Dimitri Garder, co-chair of the Early Care & Learning Taskforce of The Vermont Business Roundtable. Testimony to the House Committee on Human Services regarding Senate bill S.56, Tuesday, April 11, 2023.

"The 2018-2019 National Survey of Children's Health reported that the parents of two million children under the age of 5 "had to quit a job, not take a job, or greatly change their job because of problems with child care." Although some employers recognize the costs of absences and turnover and provide onsite child care, referral services, or vouchers, not all employers are large enough to justify the costs of offering child care-specific benefits or setting up and running a child care facility"

Source: U.S. Dept of the Treasury 2021 report on childcare

- Introduction
    - Vermont Business Roundtable
        - The Vermont Business Roundtable has been working on childcare for over 20 years, starting with our 1999 initiative "Born to Read".
        - We're not a trade organization or an advocacy group.
        - We're a membership organization of 100 Vermont CEOs, founded to harness the intellectual power of Vermont's business leaders to apply thoughtful research and analysis to Vermont's economic and social challenges.
        - Mission Statement: "Making Vermont the best place in America to do business, be educated, and live life."
    - My personal background:
        - Co-chair of the Vermont Business Roundtable Early Care & Learning taskforce
        - Co-founder and CEO of Global-Z International, a software company located in Bennington
        - Father of four young children
        - Business representative on the Building Bright Futures State Advisory Council
        - Board member of a local childcare provider, the Bennington Early Childhood Center
        - Actively involved in regional economic development for over 15 years

Why the Vermont Business Roundtable views childcare as a priority:

- We view the beneficiaries of quality, affordable childcare in the following order: children first, then families, then the workforce.
- We view public childcare as an investment, not a cost. We view it this way because we know that businesses are paying today for the lack of an affordable, quality childcare system, through lost productivity, worker absenteeism, and downstream negative economic and social impacts on children and families.

- We view Vermont's costs and economic challenges to be influenced in part by our challenging demographics, and we view affordable, quality childcare as addressing many of these challenges by attracting and retaining young families to Vermont.
- We view childcare as directly impacting social determinants of health. An ACEs score of 4 or more makes children 32x as likely to have problems in school, along with related reactive costs and negative social impacts.
- Most importantly, we acknowledge the vast body of research that shows that accessible, quality childcare will give Vermont children the best possible chance of success. See sources below.
- Research supports that a child's economic future is accurately predicted based on the ZIP code into which that child is born. We view this as an unfair and unnecessary reality and we believe that childcare can help level the playing field.
- One of my employees once shared that only because of the generous benefits and flexibility that we provide our employees did they choose to have children, yet despite this flexibility, the stress of finding affordable, quality childcare caused this employee to choose not to have additional children. This is a tragic story and is senseless.
- On the positive side, last year Smuggler's Notch Resort made the decision to offer company-paid childcare available to all of its staff. The company reported that they very quickly realized significant positive benefits from that decision. This included filling job openings that had long been vacant, and most importantly led to happier employees and happier children, due to the supportive environment they were in together with their peers. This reinforces the strength of the economic and social integration that the current mixed delivery system encourages.

Our priorities regarding the proposed childcare bill:

- It's been said that Vermont is programs-rich but systems-poor. We advocate for fully funding the childcare system, not merely partially funding a program that won't deliver the expected outcomes.
- Steven Barnett, senior co-director of the National Institute for Early Education Research at Rutgers University, uses the "peanut butter" analogy. Most states allocate an inadequate amount of funding for childcare, and then spread that funding across the entire system. The effect is that the funding is spread so thinly that it fails to deliver the quality outcomes promised, and in fact what funding is allocated can actually be wasted.
- One of our greatest concerns is that due to competition for funding from other initiatives and pressure to fund a system incrementally but insufficiently, Vermont's childcare system will be inadequately funded, resulting in an ineffective system and wasted dollars.
- We advocate for quality, affordable, universal childcare for all Vermont children. We believe that the benefits should be available to every Vermont family that chooses to use the system.

- We encourage the legislature to make income eligibility as broad as possible, to avoid benefits cliffs and to fund a system that grants affordable access to as many families as possible. Universal access will ensure equity and economic and social integration.
- The benefits cliff is especially challenging for large employers, who may be looked at to help support funding of the childcare system, but whose employees may not receive the benefits due to income ineligibility.
- As an example, a family of 3 at 450% of FPL earns roughly $104,000. Once childcare provider costs increase, as they must in order to achieve high quality outcomes, without subsidies this family would face an out-of-pocket cost of as much as $20,500 per child, which is 20% of their household income. Compared with housing which is targeted at roughly 28% of income, this family would not likely view childcare as affordable, and would effectively be priced out of the system.
- We can envision many benefits of expanding Universal Pre-K in the public education system, although we're conscious of the importance of the mixed delivery system and would encourage further study on this.

Funding principles:

- The Vermont Business Roundtable has published guidelines for public funding, which include equity, transparency, sustainability, neutrality, and competitiveness. We encourage the legislature to consider these attributes when evaluating funding approaches for the childcare system.
- We strongly believe that the costs should be shared as broadly as possible, as with the benefits. We would not support a funding structure that disproportionately impacts employers. We believe that everyone should pay into the system, with no carveouts or exemptions.
- Revenue targeted at employers would not be equitable, not just because employers view this as an economic cost. We view quality, affordable childcare as a broad social benefit, and we believe that everyone should value it as such. That will require buy-in from all Vermonters, whether or not they have children in the system. This avoids viewing childcare as an "us vs. them" problem or a problem that only employers need to solve.
- Examples of funding structures that would disproportionately impact employers include a payroll tax that's entirely or largely borne by the employer, or consumption taxes targeted at businesses such as taxes on services.
- We encourage the legislature to look at the broadest possible sources of revenue, such as gross income (not AGI), which would spread the impact as broadly as possible at the lowest possible rate.

Sources and Links

- Foresight Law+Policy
  - "Why the K-12 World Hasn't Embraced Early Learning" - https://www.flpadvisors.com/uploads/4/2/4/2/42429949/why_the_k12_world_hasnt_embraced_early_learning.pdf_final.pdf
  - "Early Childhood Data Systems: Responding to COVID-19 and Building for the Future" - https://dataqualitycampaign.org/wp-content/uploads/2020/06/DQC-FPL_Early-Childhood-Data-Systems_Responding-to-COVID-and-Building-for-the-Future.pdf
- Building Bright Futures
  - Vermont Early Childhood Action Plan (VECAP) – https://buildingbrightfutures.org/wp-content/uploads/2020/12/VECAP-Final.pdf
  - The State of Vermont's Children 2022 Year in Review - https://buildingbrightfutures.org/wp-content/uploads/State-of-Vermonts-Children-2022.pdf
  - Building Bright Futures Impact Report 2022 - https://buildingbrightfutures.org/wp-content/uploads/BBF-Impact-Report-2022.pdf
- Legislative Studies
  - Vermont Child Care and Early Childhood Education Systems Analysis (2022) - https://legislature.vermont.gov/assets/Legislative-Reports/Vermont-Child-Care-and-Early-Childhood-Education-Systems-Analysis-Final-Report_July-2022.pdf
  - RAND Vermont Early Care and Education Financing Study (2023) - https://ljfo.vermont.gov/assets/Uploads/ed5a5aa58c/RAND_RRA2213-1.pdf
  - Blue Ribbon Commission on Financing High Quality, Affordable Child Care (2016) - https://letsgrowkids.org/client_media/files/BRCReport_Full.pdf
- Vermont Business Roundtable
  - Statement in Support for Investments into Ages 0-5 Early Childhood Education (2021) - https://vtroundtable.org/roundtable-issues-statement-in-support-for-investments-into-ages-0-5-early-childhood-education-1-28-21/
  - Statement in Support of Public Investment in Child Care (2022) - https://vtroundtable.org/roundtable-issues-statement-in-support-of-public-investment-of-childcare-4-25-22/
  - Early Care & Learning FAQs (2023) - https://vtroundtable.org/ecl-faq/
  - Vermont's State Income Tax Decisionmaking Framework (2002) - https://vtroundtable.org/wp-content/uploads/2015/08/01taxreport.pdf
- Other Groups Providing Consulting & Research
  - National Institute for Early Education Research (NIEER) - https://nieer.org
  - UVM College of Education and Social Services - https://www.uvm.edu/cess
- Other Resources and Reports
  - https://s3.amazonaws.com/newamericadotorg/documents/One_Pager_-_Lessons_from_Quebec.pdf