding the revenue cap.

The bill also makes the initiative eligible for funding, beginning in FY 23, from existing (1) Smart Start operating and capital grant accounts and (2) bond authorizations for early care and education facility improvement grants.

EFFECTIVE DATE: July 1, 2022, except that the provision eliminating the revenue cap procedural requirements is effective July 1, 2023.

PROGRAM ELIGIBILITY AND ADMINISTRATION

Eligibility and Selection

Under the bill, OEC must provide grants through the initiative to "child care services providers" and "staffed family child care networks." A child care services provider is a child care center, child care home, or family child care home that provides child care services (see BACKGROUND). A staffed family child care network is a group of family child care homes supported by OEC for sharing and coordinating administrative and child care services.

The bill requires OEC to establish standards for the initiative, which may include (1) guidelines for child-staff interaction, (2) lesson plans, (3) parental involvement, (4) staff qualifications, and (5) training and curriculum content, including preliteracy development.

Priority. When selecting providers, the commissioner must give priority to providers that are:

1. located in towns with the lowest median household income and greatest deficit of "early care availability" (i.e., a town's ratio of infant and toddler spaces available in licensed child care centers and family child care homes for every 100 children under age three);

2. creating new infant and toddler spaces;

3. accredited by the National Association for the Education of Young Children, National Association for Family Child Care, a Head Start on-site program review instrument, or otherwise meeting OEC-established criteria; and

4. licensed to individuals who reflect the demographics of the infant and toddler population in the community in which the provider is located.

Contracts and Grants

The bill allows OEC to enter into five-year contracts with child care service providers or staffed family child care networks to create new or support existing infant and toddler spaces in child care centers, group child care homes, and family child care homes. The contracts must provide (1) a grant for each infant and toddler space in an amount at least equal to 75% of the market rate, as OEC determines pursuant to the current market rate study required under federal law (presumably the Child Care and Development Block Grant Act, see BACKGROUND), and (2) a bonus of 25% of this grant to any child care service provider that is accredited (as described above).

If the contracted provider is nonaccredited, then OEC must provide additional support to help the provider get accredited within three years after entering into the contract.

The bill also requires that the contracts provide access to and support for family support services totaling at least 10% of the total grant amount. These services include parenting support; information about child development; and assistance to help parents complete their education, learn English, enroll in a job training program, or find a job.

PROGRAM FUNDING

Revenue Cap Transfer

Beginning in FY 24, the bill annually transfers to the early care and family support account (see below) an amount equal to the percentage of revenue remaining after the revenue cap is calculated. It requires the Office of Policy and Management to make these funds available quarterly.

The bill eliminates current law's procedural requirements for exceeding the revenue cap. Currently, the legislature may not exceed the cap unless the (1) governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house vote to exceed the percentage for such purposes and (2) appropriation is for the fiscal year in progress only.

Initiative Account

The bill establishes the "early care and family support account" as a separate, nonlapsing General Fund account. It must contain any money the law requires to be deposited in it and must be used by OEC for the initiative the bill establishes.

Under the bill, OEC may use a portion of account funds to do the following:

1. provide technical assistance to child care providers planning to expand infant and toddler spaces, including business planning, accreditation support, predevelopment expenses for renovations to an existing building or for new construction, and developing standardized plans and prefabricated buildings;

2. develop family support services; and

3. develop data collection and evaluation tools for continuous program improvement.

The bill limits the portion of funds that may be used for the above purposes to (1) 50% for FY 24, (2) 35% for FY 25, and (3) 20% in FY 26. Then, beginning with FY 27, OEC may spend up to 10% of account funds for program evaluation, quality improvement, and capacity expansion.

Bonds and Smart Start Accounts

Existing law authorizes bonds for early care and education facility improvement grants, including $10 million effective in each of FYs 23 and 24. Under current law, OEC may use these bond proceeds for, among other things, expanding the delivery of child care services to infants and toddlers where a demonstrated need exists. Under the bill, OEC may instead use these funds to expand infant and toddler child care services under the initiative the bill establishes. As under existing law, these bond proceeds may also be used for Smart Start, Even Start, and the school readiness program, among other purposes.

The bill also allows the OEC commissioner to use funds in the smart start operating and capital grants accounts for the initiative the bill establishes. The Smart Start program provides competitive grants to school districts to establish or expand public preschool programs.

BACKGROUND

Child Care Centers and Homes

A "child care center" offers or provides supplementary care to more than 12 children outside their own homes on a regular basis.

A "group child care home" offers or provides supplementary care (1) to between seven and 12 children on a regular basis or (2) meets the family day care home definition except that it is not in a private family home.

A "family child care home" is a private family home caring for up to six children, including the provider's own children, not in school full-time, where the child is cared for between three and 12 hours per day on a regular basis (CGS § 19a-77).

Market Rate Survey Under Child Care and Development Block Grant Act

The Child Care and Development Block Grant (CCDBG) Act authorizes the federal child care subsidy program known as the Child Care and Development Fund (CCDF), which funds the Connecticut Care 4 Kids program. Under the CCDF program, payment rates must be set at a level that ensures equal access for eligible children to childcare services that are comparable to services provided to ineligible children. To ensure adequate payment levels, lead agencies (OEC in Connecticut) must conduct a market rate survey or develop an alternative methodology within two years of adopting their three-year CCDF plan (49 C.F.R. § 98.45 (c)).

Revenue Cap and Bond Lock

The "revenue cap" prohibits the legislature from authorizing General Fund and Special Transportation Fund appropriations in any fiscal year that exceed a specified percentage of the estimated revenues included in the budget act, except under specific conditions. The percentage decreases in steps from 99.5% in FY 20 to 98% in FY 26 and thereafter (CGS § 2-33c). (It is 98.5% in FY 24.)

Under existing law, for each fiscal year during which state GO or credit revenue bonds issued from May 15, 2018, to June 30, 2020, are outstanding, the state must comply with the (1) budget reserve fund law, including the volatility cap; (2) revenue cap; (3) state spending cap; and (4) caps on general obligation (GO) and credit revenue bond authorizations, allocations, issuances, and expenditures. For bonds issued during this timeframe, the treasurer must include a pledge to bondholders that the state will not enact any laws taking effect from May 15, 2018, to June 30, 2023, that change the state's obligation to comply with the laws listed above until the bonds are fully paid off, except under certain circumstances. The pledge applies for five years from the bonds' first issuance date (CGS § 3-20(aa)).

Related Bill

sSB 11 (§ 18), reported favorably by the Finance, Revenue and Bonding Committee, requires an amount equal to the percentage of revenue remaining after the revenue cap is calculated to be annually transferred to the children's trust account the bill establishes.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 35 Nay 15 (04/05/2022)