

January 18, 2024

## **Deputy Commissioner Janet McLaughlin's Testimony on S.188**

The Administration shares the goal of increasing the availability and quality of child care in both early childhood education and afterschool settings, and we appreciate that the educators and other staff members present with children are the most important factor in both.

Regarding the specific Child Care Financial Assistance Program (CCFAP) eligibility expansion laid out in Section 1 of S.188, we appreciate the intention of the proposal to recruit and support staff working in regulated child care programs but have a number of questions about targeting, cost, design, and implementation.

- This proposal only supports staff who have children that need child care; in previous years, the Administration has proposed income tax relief for those who work in regulated child care programs as a way to support a broader group of workers and to incent employment in the field beyond the years a worker may have children needing child care.
- The additional costs in this proposal are not budgeted and will be difficult to estimate precisely. To estimate additional costs beyond those that would otherwise be eligible for CCFAP (including future eligibility expansion), we would want some sense of the household incomes of those working in regulated child care and how many age-eligible children there are at those income levels.
- There are some key design considerations that merit further discussion.
  - “Child care provider” will need to be defined; we will need to determine which staff members should be included. This can become more difficult for larger, multi-service organizations.
  - Regulated family child care providers are not currently eligible for CCFAP benefits for their own children, regardless of income.
  - CCFAP considers household income; the bill references “family” income.
- CDD also flags the timeline for implementation. It would take at least six months to get this change to eligibility established within CCFAP processes in the Child Development Division Information System (CDDIS) and update





processes for our Eligibility Specialists. Additional changes to CCFAP design could impact the implementation of changes laid out in Act 76 and further delay the start of the next module of CDDIS focused on child care licensing functions. We would also need to determine how to align this with federal Child Care and Development Fund (CCDF) rules or if we need to exclusively use state funds.

Regarding the health insurance navigators laid out in Section 1 of S.188, we note that this is not in the Governor's budget for State Fiscal Year 2025. It would be important to understand why the experience of those working in regulated child care programs is different than that of other workers and whether the existing resources from Vermont Health Connect could be better leveraged.

The Child Development Division (CDD) was also asked to comment on the Tuition Rate Increase Cap established in Section 12 of Act 76. While we appreciate and share the goal of supporting affordability for families, this statute has generated many questions for CDD and has been trickier to determine how to monitor and enforce. At this point, it appears to be creating churn for CDD and uncertainty for programs without ensuring affordability for families.

In terms of implementation to date, CDD notified child care programs of the new statute in late June 2023 and then [posted the FY2024 cap for rate increases \(7.2%\)](#) on its website on July 1, 2023. CDD provided programs with additional guidance via a [memo on this new requirement in September 2023](#). That memo focused on clarifying how to calculate a tuition rate increase (one of the common questions we'd received). In addition, CDD noted, "We understand this rate cap limits programs' ability to manage costs in response to unforeseen circumstances. It is possible the Division may seek waiver authority in the future."

More recently, the feedback we've received has been that the tuition increase rate cap can limit a program's ability to plan ahead and achieve its programmatic goals. For example, we have heard from two programs that typically set tuition in March for the next Fall, but the cap will not be announced until later in the Spring. We have heard from programs that want to develop projections several years ahead to hit specific program goals (such as adding health insurance for staff) but feel limited by the tuition rate increase cap. In addition, we have also heard from programs that have kept their tuition increases lower than usual with support from ARPA Stabilization and Readiness payments and would like to make a larger adjustment, knowing that many income-eligible families will have their costs subsidized via CCFAP. Programs have also noted that the cap may force them to keep their rates below the cost of quality calculated by the [Early Care and Education Financing Study](#) conducted by RAND last year commissioned by the Joint Fiscal Office.





From CDD's perspective, we have not had a role in regulating programs' tuition in the past and do not have a system capable of actively monitoring tuition and comparing it to past years. Our current plan is to handle any concerns on a case-by-case basis with education on the new law for programs and families. Families may also be referred to the Consumer Assistance Program within the Attorney General's office if specific mediation is needed.

As with other child care regulations, the resolution process is to develop a corrective action plan to support coming into compliance. However, analyzing rate increases could be a very tricky and time-consuming process for CDD staff since child care programs often have varying rate structures and multiple rates for different ages, schedules, and seasons. In addition, when programs change ownership, CDD considers the program to be "new" from a licensing perspective, and rates from one licensee would not carry over to the next.

