



Department of Human Resources / Risk Management

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MEMORANDUM

Date: January 26, 2023

To: City and Borough of Juneau Assembly

Thru: Duncan Rorie Watt
City Manager

From: Dallas Hargrave
Human Resources & Risk Management Director

Re: Implementation of the Employer Sponsored to Dependent Care Account.

At the January 4, 2023 Assembly Finance Committee meeting, City and Borough of Juneau (CBJ) management presented the concept of improving retention by paying an employer contribution to a dependent care account (DCA) for full time employees after they work for the CBJ for a year, and annually thereafter. By unanimous motion, the Assembly Finance Committee directed staff to develop proposed changes to the DCA plan and propose the costs for the program in the Fiscal Year 2024 budget. The purpose of this memorandum is to update the Assembly on this proposed program.

National data supports that during the COVID-19 pandemic working parents and caregivers left the workforce in high numbers and have yet to return to full-time employment. In fact, according to the Bureau of Labor Statistics, there are still two million fewer women in the workforce than pre-pandemic rates. Additional research notes 25% of employers listed caregivers with children under 18 years old and employees with caregiving responsibilities have higher attrition rates.¹

Currently, CBJ offers a voluntary benefit that allows employees to contribute to a DCA. This is a pre-tax benefit account used to pay for eligible services include childcare, preschool, summer day camp, before or after school programs, and adult daycare. Employee contributions to a DCA are not subject to payroll taxes, so an employee can pay less in taxes by contributing to a DCA and then paying for the care from the DCA. We are proposing that the CBJ implement an employer payment to the employee DCA in the manner outlined below:

- Effective July 1, 2023, all full-time benefited employees of the City & Borough of Juneau will be able to enroll in an employer funded DCA based on the following guidelines:
 - Full-time benefited employees are eligible for this plan on July 1 following their one year Merit Anniversary date.
 - Full-time benefited employees may requalify for each year thereafter.

¹ <https://www.benefitnews.com/news/how-to-attract-and-retain-employees-during-the-great-resignation>

Implementation of the Employer Contribution to the Dependent Care Flexible Spending Account.

- If eligible, employees will enroll in the Employer Paid DCA each year during benefit open enrollment.
- Elections will be use or lose. Any unspent funds will be returned to the Employer DCA account.
- Employees will have the option to enroll in the employee funded DCA as a new hire. If they elect to enroll and elections cross into the same calendar year in which they become eligible for the Employer funded DCA, the employer funded plan will be pro-rated to as not to exceed the maximum IRS contribution limit of \$5000.00
- The employer funded DCA will function the same as the employee funded DCA—employees will pay for services and submit for reimbursement with invoices/receipts

Although this benefit will apply to a caregiver of any gender, this enhanced recruitment and retention benefit will likely have a higher impact on employing women at CBJ and supporting women remaining employed with the CBJ. Additionally, because the \$5000 benefit for employees is a flat dollar amount regardless of earnings, it has a proportionally higher impact on lower wage earner CBJ employees.

Although only a handful of employees participate in the voluntary employee funded DCA benefit each year, it is anticipated that significantly more employees would participate if the employer contribution benefit was available. It is estimated that there are approximately 100 full time CBJ employees with children under the age of 13 who may qualify for this benefit. Based on that estimated number of employees, estimated annual costs are:

- \$500,000 if 100% qualify
- \$375,000 if 75% qualify
- \$250,000 if 50% qualify

In the proposed FY2024 budget, CBJ management will propose a benefit rate model where all Departments would pay the same rate per employee, irrespective of potential usage. We will initially use the payments from the department to fund the newly established dependent care risk fund at the \$500,000 level in FY2024. Once the fund is established on July 1, 2024, when an employee qualifies for the \$5000 benefit, the benefit would be transferred from the dependent care risk fund to the employer sponsored DCA.

Recommended Action

This memorandum is intended to supplement the materials that were provided to the Assembly Finance Committee on January 4, 2023. There is no action required at this time; however, if the whole Assembly is interested changing the guidance that was provided by the Assembly Finance Committee we prefer to know soon so that adjustments can be made. CBJ leadership will include the estimated costs for this program in the FY24 budget for consideration by the Assembly so that the benefit is available to eligible employees on July 1, 2024.
