



TESTIMONY

Testimony To: Senate Committee on Health and Welfare

Respectfully Submitted by: **Miranda Gray**, Deputy Commissioner, Department for Children and Families

Heather Bouchey, Ph.D., Deputy Secretary of Education

Subject: **S. 56 An act relating to childcare and early childhood education**

Date: February 22, 2023

On behalf of the Agencies of Human Services and Education, we would like to thank the committee for your attention to the critical issue of childcare and early childhood education. Today, we share the administration's thoughts on S. 56 as well as ask clarifying questions to better understand intent behind specific sections of the bill. We are pleased about and will highlight sections where the administration and legislature have areas of clear alignment.

As you know, the Governor has proposed increasing the Child Care Financial Assistance Program to 400% of the Federal Poverty Level. While slightly below the level that the committee seeks in S.56, it would clearly be a building block (\$41.4 million). The administration has also asked for funding to increase the capacity of the Community Child Care Support Agencies that both provide parents and caregivers with support finding childcare, as well as process eligibility to determine if a family is eligible for Child Care Financial Assistance (\$2 million). We are also seeking funds (\$7 million) to support more school age youth in accessing Child Care Financial Assistance. Through our current capacity building efforts that target existing programs in adding spaces, we believe that we could support upwards of an additional 5,000 school age families affording care.

S. 56 does not contemplate creating equity in payments for families, yet we believe there is agreement that what a family receives for financial support to pay for care should not be dependent upon where one lives in the state or what programs are accessible to them. For \$4.9 million, Vermont would be able to pay a childcare provider, on behalf of a family, the 5 STAR rate, which would help programs offset the increasing cost of inflation or increase wages for staff. Separating CCFAP payments and STARS does not remove all the incentives for providers to provide high-quality care. There are still both financial incentives (to be a universal prekindergarten provider one must have 4 or 5 STARS and a specialized childcare program must have 3 or more STARS to receive a 20% increase) and supports for programs in achieving the high-quality care we all want for our youngest Vermonters. Lastly, we have asked for a total of 6 positions (\$598 thousand) to support



the increased caseload these changes would bring about. The Child Development Division has strived to meet the needs of families, children, and partners, and these positions would help continue our efforts. Making the \$56 million investment could be a great first step.

Today we provide our thoughts by section as the Office of Legislative Counsel has outlined the bill:

Sections 1-11: Agency of Education Structure and Prekindergarten

With respect to the PreK provisions of S.56, we seek to understand better the ultimate goals of this legislation as noted below.

Let's start with the positive – we love the idea of expanding PreK entitlement hours and would be open to exploring that further with you. However, as you have heard from many witnesses over the last week, stakeholders have concerns about the, perhaps unintentional, impact of moving away from a mixed delivery system for PreK to do so. At the risk of reiterating this theme, it feels important to highlight that last year when the federal Build Back Better Act was being discussed the focus was on states moving to a mixed delivery system to receive this funding (if they did not already have this model). In late December, Vermont was again successful in receiving the Preschool Development Grant for our state plan; this proposed plan was built upon both public and private programs serving 3-5-year-old children. A centerpiece of this work is more fully establishing and expanding an early MTSS system that supports children in both private and public PreK contexts. It is unclear to us at this time how, if Vermont were to move away from a mixed delivery model, that would impact the work – and ability to receive the corresponding funds – of this grant.

With respect to the specific plan to mandate universal public PreK in all SUs/SDs for four-year-olds, several questions arise:

1. If we are framing this change around what is best for children, has the committee considered the developmental impact of “removing” three-year-olds from the PreK space? Research documents that three-year-olds benefit from interacting with their near-age peers, stretching “up” in terms of their outcomes, whereas four-year-olds can benefit from being in the older peer, “stretching down” role. Interacting and engaging with younger peers can help four-year-olds solidify and crystallize core aspects of cognitive, emotional, and social development.
2. How does universal PreK for 4-year-olds address critical shortages in infancy and toddler care? From our perspective, this is currently the most pressing challenge in early childhood facing VT. It requires more resources to provide quality infant and toddler care than does quality PreK instruction, and many educators are drawn to working with either younger or older (not both) children in the early childhood arena. Has the committee thought about these aspects of the proposed universal system?

Are there further concepts we could explore to achieve universal, such as increasing the weekly hours paid from 10 to a more full-time model?

3. Several interdependencies regarding PreK and the regular school system can benefit from further consideration. What will be the programmatic and fiscal impact of additional bussing, school breakfast and lunch, and expanded after school/summer programming required to serve four-year-olds beyond the school day? What would these services look like for four-year-olds?
4. Finally, what about current public PreK programs that serve three-and-four-year-olds (e.g., Barre, North Country)? Would this new legislation require them to stop serving three-year-olds, who have historically benefited from these programs in their region? We hope not, but wanted to alert the committee about the existence of these existing strong programs.

Sections 12-14: Property Tax Exemption; Property Used by a Child Care Provider

The administration supports this section of the bill and applauds the creative way to address one of the expenses faced by childcare programs. In fact, the Governor has proposed a more generous construct before. Two years ago, we proposed a full property tax exemption for PreK providers and a \$40,000 property value exemption for all other licensed and registered child care providers, totaling to a non-homestead education property tax reduction of \$830,000.

Sections 15-68: Department for Children and Families Restructure and Creation of the Department For Economic Empowerment

While the Department for Children and Families is large, we have tried operating in separate divisions before. The ability to coordinate and collaborate around families that seek support from Economic Services Division, the Office of Child Support, and Family Service Division can quickly become complicated when not overseen by a single department. There are also fiscal implications of needing to create new offices for overhead and positions that are shared amongst the three divisions and three offices currently which include, commissioner's office staff, a single business office, human resources, legal staff, etc.

The administration does not support moving the maternal child and health office out of the Vermont Department of Health. Maternal Child and Health has been a strong collaborator with both the Child Development Division and the Agency of Education, and being connected to a larger department proved to be highly valuable during the pandemic as they were a link and voice for all children in Vermont.

Sections 69-80 Child Care and Child Care Subsidies

As mentioned previously, the administration supports increasing the federal poverty level (FPL). Within the current implementation of CCFAP, almost all families up to 300% FPL pay 10% or less of their income on child care. This calculation is based upon the child care rates set by the state and the subsidy amount paid on behalf of families to child care programs. Programs might charge families above the subsidy rates and that data is not collected by the state and therefore not representative of these estimates. Areas that we find concerning are removing the service needs as outlined on page 96 lines 5-10. Service needs are a part of federal regulations, and we would not want to create an inequitable program where families with a higher income were held to different standard than families with lower incomes. The administration suggests looking at who is not being supported and how we can include them within the service needs that already focus on a parent or caregiver looking for work, obtaining their education, or training.

Page 96 line 17 contemplates moving the zero-dollar family share from 150 to 185 of the federal poverty level, this has fiscal implications as the state would be responsible for more of the payment to providers.

Page 97 lines 15-17: while the Child Development Division hopes to one day have an online application, this is not currently in the build for module one of the new information technology system. This will take time to complete.

Page 99 lines 1-12: We do not understand the construct for changing the wages. Childcare programs are private companies and organizations, to set wage floors/benefits floors in rule is not a good use of rule and sets DCF up for failure in that it will also drive our budget – we cannot do both CCFAP rates and these wages, that will not garner the outcome the Legislature is seeking. Are there other options the Legislature has for raising provider wages? Is there an estimate of how much CCFAP would have to increase to cover the estimated increase in wages/benefits?

Page 100 line 2: the Child Development Division is working on an enrollment versus attendance report that is due on March 30th.

Page 100 lines 7-20: Federally the Child Development Division must complete a market rate survey or Vermont must come up with, present, and have an approved alternate methodology to set rates. Questions we have are how would the division determine the total cost of care, would there be limits on expenses? What authority does the division have to tell private providers what can be spent on operating supplies and expenses, or how much it pays employees. How could the state feasibly budget for something that has no cap?

Page 102-103: while the department supports a non-citizen child care assistance program the new IT system is not currently able to handle a change of this magnitude and to prioritize adding this functionality means delaying building licensing and professional development components of the new system which means that the division will need to continue to maintain our old system Bright Futures Information System

(BFIS) which is a relic system, that becomes more challenging to operate from the perspective of Agency of Digital Services.

Page 104 Section 76: the state would happily continue working to make the special accommodation grant process more user friendly for programs, however because it is a grant it must conform to uniform guidance which although tedious, does ensure that taxpayers dollars are being used as authorized.

Page 104 Section 77: the state urges the legislature to find an alternate way to support the early childhood workforce. The current retention bonus grant program has not only been challenging for providers, but it has also been labor intensive for the administration to administer. There is no “simple” way to increase wages for the field because these are private businesses, and the state must follow uniform guidance.

In sum, we appreciate the committee’s commitment to childcare and early childhood education, and the opportunity to share our concerns and questions with you today. We trust that our questions and commentary serve as useful information to improve S.56. We applaud the General Assembly for their commitment to ensuring robust options and services for all children, youth and their families.