House of Representatives



General Assembly

File No. 198

January Session, 2025

House Bill No. 5003

House of Representatives, March 24, 2025

The Committee on Children reported through REP. PARIS of the 145th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE EARLY CHILDHOOD CARE AND EDUCATION FUND.

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

Section 1. (NEW) (*Effective from passage*) (a) For the fiscal year ending June 30, 2025, after the accounts for the General Fund have been closed and the Comptroller has determined the amount of unappropriated surplus, if any, in said fund, the amount of such surplus to a maximum of one hundred million dollars shall be transferred by the Treasurer to the Early Childhood Care and Education Fund established pursuant to section 10-511 of the general statutes, as amended by this act.

8 (b) For the fiscal year ending June 30, 2026, after the accounts for the 9 General Fund have been closed and the Comptroller has determined the 10 amount of unappropriated surplus, if any, in said fund, the amount of 11 such surplus to a maximum of one hundred million dollars shall be 12 transferred by the Treasurer to the Early Childhood Care and Education 13 Fund established pursuant to section 10-511 of the general statutes, as 14 amended by this act. (c) Any amount transferred pursuant to this section shall be deducted
in determining the amount of unappropriated surplus to be transferred
to the Budget Reserve Fund pursuant to subsection (b) of section 4-30a
of the general statutes.

19 Sec. 2. Section 10-511 of the general statutes is repealed and the 20 following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) There is established the Early Childhood Care and Education
Fund. Said fund may contain any moneys required or permitted by law
to be deposited in the fund and shall receive and hold all payments and
deposits for contributions intended for said fund, as well as gifts,
bequests, endowments or federal, state or local grants and any other
funds from any public or private source and all earnings until disbursed
in accordance with the provisions of this section.

28 (b) The amounts on deposit in said fund shall not constitute property 29 of the state and said fund shall not be construed to be a department, 30 institution or agency of the state. Amounts on deposit in said fund shall 31 not be commingled with state funds and the state shall have no claim to 32 or against, or any interest in, such deposits. Any contract entered into 33 by or any obligation of said fund shall not constitute a debt or obligation 34 of the state and the state shall have no obligation to any person on 35 account of said fund and all amounts obligated to be paid from said 36 fund shall be limited to amounts available for such obligation on deposit 37 in said fund. Said fund shall retain at the end of any fiscal year an 38 amount not less than ten per cent of any transfers or deposits in said 39 fund during such fiscal year. Said fund shall continue in existence as 40 long as it holds any deposits or has any obligations and until its 41 existence is terminated by law.

42 (c) The Treasurer shall invest the amounts on deposit in said fund in 43 a manner reasonable and appropriate to achieve the objectives of said 44 fund, exercising the discretion and care of a prudent person in similar 45 circumstances with similar objectives. The Treasurer shall give due 46 consideration to rate of return, risk, term or maturity, diversification of 47 the total portfolio within said fund, liquidity, the projected 48 disbursements and expenditures and the expected payments, deposits, 49 contributions and gifts to be received. The Treasurer shall not require 50 said fund to invest directly in obligations of the state or any political 51 subdivision of the state or in any investment or other fund administered 52 by the Treasurer. The assets of said fund shall be continuously invested 53 and reinvested in a manner consistent with the objectives of said fund 54 until disbursed by the Comptroller in accordance with the provisions of 55 this section.

- (d) The Treasurer, on behalf of said fund and for purposes of saidfund, may:
- (1) Receive and invest moneys in said fund in any instruments,obligations, securities or property in accordance with this section;

60 (2) Enter into one or more contractual agreements, including
61 contracts for legal, actuarial, accounting, custodial, advisory,
62 management, administrative, advertising, marketing and consulting
63 services for said fund and pay for such services from the assets of said
64 fund;

(3) Procure insurance in connection with said fund's property, assets,
activities or deposits to said fund;

67 (4) Apply for and accept gifts, grants or donations from public or68 private sources to enable said fund to carry out its objectives;

69 (5) Adopt regulations in accordance with chapter 54 for purposes of70 this section;

71 (6) Sue and be sued;

72 (7) Establish one or more accounts within said fund; and

(8) Take any other action necessary to carry out the purposes of this
section and incidental to the duties imposed on the Treasurer pursuant
to this section.

76 (e) The amounts on deposit in said fund shall be used for the
 HB5003 / File No. 198 3

77 purposes of supporting early childhood education in, and child care 78 needs of, the state, including expansion of the child care subsidy 79 program, established pursuant to section 17b-749, as amended by this act, salary increases for early childhood educators, subsidies for health 80 81 care plans for employees of early care and education programs, in 82 accordance with section 5 of this act, and providing administrative and 83 technical assistance for the implementation of the competitive grant 84 program to provide grants for capital expenses related to the 85 construction and renovation of early childhood education and child care 86 facilities established pursuant to section 8 of this act, and shall not be 87 expended for any other purpose.

88 Sec. 3. (Effective from passage) (a) The Commissioner of Early 89 Childhood shall develop a report on the cost to increase provider 90 payment rates under the child care subsidy program, established 91 pursuant to section 17b-749 of the general statutes, as amended by this 92 act, to cover the cost of care, as described in the Connecticut Narrow 93 Cost Analysis prepared for the Office of Early Childhood in June 2024, 94 (1) using the current registry salary levels noted within the analysis and 95 to provide bonuses of ten per cent to programs operating in a child care 96 desert, as determined by the office, and twenty-five per cent to 97 programs accredited by the National Association for the Education of 98 Young Children or the National Association for Family Child Care, and 99 (2) using the workforce compensation schedule mid-career levels noted 100 within the analysis and to provide bonuses of ten per cent to programs 101 operating in a child care desert, as determined by the office, and twenty-102 five per cent to programs accredited by the National Association for the 103 Education of Young Children or the National Association for Family 104 Child Care. Such report shall include a proposal for an implementation 105 plan and timeline that phases in such increased provider payment rates 106 over a five-year period, commencing in the fiscal year ending June 30, 107 2026.

(b) Not later than September 1, 2025, the commissioner shall submit
such report on its findings and recommendations to the Early
Childhood Care and Education Fund Advisory Commission,

established pursuant to section 10-511a of the general statutes, as amended by this act, and the joint standing committees of the General Assembly having cognizance of matters relating to children, education, finance, revenue and bonding and appropriations and the budgets of state agencies, in accordance with the provisions of section 11-4a of the general statutes.

117 Sec. 4. Subsection (c) of section 10-511a of the general statutes is 118 repealed and the following is substituted in lieu thereof (*Effective July 1*, 119 2025):

120 (c) The commission shall:

121 (1) Not later than January 1, 2026, and annually thereafter, submit a 122 report, in accordance with the provisions of section 11-4a, to the joint 123 standing committees of the General Assembly having cognizance of 124 matters relating to appropriations and the budgets of state agencies, 125 finance, revenue and bonding, education and children, on the financial 126 health and status of the Early Childhood Care and Education Fund, 127 including, but not limited to, (A) the amounts on deposit in said fund, 128 (B) disbursements made or expected to be made from said fund for the 129 applicable fiscal year, (C) the rates of return on investments made by the 130 Treasurer pursuant to subsection (c) of this section, (D) a statement as to 131 the sufficiency of the amounts on deposit in said fund to achieve the 132 purposes of said fund, and (E) any recommendations for policy changes 133 and amendments to the general statutes necessary to further the 134 purposes of said fund, including recommendations for implementing the findings in the report developed pursuant to section 3 of this act to 135 136 increase provider payment rates under the child care subsidy program, 137 established pursuant to section 17b-749, as amended by this act;

(2) Not later than January 1, 2026, submit a five-year plan, in
accordance with the provisions of section 11-4a, to the joint standing
committees of the General Assembly having cognizance of matters
relating to appropriations and the budgets of state agencies, finance,
revenue and bonding, education and children, of recommendations of
expenditures from said fund that would best support early childhood

144 education in, and child care needs of, the state. The commission shall, in 145 developing such plan, consider reports on (A) the state of [(A)] (i) early 146 childhood care and education in the state, and [(B)] (ii) kindergarten 147 readiness in the state, as well as best practices in other states, and (B) 148 increasing provider payment rates developed pursuant to section 3 of 149 this act under the child care subsidy program, established pursuant to 150 section 17b-749, as amended by this act. The commission shall update 151 such plan at least annually and submit such updated plan annually to 152 said committees; and

(3) Commencing with the fiscal year ending June 30, 2026, hold a
public hearing annually on the state of the fund and of early childhood
education and child care in the state.

156 Sec. 5. (*Effective July 1, 2025*) (a) As used in this section:

(1) "Early care and education program" means a program providing
child care services, as described in section 19a-77 of the general statutes,
that is licensed by the Office of Early Childhood;

(2) "Health benefit plan" has the same meaning as provided in section38a-1080 of the general statutes; and

162 (3) "Partnership plan" has the same meaning as provided in section 3-163 123aaa of the general statutes.

164 (b) For the fiscal year ending June 30, 2026, and each fiscal year 165 thereafter, the Comptroller shall establish a program to provide a 166 subsidy, within available appropriations, to an individual who (1) opens 167 a health savings account, pursuant to Section 223 of the Internal 168 Revenue Code of 1986, or any subsequent corresponding internal 169 revenue code of the United States, as amended from time to time, or is 170 eligible for Medicare and enrolls in a high deductible health plan, and 171 (2) is employed by an early care and education program. Such subsidy 172 shall be in an amount up to a certain percentage, as specified by the 173 Comptroller, of the deductible for the health plan in which such 174 individual is enrolled, minus the amount of any employer contributions to a health savings account or health reimbursement account, and not
exceeding an amount specified by the Comptroller. No individual may
receive more than one subsidy in any fiscal year pursuant to this section.
The Comptroller may work with the provider of an early care and
education program that employs such individual to distribute such
subsidy.

181 (c) For the fiscal year ending June 30, 2026, and each fiscal year 182 thereafter, the Comptroller shall establish a program to provide a 183 subsidy, from any funds appropriated for such purpose, to providers of early care and education programs that provide coverage to its 184 employees and their dependents under a health benefit plan or a 185 186 partnership plan for such fiscal year or any portion thereof. Such 187 subsidy shall be (1) in an amount of not more than ten per cent of the 188 aggregate premium cost, inclusive of the employee and employer shares 189 of such cost, paid by such provider for coverage under such health 190 benefit plan or partnership plan, divided by the number of employees 191 of such provider who are enrolled in health coverage, and (2) used to offset the employee's share of such premium cost that is deducted from 192 193 the payroll check of each employee of such provider during any pay 194 period during such fiscal year. The provisions of this subsection shall 195 not apply to any early care and education program provider that 196 provides coverage under a high deductible health plan, as such term is 197 described in subsection (f) of section 38a-520 of the general statutes.

198 (d) The Comptroller and the Early Childhood Care and Education 199 Fund Advisory Commission, established pursuant to section 10-511a of 200 the general statutes, as amended by this act, shall enter into a 201 memorandum of understanding, in accordance with the provisions of 202 section 4-97b of the general statutes, to allow the Comptroller to utilize the sum of _____ that is appropriated to the Early Childhood Care and 203 204 Education Fund, established pursuant to section 10-511 of the general 205 statutes, as amended by this act, to implement the provisions of this 206 section.

207 Sec. 6. Subsection (b) of section 17b-749 of the general statutes is

208 repealed and the following is substituted in lieu thereof (*Effective July 1*,209 2025):

210 (b) The commissioner shall establish income standards for applicants 211 and recipients at a level to include a family with gross income up to 212 [fifty] <u>eighty-five</u> per cent of the state-wide median income, except the 213 commissioner: (1) May increase the income level up to the maximum 214 level allowed under federal law, (2) upon the request of the 215 Commissioner of Children and Families, may waive the income 216 standards for adoptive families so that children adopted on or after 217 October 1, 1999, from the Department of Children and Families are eligible for the child care subsidy program, [and] (3) shall establish a 218 219 two-tiered income eligibility threshold in accordance with 45 CFR 220 98.21(b), as amended from time to time, and (4) shall permit recipients 221 whose gross income subsequently exceeds eighty-five per cent of the 222 state-wide median income to continue to receive prorated benefits until 223 such recipients' gross income meets or exceeds one hundred per cent of 224 the state median income. The commissioner may adopt regulations in 225 accordance with chapter 54 to establish income criteria and durational 226 requirements for such waiver of income standards.

227 Sec. 7. (Effective July 1, 2025) For the fiscal year ending June 30, 2026, 228 and each fiscal year thereafter, the Commissioner of Early Childhood 229 shall exempt from the family fee requirement of the child care subsidy 230 program, established pursuant to section 17b-749 of the general statutes, 231 as amended by this act, any person or family who is (1) an active 232 participant in the child care subsidy program, and (2) employed by a 233 licensed early care and education program providing child care 234 services, as described in section 19a-77 of the general statutes.

Sec. 8. (NEW) (*Effective July 1, 2025*) (a) For the fiscal year ending June 30, 2026, and each fiscal year thereafter, the Office of Early Childhood shall design and administer a competitive grant program to provide grants for capital expenses related to the construction and renovation of early childhood education and child care facilities. An operator of an early care and education program that provides child care services, as described in section 19a-77 of the general statutes, may submit an
application for a grant to the office, in accordance with the provisions of
subsection (b) of this section.

244 (b) On and after July 1, 2025, an operator of an early care and 245 education program may apply, at such time and in such manner as the 246 commissioner prescribes, to the office for a capital grant for the purposes 247 described in subsection (a) of this section. To be eligible to receive a 248 grant under this section, an applicant operator shall (1) demonstrate that 249 it has a need for constructing a new or renovating an existing child care 250 facility, using information requested by the commissioner on a form 251 prescribed by the commissioner, and (2) submit a plan for the 252 expenditure of grant funds received under this section that outlines how 253 such operator will use such funds, including, but not limited to, how the 254 construction or renovation of the child care facility may increase access 255 to child care for families in the community. The commissioner shall give 256 priority to those operators that demonstrate the greatest need for the 257 construction or renovation of a child care facility.

(c) Each operator of an early care and education program receiving a
grant under this section shall submit an annual report, on a form and in
a manner prescribed by the commissioner, to the Office of Early
Childhood regarding the enrollment and operation of the early care and
education program.

(d) The commissioner may contract with nongovernmental entities,
including, but not limited to, nonprofit organizations, lending
institutions and technical assistance providers, to carry out the
provisions of this section.

Sec. 9. (NEW) (*Effective July 1, 2025*) There is established an account to be known as the "early care and education program 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 of 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

274 competitive grant program established pursuant to section 8 of this act.

275 Sec. 10. (NEW) (*Effective July 1, 2025*) (a) For the purposes described 276 in subsection (b) of this section, the State Bond Commission shall have 277 the power from time to time to authorize the issuance of bonds of the 278 state in one or more series and in principal amounts not exceeding in 279 the aggregate one hundred million dollars, provided twenty million 280 dollars of said authorization shall be effective July 1, 2025, twenty 281 million dollars of said authorization shall be effective July 1, 2026, 282 twenty million dollars of said authorization shall be effective July 1, 283 2027, twenty million dollars of said authorization shall be effective July 284 1, 2028, and twenty million dollars of said authorization shall be 285 effective July 1, 2029. The amount authorized for the issuance and sale 286 of such bonds in each of the following fiscal years shall not exceed the 287 corresponding amount for each such fiscal year, provided, to the extent 288 the Office of Early Childhood does not provide for the use of all or a 289 portion of such amount in any such fiscal year, such amount not 290 provided for shall be carried forward and added to the authorized 291 amount for the next succeeding fiscal year, and provided further, the 292 costs of issuance and capitalized interest, if any, may be added to the 293 capped amount in each fiscal year, and each of the authorized amounts 294 shall be effective on July first of the fiscal year indicated.

(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 the competitive grant program
established pursuant to section 8 of this act.

299 (c) The State Bond Commission shall approve a memorandum of 300 understanding between the Commissioner of Early Childhood and the 301 state, acting by and through the Secretary of the Office of Policy and 302 Management and the Treasurer, providing for the issuance of said 303 bonds for the purposes of the competitive grant program established 304 pursuant to section 8 of this act, including provisions regarding the 305 extent to which federal, private or other moneys then available or 306 thereafter to be made available for costs should be added to the proceeds

HB5003

307 of the bonds authorized pursuant to this section for such project or 308 program. The memorandum of understanding shall be deemed to 309 satisfy the provisions of section 3-20 of the general statutes and the 310 exercise of any right or power granted thereby that is not inconsistent 311 with the provisions of this section.

312 (d) All provisions of section 3-20 of the general statutes, or the 313 exercise of any right or power granted thereby, which are not 314 inconsistent with the provisions of this section are hereby adopted and 315 shall apply to all bonds authorized by the State Bond Commission 316 pursuant to this section, and temporary notes in anticipation of the 317 money to be derived from the sale of any such bonds so authorized may 318 be issued in accordance with said section 3-20 and from time to time 319 renewed. Such bonds shall mature at such time or times not exceeding 320 twenty years from their respective dates as may be provided in or 321 pursuant to the resolution or resolutions of the State Bond Commission 322 authorizing such bonds. None of said bonds shall be authorized except 323 upon a finding by the State Bond Commission that there has been filed 324 with it a request for such authorization which is signed by or on behalf 325 of the Secretary of the Office of Policy and Management and states such 326 terms and conditions as said commission, in its discretion, may require. 327 Said bonds issued pursuant to this section shall be general obligations 328 of the state and the full faith and credit of the state of Connecticut are 329 pledged for the payment of the principal of and interest on said bonds 330 as the same become due, and accordingly and as part of the contract of 331 the state with the holders of said bonds, appropriation of all amounts 332 necessary for punctual payment of such principal and interest is hereby 333 made, and the State Treasurer shall pay such principal and interest as 334 the same become due.

Sec. 11. (NEW) (*Effective July 1, 2025*) Not later than July 1, 2026, the Office of Early Childhood shall develop and administer a system of presumptive eligibility for applicants to the child care subsidy program, established pursuant to section 17b-749 of the general statutes, as amended by this act. Such system shall (1) include a screening tool that will permit applicants to determine presumptive eligibility under the

child care subsidy program, (2) provide applicants who have been 341 342 determined to be presumptively eligible for the child care subsidy 343 program to receive services for a sixty-day trial period, (3) require 344 applicants who receive services under such sixty-day trial period to 345 complete the full application for participation in the child care subsidy 346 program in order to continue to be eligible, and (4) require the office to 347 make a final eligibility determination for such applicant prior to the 348 expiration of such sixty-day trial period.

Sec. 12. (*Effective from passage*) Not later than July 1, 2025, the Office of Early Childhood shall implement a prospective payment system for the child care subsidy program, established pursuant to section 17b-749 of the general statutes, as amended by this act, in accordance with federal law.

Sec. 13. Subsections (f) and (g) of section 17b-749 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

357 (f) A provider under the child care subsidy program that qualifies for 358 eligibility and subsequently receives payment for child care services for 359 recipients under this section shall be reimbursed for such services until 360 informed by the office of the recipient's ineligibility. For the fiscal year 361 ending June 30, 2026, and each fiscal year thereafter, the commissioner 362 shall (1) limit the total amount of payments under this section to any 363 provider that operates, directly or through an affiliate, more than ten 364 child care centers, as described in section 19a-77, to not more than one 365 per cent of the total appropriation under this section for that fiscal year, unless the commissioner determines that making payments to such 366 367 provider in an amount greater than one per cent of such total annual 368 appropriation is in the best interests of the state, and (2) require any such 369 provider to (A) demonstrate a willingness to enroll more children of 370 families who are recipients under the child care subsidy program at each 371 child care center location operated by such provider or its affiliate, and 372 (B) annually provide the office with an audited financial statement 373 detailing how payments received under this section have been

374 <u>expended during that fiscal year.</u>

375 (g) All licensed child care providers and those providers exempt from 376 licensing shall provide the office with the following information in order 377 to maintain eligibility for reimbursement: (1) The name, address, 378 appropriate identification, Social Security number and telephone 379 number of the provider and all adults who work for or reside at the 380 location where care is provided; (2) the name and address of the child's 381 doctor, primary care provider and health insurance company; (3) 382 whether the child is immunized and has had health screens pursuant to 383 the federal Early and Periodic Screening, Diagnostic and Treatment 384 Services Program under 42 USC 1396d; [and] (4) the number of children 385 cared for by the provider; (5) the type of business entity of the provider; 386 and (6) the names of all officers, directors and owners of the provider 387 or, in the case of an affiliate of the provider that is receiving payments 388 under this section, the names of all officers, directors and owners of such 389 affiliate.

Sec. 14. (NEW) (*Effective July 1, 2025*) (a) For the fiscal year ending June 30, 2026, and each fiscal year thereafter, each provider of child care services, as described in section 19a-77 of the general statutes, shall annually submit to the Office of Early Childhood the tuition rates being charged to families during the fiscal year and the amount of any change in such tuition rates from the previous fiscal year.

(b) The Office of Early Childhood shall annually publish on its
Internet web site the information collected pursuant to subsection (a) of
this section regarding tuition rates and changes in tuition amounts.

Sec. 15. (*Effective from passage*) Not later than October 1, 2025, the Commissioner of Early Childhood shall enter into a data sharing agreement with the Children's Funding Project for the purpose of the creation of a fiscal map that shows a comprehensive view of state funding and spending for children in the state. The commissioner shall not be required to enter into such agreement under this section if the Children's Funding Project requires a direct fee for its services. 406 Sec. 16. (Effective from passage) The Office of Early Childhood, in 407 collaboration with the Insurance Department and the Attorney General, 408 shall conduct a joint study regarding the prevalence, appropriateness 409 and affordability of liability insurance for child care centers and family 410 child care homes, as such terms are described in section 19a-77 of the 411 general statutes. Such joint study shall include, but need not be limited 412 to, an assessment of the factors that have given rise to increasing liability 413 insurance costs. Not later than January 1, 2026, the office shall submit a 414 report on the findings of such joint study, and any recommendations, to 415 the joint standing committees of the General Assembly having 416 cognizance of matters relating to children, education and insurance, in 417 accordance with the provisions of section 11-4a of the general statutes.

418 Sec. 17. (Effective from passage) The Office of Early Childhood shall 419 conduct a study concerning the prevalence of men in the child care and 420 early childhood education workforce. Such study shall include, but 421 need not be limited to, an analysis of the factors affecting and reasons 422 why so few men are employed in child care or early childhood 423 education and recommendations for ways to increase the representation 424 of men in such fields. Not later than January 1, 2026, the office shall 425 submit a report on the findings of such study, and any 426 recommendations, to the joint standing committees of the General 427 Assembly having cognizance of matters relating to children, education 428 and labor, in accordance with the provisions of section 11-4a of the 429 general statutes.

430 Sec. 18. (Effective from passage) The Office of Early Childhood, in 431 consultation with the Department of Emergency Services and Public 432 Protection, shall develop a report on background checks for early 433 childhood educators. Such report shall include, but need not be limited 434 to, (1) an examination of (A) the average processing time for background 435 checks for early childhood educators, (B) strategies to improve the speed 436 at which background checks are processed, and (C) strategies to 437 improve the convenience and ease with which early childhood 438 educators are able to be fingerprinted and to submit background check 439 materials for processing, and (2) an assessment of whether it is possible

HB5003

for an early childhood educator to share his or her fingerprint and background check results with multiple prospective employers. Not later than January 1, 2026, the office shall submit a report on its findings, and any recommendations, to the joint standing committees of the General Assembly having cognizance of matters relating to children, education and public safety, in accordance with the provisions of section 11-4a of the general statutes.

This act shall take effect as follows and shall amend the following sections:			
Section 1	from passage	New section	
Sec. 2	July 1, 2025	10-511	
Sec. 3	from passage	New section	
Sec. 4	July 1, 2025	10-511a(c)	
Sec. 5	July 1, 2025	New section	
Sec. 6	July 1, 2025	17b-749(b)	
Sec. 7	July 1, 2025	New section	
Sec. 8	July 1, 2025	New section	
Sec. 9	July 1, 2025	New section	
Sec. 10	July 1, 2025	New section	
Sec. 11	July 1, 2025	New section	
Sec. 12	from passage	New section	
Sec. 13	July 1, 2025	17b-749(f) and (g)	
Sec. 14	July 1, 2025	New section	
Sec. 15	from passage	New section	
Sec. 16	from passage	New section	
Sec. 17	from passage	New section	
Sec. 18	from passage	New section	

KID Joint Favorable

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:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Resources of the General Fund	GF - Potential	Up to 100	Up to 100
	Revenue Loss	million	million
Early Childhood, Off.	GF - Cost	At least	At least
		210.7	210.2
		million	million
Treasurer, Debt Serv.	GF - Potential	None	Up to 1
	Cost		million
Comptroller	ECCEF - Cost	See Below	See Below
State Comptroller - Fringe	GF - Cost	At least	At least
Benefits ¹		86,805	86,805

Note: GF=General Fund; ECCEF=Early Childhood Care and Education Fund

Municipal Impact: None

Explanation

Section 1 requires up to \$100 million of unappropriated General Fund surpluses after the close of accounts for FY 25 and FY 26 be deposited into the Early Childhood Care and Education Fund. To the extent there are General Fund surpluses at the close of FY 25 and FY 26, there will be a transfer of resources of the General Fund to the Early Childhood Care and Education Fund of up to \$100 million in each of FY 26 and FY 27. General Fund surpluses would otherwise be deposited in the Budget Reserve Fund (BRF), subject to statutory requirements regarding the use of BRF excess when applicable.

Section 2 limits the use of resources of the Early Childhood Care and

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 40.71% of payroll in FY 26.

Education fund, such that ten percent of annual transfers or deposits into the fund must be retained. The section also expands the eligible uses of the funds. Any fiscal impact from this section is dependent on the level of transfers or deposits into the fund and whether expenditures for the expanded uses allowed for the fund are in addition to, rather than in place of, existing allowable uses.

Section 5 results in an indeterminate annual cost to the Early Childhood Care and Education Fund beginning in FY 26 to establish two subsidy programs administered by the Comptroller. The programs provide subsidies to: (1) employees of an early care and education program that open a Health Savings Account (HSA); and (2) providers of early care and education fund programs that provide health benefit plan coverage to its employees and their dependents to offset employee costs. The Office of the Comptroller will use an unspecified appropriation to the Early Childhood Care and Education Fund through a memorandum of understanding with the Early Childhood Care and Education Fund Advisory Commission to cover the costs of the programs outlined above.

Section 6 results in a cost to OEC of at least \$150 million in FY 26 and FY 27 to (1) increase the Care4Kids income eligibility from 60% to 85% of the state median income (SMI) at application, and (2) increase the graduated phase-out level from 85% to 100% of SMI. Costs may be controlled by adding families to the Care4Kids waitlist.

Section 7 results in an indeterminate annual cost to OEC to eliminate the parent fee for childcare workers who have children eligible for Care4Kids. The number of childcare workers that may qualify is unknown at this time. Costs may be controlled by adding families to the Care4Kids waitlist.

Section 8 results in a cost to OEC of approximately \$154,781 (\$110,000 base salary with \$44,781 in associated fringe benefits) in FY 26 and FY 27 to hire one Durational Project Manager to design and administer a grant program for construction and renovation of early childhood facilities.

Sections 9 and 10 authorize \$100 million of new General Obligation bonds (\$20 million annually from FY 26 through FY 30) and require a memorandum of understanding that would, if ratified, allocate these new bond funds as they become effective. Total debt repayment is anticipated to be over \$143 million, with the earliest annual payment of up to \$1 million possible in FY 27 and final payment as early as FY 50.

Section 11 results in a cost to OEC of at least \$60 million in FY 26 and FY 27 to develop and administer a presumptive eligibility system for Care 4 Kids applicants, by July 1, 2026. OEC will incur additional costs to hire an IT contractor to make the necessary system changes, which are unknown at this time. Costs may be controlled by adding families to the Care4Kids waitlist.

Section 12 results in a cost to OEC to hire additional staff to implement a Care4Kids prospective payment system by July 1, 2025. OEC is currently working on this project under an approved waiver period through August 2026. The extent of the cost is dependent on the type and number of staff needed to expedite completion of this project.

Section 14 results in a cost to OEC of approximately \$145,252 (\$103,228 base salary with \$42,024 1 in associated fringe benefits) in FY 26 and FY 27 to hire one Associate Research Analyst to collect data on tuition rates for all licensed childcare providers in the state. OEC may incur additional costs to the extent that the agency needs to hire an information technology (IT) contractor to maintain a database of these tuition rates for the purpose of updating the OEC website.

Section 17 results in a cost to OEC of at least \$500,000 in FY 26 to hire a consultant to conduct a study on the prevalence of men in the childcare and early childhood education workforce. The report is due by January 1, 2026.

Sections 3, 4, 13, 15, 16, and 18 make technical, clarifying, and conforming changes that have no fiscal impact.

The Out Years

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

OLR Bill Analysis

HB 5003

AN ACT CONCERNING THE EARLY CHILDHOOD CARE AND EDUCATION FUND.

TABLE OF CONTENTS:

SUMMARY

<u>§§ 1 & 2 — EARLY CHILDHOOD CARE AND EDUCATION FUNDING</u> <u>AND EXPANSION OF FUND USES</u>

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

<u>§§ 3 & 4 — EARLY EDUCATION AND CHILD CARE PROVIDER</u> <u>PAYMENT RATES</u>

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

<u>§ 5 — NEW HEALTH CARE FOR EARLY CARE AND EDUCATION</u> 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

<u>§ 6 — INCREASED ELIGIBILITY FOR CARE 4 KIDS</u>

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

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<u>§ 7 — EXEMPTS CHILD CARE PROVIDER EMPLOYEES FROM CARE</u>
<u>4 KIDS FAMILY FEE</u>
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Exempts Care 4 Kids participants from paying the program's family fee if they work for a licensed child care provider

<u> §§ 8-10 — NEW CAPITAL FACILITIES GRANT</u>

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

<u>§ 11 — PRESUMPTIVE ELIGIBILITY FOR CARE 4 KIDS</u>

Creates a presumptive eligibility system for Care 4 Kids applicants

<u>§ 12 — CARE 4 KIDS PROSPECTIVE PAYMENT SYSTEM</u>

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

<u>§ 13 — REQUIREMENTS FOR CARE 4 KIDS PROVIDERS</u>

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

<u>§ 14 — ANNUAL CHILD CARE PROVIDER TUITION RATE REPORT</u>

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

<u>§ 15 — DATA-SHARING AGREEMENT AND FISCAL MAP ON</u> <u>FUNDING FOR CHILDREN</u>

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

<u>§ 16 — STUDY ON CHILD CARE CENTER AND FAMILY CHILD CARE</u> <u>HOME LIABILITY INSURANCE</u>

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

<u>§ 17 — STUDY ON MEN IN CHILD CARE</u>

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

<u>§ 18 — REPORT ON BACKGROUND CHECKS FOR EARLY</u> 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

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:

- 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.

$\S~5$ — 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.

МОИ

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)