



Date: August 13, 2020

To: Cara Pavlicek, Village Manager

Fr: Kira Tchang: Assistant Village Manager/HR Director 

SUBJECT: Employee Childcare Benefit

Overview

The Village anticipates that childcare will continue to be a hardship for many employees during the COVID-19 pandemic, particularly as the schools in the communities where the majority of Village employees reside have announced 100% remote learning plans for the fall. Village employees who are not first responders are eligible for Families First Coronavirus Response Act Leave (FFCRA) in the form of Emergency Paid Sick Leave and Expanded Family Medical Leave which grants up to 2/3 pay for up to twelve weeks of leave for the purpose of childcare. To date, nine employees have utilized some form of FFCRA leave and two employees have childcare leave requests pending.

While the Village supports employees in utilizing their federally mandated right to take the leave, extended employee absences create workforce challenges and impact the Village's ability to provide services to the community.

In anticipation of further childcare leave requests, I propose the following:

- The Village offers a special enrollment period for the Dependent Care Flexible Spending Account (DCFSA) with new or changed elections taking effect September 1, 2020. This DCFSA allows employees to pay for childcare service with pre-tax earnings.
- The Village offers a match program of up to \$2,000 to employees who choose to enroll in the DCFSA program for the period of September 1, 2020 through December 31, 2020.

Analysis

Based on current benefit enrollment information, the Village estimates that there are 50 employees with children under the age of 18 who are eligible for FFCRA leave. As of today, the Village does not receive federal reimbursement for Village employee use of this leave making this program an unfunded mandate. While actual costs may vary, the total liability of this program ranges from \$465 to \$1000 per week per employee with an average liability of about \$816 per week. Over a twelve-week period this puts the Village's liability at roughly \$9800 per employee. If only 10% of eligible employees utilize the FFCRA leave for the purposes of childcare, liability to the Village could be close to \$50,000 in salary alone. Operationally, the effect of the absence would also be extensive and the Village's ability to offer certain services could be significantly impacted.

By offering Village employees a childcare benefit in the form of an employer match to the Dependent Care Flexible Spending Account, the Village could not only ease the burden of working parents during the COVID-19 crisis, but also realize potential savings in the form of more limited use of FFCRA leave benefits, and avoid the ripple effect that extended employee absences may have on a work group or department.

Proposed Benefit Structure

The Village proposes a tiered match program based on salary with employees earning less than \$45,500 (which is 50% of the median income in the area for a family of four) eligible for a 200% match. For every dollar the employee contributes to the DCFSA from September 2020 to December 2020, the Village will contribute two dollars up to a maximum of \$2,000 in employer contributions or a maximum of \$5000 in total employee and employer contributions (the contribution limit).

Employees earning up to \$72,800 (which is 80% of the median income in the area for a family of four) will receive a 100% match. For every dollar the employee contributes to the DCFSA from September 2020 to December 2020, the Village will contribute one dollar up to a maximum of \$1,500 in employer contributions or a maximum of \$5000 in total employee and employer contributions (the contribution limit).

Employees earning greater than \$72,800 would be eligible to complete a special enrollment in the DCFSA program and would not receive a matching contribution from the Village.

Under this structure, if 100% of FFCRA eligible employee elected the full benefit, the total cost would be \$52,500 though this would be further offset by payroll tax savings for employee contributions.