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Senator Ann Cummings
Chair, Senate Committee on Finance
Vermont State House
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CC: Members of the Senate Committee on Finance

March 22, 2023

Chair Cummings,

Thank you for this opportunity to discuss this proposed legislation. Childcare availability, affordability, and dependability are all concerns we hear consistently from employers and employees.

The continued comment we've heard in the committee is that "employers are the primary beneficiary of this legislation," and we want to address that this is legislation about early childhood education that benefits society at large. We do not have conversations around our k-12 education system in the context that employers are the primary beneficiaries. Certainly, there is a benefit for employers, however, access to affordable, quality childcare benefits parents, children, and society as a whole.

Using Child Tax Credit Funds to Expand CCFAP

We would encourage you to consider using the funding for the Child Tax Credit (Act 138) to fund this service as you currently have drafted in the legislation. The tax credit closely follows the income eligibility that is proposed for CCFAP.

With CCFAP, the transition is smoother because the benefit is lost, and the cost associated with the benefit is also lost. There is no cost that the CTC is directed at that ends at age five, however, it is lost at age five nonetheless. When a family loses CCFAP, it is at the same time that the child enters the public school system.

There is 1) a broader net gain from CCFAP than the CTC, 2) not a benefit cliff created by the child aging out of CCFAP as there is from a child aging out of the CTC, and 3) a much more surgical application of the CCFAP benefit as opposed to the broadly applied CTC.

Workforce Participation and Receiving Benefits

The emphasis of the legislation is that this would allow more Vermonters to enter the workforce or increase their participation in the workforce. However, as we saw in the RAND report, the highest level of subsidy they studied, the highest number of employees that we would see added to the state workforce would be somewhere between 600 and 2,900 employees. This proposal does not meet that high level of subsidy, and consequently, we would expect the number of new employees to be lower. Additionally, we expect a need for new early childhood education workers to support these new entries, so the net number of new employees will be lower.

We are not providing this as a reason not to pursue this legislation; we are providing this to enforce the point that the new entrances to the workforce from this legislation, which was always promised to bring in many new workers, will be de minimis. In light of this, we should certainly not add to this problem by removing a requirement to participate in the workforce for individuals who receive CCFAP benefits as this bill does. In the existing statute, CCFAP is available to “families seeking employment shall be entitled to participate in the Program for up to three months and the Commissioner may further extend that period.”

To make the most of the finite amount of funding available, we should direct these benefits to those who are participating in the workforce.

Payroll Tax

You heard from some businesses in support of the payroll tax, however, we can say with high confidence that many businesses that supported a potential payroll tax were in support of the tax being split by employers and employees. A 1% payroll tax split between employers and employees has been the center of discussions with employers about childcare over the past few years.

As was noted at the beginning of my testimony, we do not have conversations around our k-12 education system in the context that employers are the primary beneficiaries. This is not a program that solely benefits, or primarily benefits, employers. This is a program that benefits society.

This leads to the next question...

Why is the focus on payroll and not income?

Why only wage earners and employers? Currently, 1 in 5 Vermonters is over 65, and that will soon be 1 in 4, meaning that the number of people on payrolls is continually shrinking.

However, this does not mean that the number of individuals making income is shrinking - in fact, individuals are moving to Vermont and are likely drawing on retirement income. This is a societal benefit, and as childcare advocates continually remind us all, childcare is education. We pay for education with a broad tax that touches more than just those who participate in the workforce.

You heard from Commissioner Bolio that certain individuals, mainly the self-employed, would not be contributing to this, however, they would have access to the benefit. Income is much broader than payroll and covers more Vermonters, including those who are drawing from non-payroll income and who depend on services our workforce is struggling to provide due to structural impediments, such as childcare and housing.

Income tax could present an opportunity to better achieve goals that are often those of this committee; progressivity, sustainability, growth, flexibility, and broad-reaching. Finally, creating and implementing a new payroll tax costs the state additional funding and requires additional staffing. These are elements we'd hope to see more discussion on.

Regional Differences in Cost

We want to lend support to the comments previously in Committee that subsidies reflect regional incomes and cost of living. Everything is more expensive in the Northwest corner of Vermont. The renter rebate is one program that reflects regional differences, and it would be an appreciated step if this program could do so as well.

Adding 4 Year Olds to the Public School System

There was a robust conversation yesterday around the original portion of the bill, which would have four year olds in the public school kindergarten. This has been abandoned to instead study such a change, and we hope the legislature will pursue this with time left in the session. We are very interested in re-envisioning our public school system and were intrigued by the idea of starting school earlier. This was the largest step we saw towards bringing in new slots to the state.

Paid Family Leave Incorporation into the Bill

We appreciate a judicious approach to a benefit that the Vermont legislature has contemplated for a long time. This was a proposal that LCC suggested back in 2019 as well, as we thought that parental leave is a component of childcare for children under five. We'd suggest that the bill follow the existing confines of our state's family and medical leave act language, at least as an interim step. We'd also suggest that the eligibility for the benefit be based on earnings rather than the 30-day standard presently in the bill for the reasons



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discussed today. There needs to be a way to verify the wages that are being replaced, so there are likely opportunities to create a look back.

Again, thank you for your work and willingness to discuss the best way to serve all Vermonters.

Thank you,

A handwritten signature in black ink, appearing to read "Austin Robert Davis".

Austin Robert Davis
Government Affairs Manager