



First Children's Finance

Our mission is to ***grow the supply and business sustainability of excellent child care***



Testimony to Vermont Senate Health & Welfare Committee

Erin Roche, Vermont Director
January 18, 2024



For the record, my name is Erin Roche. I am the Vermont Director at First Children's Finance.. Thank you so much for inviting me here today, and thank you for all your hard work to address child care in this biennium.



About First Children's Finance

The mission of First Children's Finance is to grow the supply and business sustainability of excellent child care.



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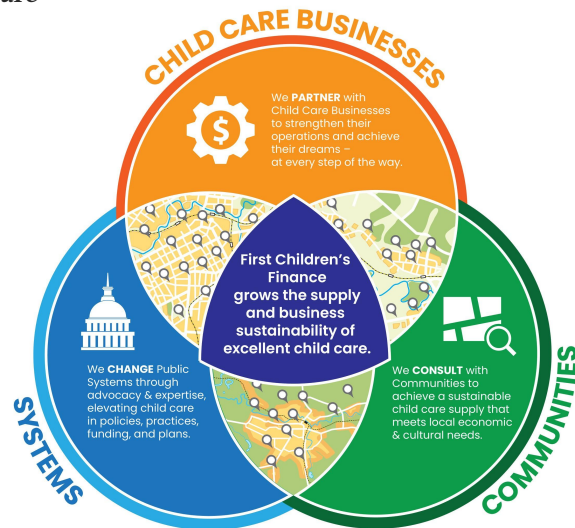
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I started the office 1 year ago, and now have 4 more staff (soon to be 5). We live in 4 different VT counties (Addison, Bennington, Chittenden, Franklin) and we all work remotely. We all came to FCF with experience in one or several aspects of the child care system in Vermont – statewide non-profits, family child care operators, center director, STARS assessor.


Our mission is to *grow the supply and business sustainability of excellent child care*



What does First Children's Finance do?



In all that it does, FCF is committed to grow the supply and business sustainability of excellent child care. This simple mission statement says so much about what we are doing in Vermont – growing the supply (capacity building) and business sustainability (business and technical assistance program) of excellent child care. In Vermont at this time, our main focus is to work with child care businesses. In the future, we expect to support communities as they try to meet their constituents specific needs for child care. And as needs arise, we are available to support our state partners in policy change, planning and best practices.



First Children's Finance Services

Services for individual child care businesses

Professional Development	Consulting and Technical Assistance	Access to Capital
WEBINARS	START-UP SUPPORT	LENDING
BUSINESS TRAININGS	FINANCIAL ANALYSIS	SHARIA COMPLIANT
RESOURCES	BUSINESS CONSULTATION	GRANTS
BUSINESS LEADERSHIP COHORTS	CRISIS SUPPORT	

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BTAP funded through the Child Development Division, and developed in partnership with Let's Grow Kids to support business practices of early care and afterschool child care programs

Program partners include: Let's Grow Kids, Vermont Afterschool, Building Bright Futures, VTAEYC, Northern Lights @ CCV

Launched VT office with a child care business survey in February; webinar of results available at www.firstchildrensfinance.org/Vermont

Initially, we focused on business trainings in finance, budgeting, fundraising, marketing, etc. When Act 76 passed in June and implementation began in July, we realized a need for information in the field was urgent and we began an ongoing series of "explainer" videos, which we could produce quickly and make available to the widest audience.

Later that summer, we contracted with the Child Development Division to administer the Infant Toddler Capacity Grant Program, the first payments are being made to our grantees this week.

We expect that our loan program will be available in Vermont soon; we are working with the Dept of Financial Regulation on our application – this portfolio can include low interest and forgivable loans – which combined with the capacity grants would give us a full suite of access to capital products in Vermont.

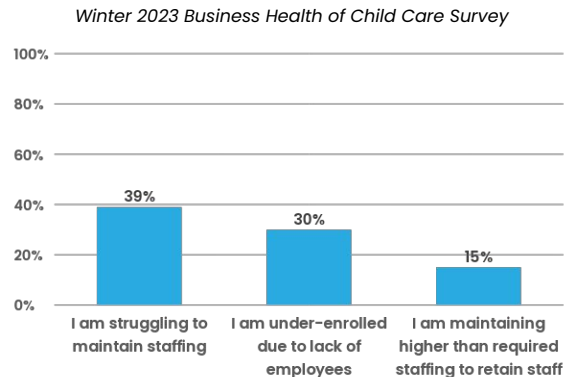


What is First Children's Finance doing in Vermont?



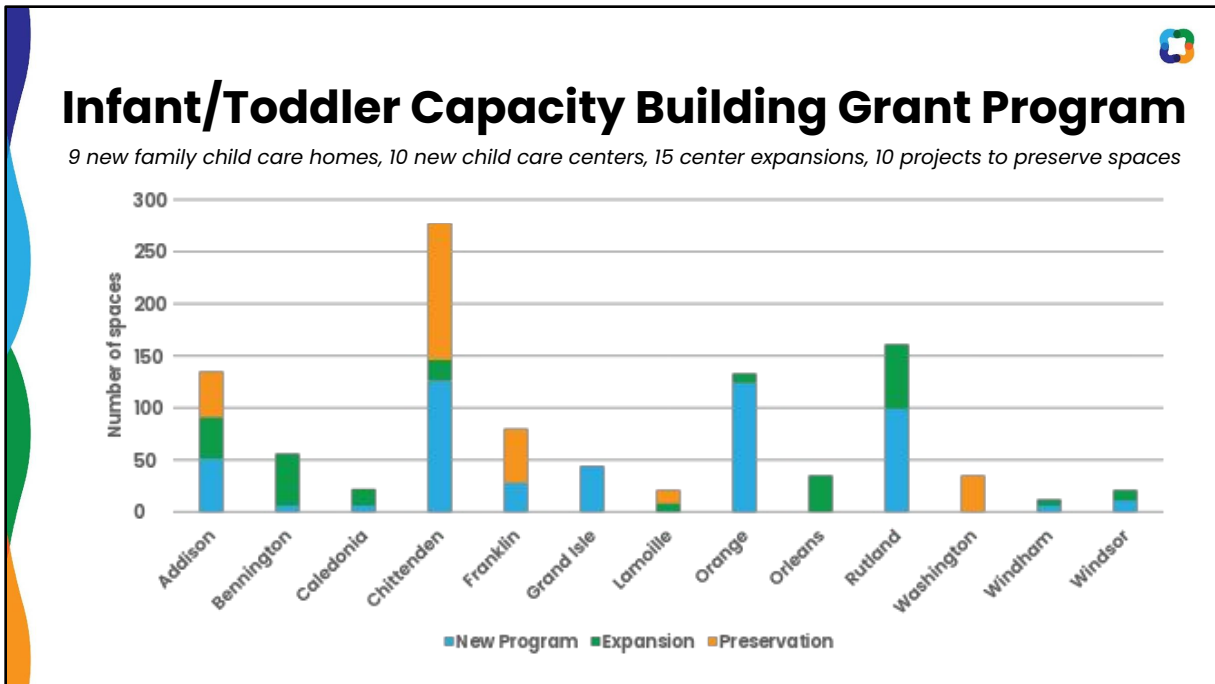
Business Technical Assistance Program

- **26 trainings, 273 participants**
- **6 Act 76 “explainer” videos**
- **303 Technical Assistance inquiries**
 - Act 76
 - Access to capital and capital projects
 - Succession planning and crisis support
 - Financial analysis, budgeting
 - Human resources and benefits
 - Flood impact survey and Flood support



In the 11 months the FCF VT office has been operational, we have led 26 trainings with 273 participants and supported 303 technical assistance inquiries. The first thing we did (February 2023) was conduct a Business Health of Child Care Survey to inform our work and introduce us to the industry. We will be doing a follow up survey late next month. I thought you would be interested in the graph from last year’s survey, showing 39% of child care centers surveyed were struggling to maintain staffing, 30% reported they are underenrolled due to lack of staffing and 15% have more staff than they need because they don’t want to have to hire someone when they do need them.

I am interested to learn what we find in this year’s survey!



This program was started in 2018 to encourage programs to start up and add spaces

In August 2023, FCF contracted with the Vermont DCF, CDD to administer this program; this week the 1st payments are being made to grantees; all funds must be spent by the end of June

1,038 spaces and 229 new jobs were funded in 13 counties

More applicants than any previous round of this grant, despite a much shorter timeline

There is more interest in starting and expanding child care in Vermont than I have seen in the 7 years I have been working in this sector.

Building capacity in child care is directly related to the number of people available to care for children. Depending on the age of the child, one staff is needed for every 3-5 infants/toddlers

Even with the optimism from the increased reimbursements and affordability for families, early educators could still be in short supply, as the labor force is still constrained. Offering categorical eligibility for child care financial assistance will make it so child care businesses can offer “free child care” as a benefit for recruit and retain a qualified workforce.

The early impact of Act 76 (and how that relates to S.188)



Early successes of Act 76

- **Act 76 has given many programs a sense of optimism that they can pay higher compensation which will attract more staff.**
- **Some of our grantees are re-opening classrooms that have been closed for 2-4 years, due to lack of staffing**
- **Some family child care owners are asking for advice about the right way to hire an employee**
- **Program owners, directors and boards are planning for the future**

Current Act 76 questions

- **Estimating and budgeting for eligibility changes**
- **Communication with families**

Act 76 challenges

- **Cap on tuition increases**
- **High cost of offering health insurance, other meaningful benefits to staff**

In case I didn't say it earlier, I want to thank you all for passing Act 76 last June. This law, which of course is still being implemented, has led to more optimism and more investments in the future of child care as well as investments in the workforce, than I have seen before. As part of a national organization, I am asked to educate other state offices on what this law is and how it is being implemented. The law is complex, but also thoughtful in the implementation phases and order. The Readiness Payments have funded everything from staff bonuses to preschool playgrounds, and we believe programs are really using these funds to ready themselves for more families. I have also heard that some programs that were not accepting CCFAP have started accepting it, as a result of the Readiness Payments and the increased rates.

Currently, the two questions we get asked most often are 1. how to estimate how many of their families will be eligible for CCFAP in the future – this is uncharted territory in a way, and it is hard to imagine what 575% of FPL means in real and tangible terms. And 2. what is the best way to communicate Act 76 changes to families?

Of course, nothing is perfect. The single biggest challenge has been the cap on tuition rate increases. While this has not been universally a challenge, it does create a sort of arbitrary winners and losers from this law. Those 19 new programs that are starting through the capacity grant program (and all the other new programs that have started since July 1) can set their rates at whatever makes business sense for them, while a program across the

street that charges significantly less can only increase by 7.2%. If a program didn't raise their tuition last year, or for several years, this might make it especially hard to pay competitive wages. For programs that currently have few families participating in CCFAP, the only meaningful increase in their revenue this year is limited to the 7.2% rate cap.

Lastly, and most importantly from a business standpoint, by changing the cap percentage every year, these businesses cannot budget for what they can raise their rates in the following year. As most families will likely be eligible for the state reimbursement rate in future, this may become a moot point, but for the next year, this is doing real harm to some businesses, at a time when their peers are thriving.

I respectfully suggest that this aspect of Act 76 be paused or repealed, in favor of taking at least a year to observe how the overall tuition rates change without any cap in place. This would provide time for the nearly universal financial assistance program to be rolled out, and time to understand how to best ensure that public money is spent effectively.

You asked me to testify to S.188, and I hope that I have made the case that it is important to do whatever is possible to ensure the best total compensation for early educators/child care workers. Without the necessary workforce in child care, the necessary capacity cannot be achieved and access to child care will remain scarce, likely keeping it unaffordable if it can be found.

What's up next for First Children's Finance Vermont?



Winter

- 7 trainings
- 2024 Business Health of Child Care Survey
- Act 76 videos on eligibility changes
- Business Leadership Cohorts for new Child Care Center Directors
- Small Business Development Center workshops



Spring

- Business Leadership Cohorts for new Family Child Care owners
- Planning assistance for capital projects
- Trainings on business plan creation
- More business trainings



Summer

- Roadshow to the 4 corners of the state
- Business planning cohorts

I want to leave you with a sense of how seriously we at FCF VT take this opportunity to help Act 76 be successful. Building on the hard work and dedication of Deputy Commissioner McLaughlin's team, the FCF VT team will be offering more trainings, more cohorts, more assistance and business consulting. We can feel the optimism in the field, as well as the concerns and questions, and we are doing all that we can to grow the supply and business sustainability of excellent child care in Vermont.



First Children's Finance

