
OLR Bill Analysis

sHB 5002

AN ACT CONCERNING EARLY CHILDHOOD CARE AND EDUCATION.

SUMMARY

This bill renames the Early Childhood Education Fund created in the FY 24-25 budget act the Early Childhood Care and Education Fund and transfers \$50 million to the fund from the General Fund for FY 25 (§ 4). It establishes a framework for the fund's deposits and investments and the state treasurer's authority and powers on behalf of the fund.

The bill creates a 17-member advisory commission within the Legislative Department to (1) review and report on the fund's financial health and status, (2) submit and update a 10-year plan to the legislature on fund expenditures that would best support the state's early childhood education and child care needs, and (3) recommend legislative changes to further the fund's purposes. It also authorizes up to \$50 million in state general obligation bonds for the Office of Early Childhood (OEC) to implement programs and initiatives to support the state's early childhood education and child care needs (§ 3). The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

The bill also does the following:

1. requires OEC, within available appropriations, to establish a Tri-Share Child Care Matching Program serving New London County in which child care costs are shared equally between participating employers, employees, and the state (§ 5);
2. requires OEC, for FY 26, to set up and administer a wage supplement and child care program enhancement grant program for eligible early childhood education program operators and child care services providers (§ 6); and

3. eliminates the requirement that the OEC commissioner annually report to the legislature on the current Early Childhood Education Fund and the Blue-Ribbon Panel on Child Care's recommendations (§ 7).

EFFECTIVE DATE: July 1, 2024, except that the (1) fund, advisory commission, and repealer provisions are effective upon passage and (2) wage supplement and grant program provision is effective July 1, 2025.

§ 1 — EARLY CHILDHOOD CARE AND EDUCATION FUND

Fund Requirements

As under current law, the Early Childhood Care and Education Fund must contain any money required or allowed by law to be deposited in it, including funds received from public or private contributions, gifts, and grants. The bill explicitly allows it to contain federal, state, or local grants, and additionally allows it to contain any earnings until they are disbursed according to the bill.

The bill requires the fund's deposits to be used solely to support the state's early childhood education and child care needs. They are not state property, they cannot be combined with state funds, and the state has no claim on them. The fund is not a state department, institution, or agency. It must continue to exist as long as it has deposits or obligations and until terminated by law.

Under the bill, any contract entered into by the fund, or any obligation of the fund, is not a state debt or obligation, and the state has no obligation on account of the fund. Amounts that must be paid from the fund are limited to the amount deposited there that is available for the payments.

Treasurer's Authority and Powers

The bill eliminates the requirement that the comptroller establish the fund and instead authorizes the treasurer, on the fund's behalf and to carry out its purposes, to do the following:

1. receive and invest the fund's money in any instruments, obligations, securities, or property as described below;

2. enter into contractual agreements for services for the fund (e.g., legal, actuarial, administrative, and consulting) and pay for them with the fund's assets;
3. obtain insurance for the fund's property, assets, activities, or deposits;
4. apply for and accept public or private donations to enable the fund to achieve its objectives;
5. adopt regulations;
6. sue and be sued;
7. establish accounts within the fund; and
8. take other necessary action to carry out the bill's purposes and related to the treasurer's duties under the bill.

Investments

The bill requires the state treasurer to (1) invest the fund's deposits in a reasonable way to achieve its objectives; (2) exercise a prudent person's care and discretion; and (3) consider such things as rate of return, risk, maturity, portfolio diversification, liquidity, projected disbursements and expenditures, and expected deposits and other gifts.

Under the bill, the state treasurer need not require the fund to invest in state or municipal bonds or other funds he administers. The fund's assets must be continuously invested and reinvested, consistent with the fund's objectives, until they are disbursed by the comptroller as the bill allows.

§ 2 — ADVISORY COMMISSION

Membership and Administration

Under the bill, the Early Childhood Care and Education Fund Advisory Commission consists of the 12 appointed members shown in the table below and the following state officials or their designees: the OPM secretary, state treasurer, state comptroller, and early childhood and education commissioners.

Table: Early Childhood Care and Education Fund Advisory Commission

<i>Appointing Authority</i>	<i>Number of Appointments</i>	<i>Appointee's Qualifications</i>
House speaker	2	One must be an Early Childhood Cabinet member who is a parent
Senate president pro tempore	2	One must represent a corporation with a significant physical presence in Connecticut that employs people who may benefit from early childhood education and state child care initiatives
House majority leader	2	One must represent a philanthropic organization engaged in early childhood education or child care issues in Connecticut
Senate majority leader	2	One must represent an early childhood education program operator in Connecticut
House minority leader	2	One must represent a non-home-based child care services provider in Connecticut
Senate minority leader	2	One must operate or represent a home-based child care services provider in Connecticut

Under the bill, appointed members may be legislators. They serve at the pleasure of their appointing authority for a term coterminous with their appointing authority. Appointing authorities must fill any vacancies, and those occurring other than by term expiration must be filled for the remainder of the unexpired term.

The commission is chaired by (1) the state comptroller and (2) two members selected by the House speaker and Senate president pro tempore, respectively. The chairpersons must schedule and hold the first meeting within 90 days after the bill's passage. The commission must meet as often as the chairpersons or a majority of its members deem necessary, and a majority of members constitutes a quorum.

Members are considered to have resigned from the commission if they miss three consecutive meetings or 50% of the meetings held during any calendar year.

The bill requires the Finance, Revenue and Bonding Committee's administrative staff to serve as the advisory commission's administrative staff.

Travel Expenses and Stipend

Members generally serve without compensation but must be reimbursed for necessary travel expenses, within available funds. The exception is for the (1) parent member of the Early Childhood Cabinet and (2) representatives of an early childhood education program operator and home- and non-home- based child care services provider, if they are employees of the respective provider and paid hourly. Under the bill, these members are eligible for a \$25 per hour stipend for each hour (or part of an hour) that they attend a commission meeting. The travel time to and from the meeting does not count towards the stipend.

Eligible members must submit a request to the Office of Legislative Management's executive director, as he requires, to receive the travel expenses or stipend. They must provide any documentation the executive director requires to substantiate the requested amount.

Powers and Duties

The bill authorizes the commission to do the following:

1. review and monitor the Early Childhood Care and Education Fund to assess its financial sustainability;
2. get the help and data it needs to carry out its purposes from any executive department, board, commission, or state agency; and
3. do anything else necessary and appropriate to carry out its duties.

Reporting Requirement

Annually, starting by January 1, 2026, the commission must report to the Appropriations; Finance, Revenue and Bonding; Education; and Children's committees on the Early Childhood Care and Education Fund's financial health and status. The report must include:

1. the amount deposited in the fund and whether it is sufficient to achieve the fund's purposes,
2. actual or expected disbursements for the applicable fiscal year,
3. the fund's investments' rates of return, and

4. any recommendations for policy changes and statutory changes to further the fund's purposes.

By January 1, 2026, the commission must also submit to these same committees a 10-year plan for the fund's expenditures that would best support the state's early childhood education and child care needs. In developing this plan, the commission must consider reports on the state of (1) these needs in Connecticut, (2) kindergarten readiness here, and (3) best practices in other states. It must update and submit this plan to these committees at least annually.

Public Hearing

Beginning with FY 26, the commission must annually hold a public hearing on the state of the fund and of early childhood education and child care in the state.

§ 5 — TRI-SHARE CHILD CARE MATCHING PROGRAM

Program Duration and Administrator

The bill requires OEC, within available appropriations, to create a Tri-Share Child Care Matching Program for New London County that runs for at least two years. It must choose a regional or statewide organization to administer the program.

The administrator must:

1. set the program's eligibility criteria for employers and employees (although the bill sets specific criteria as described below) and recruit employers to participate,
2. ensure that the child care facilities receiving program funds are state-licensed and disburse funds to the appropriate providers,
3. collect and ensure timely payment from the state and participating employers and employees, and
4. coordinate adequate communication between all parties.

OEC must enter into an agreement with its chosen administrator to perform these duties. This agreement must at least include:

1. a provision that the administrator must receive, for its administrative costs, up to 10% of the funds the state allocates to the program;
2. a requirement that the administrator not commingle program funds with any other funds it holds or controls, other than those it receives for administrative costs; and
3. penalties for violating any provision of the agreement or the bill's Tri-Share program provisions.

Eligibility Criteria

To participate in the program, employers must have a physical facility in New London County that is its employees' principal workplace. Employees must:

1. be employed by a participating employer;
2. live in Connecticut;
3. have a principal workplace in New London County;
4. be part of the asset limited, income constrained employed population that is below the ALICE threshold, based on the United Way of Connecticut's most recent annual report (see BACKGROUND); and
5. not be receiving other public assistance for child care costs.

Reporting Requirement

The bill requires the OEC commissioner, beginning with the fiscal year immediately following the program's first year, to annually report on the program to the Appropriations; Finance, Revenue and Bonding; Education; and Children's committees. The report must at least include:

1. for the immediately preceding fiscal year, the (a) number of participating employers and employees and (b) amounts the administrator disbursed for child care costs and retained for administrative costs; and

2. the commissioner's recommendations for programmatic or legislative changes to improve the program or further its purposes.

6 — WAGE SUPPLEMENT AND CHILD CARE PROGRAM ENHANCEMENT GRANT PROGRAM

Eligible Program Operators and Providers

The bill requires OEC to establish a wage supplement and child care program enhancement grant program for FY 26 and begin awarding the grants starting August 1, 2025. Under the bill, the grants are for early childhood education program operators (i.e., school readiness programs, private preschool programs, and OEC-contracted child day care programs) and child care services providers (i.e., child care centers and group and family child care homes) that (1) meet the eligibility requirements the agency sets under the bill and (2) submit a grant application in the way OEC requires.

Eligible Uses

Grantees may use these grants to either (1) supplement the annual salaries of their employees or (2) address any other programmatic or administrative needs, according to the OEC guidelines described below. However, in awarding the grants, the OEC commissioner must give priority to program operators and providers that will use the grant exclusively to supplement employee salaries.

Eligibility Criteria and Guidelines

Under the bill, OEC must develop (1) eligibility criteria for program operators and providers and (2) guidelines for administering the program and spending the grants. These eligibility criteria must limit the grants to program operators and providers serving high-need populations, as determined by the OEC commissioner. In doing so, she must consider the Blue-Ribbon Panel on Child Care's findings and recommendations issued in its 2023 report. (The governor's executive order (EO 23-1, March 17, 2023) established this panel, chaired by the OEC commissioner, to serve as his principal advisor on child care and early childhood issues and coordinate state agencies' efforts to promote an effective child care and early childhood education system.)

BACKGROUND

ALICE Threshold

The United Way's ALICE (i.e., asset limited, income constrained, and employed) threshold represents the minimum income level needed for a household to afford an estimated minimum budget (i.e., the ALICE household survival budget). The threshold is adjusted for household size and composition for each county.

Based on the United Way's 2023 ALICE report for Connecticut, to cover the household survival budget for 2021, a single adult had to earn \$16.56 per hour and a family with two children had to earn a combined \$45.71 per hour.

Related Bill

sSB 10, favorably reported by the Finance, Revenue and Bonding Committee, contains an identical \$50 million general obligation bond authorization for programs and initiatives enacted to support the state's early childhood education and child care needs.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 47 Nay 4 (04/03/2024)