

OFFICE OF FISCAL ANALYSIS

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HB-5003

AN ACT CONCERNING THE EARLY CHILDHOOD CARE AND EDUCATION FUND.

OFA Fiscal Note

State Impact:

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

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.

regarding the use of BRF excess when applicable.

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