Date: Thursday, February 23, 2023

To: Vermont Senate Committee on Health & Welfare

From: Sarah Kenney, Chief Policy Officer, Let's Grow Kids

Re: Recommended changes to S. 56 v1.1

Let's Grow Kids would like to reiterate our deep appreciation for your committee's work to transform Vermont's child care system through S.56. Following up on our testimony last week, we provide the following specific suggestions to further strengthen the bill.

Proposed Amendments to S. 56 v1.1 by Bill Section

Section 2 – Child Care Financial Assistance Program Eligibility

We recommend increasing income eligibility caps and making early childhood educators and program staff categorically eligible for CCFAP.

- **Income eligibility caps:** We strongly recommend increasing income eligibility to at least 600% FPL in SFY 24 and 900% in SFY 25 in order to work toward a more affordable and equitable ECE system. As the committee has discussed, child care costs can be expected to increase when the full costs associated with providing quality child care are evaluated. To avoid creating a serious and significant benefit cliff for families, eligibility should be extended well beyond 450% FPL.
- **Categorical eligibility for early childhood educators:** We recommend that all early childhood educators be categorically eligible to receive CCFAP for their age-eligible children regardless of income. While raising eligibility rates for CCFAP overall would allow an increased number of early childhood educators to qualify, a more targeted approach would be to establish categorical eligibility for all early childhood educators working in regulated child care programs. This supports recruitment and retention of people working in child care programs who have young children of their own.
- **Transition to a progressive sliding fee scale:** In order to achieve a more equitable family co-payment structure, we recommend that CCFAP co-pays (or "family share") be based on a progressive sliding scale structure instead of the current tiered, flat-fee structure.
- **Program intent:** We also recommend adding language in this section to directly reference the goal established in Act 45 that "a family does not spend more than 10% of its income on child care."

§ 3512. Child Care Financial Assistance Program; eligibility

(a)(1) The Child Care Financial Assistance Program is established to subsidize, to the extent that funds permit, the costs of child care for families that need child care services ~~in order to obtain employment, to retain employment, or to obtain training leading to employment~~. ~~Families seeking employment shall be entitled to participate in the Program for up to three months and the Commissioner may further extend that period~~.

(2) The subsidy authorized by this subsection shall be established by the Commissioner, by rule, and shall bear a reasonable relationship to income and family size. Families shall be found eligible using an income eligibility scale based on the current federal poverty level and adjusted for the size of the family. Co-payments shall be assigned to the whole family and shall not increase if more than one eligible child is enrolled in child care. Co-payments shall be determined based on a progressive sliding scale. Families with an annual gross income of less than or equal to ~~150~~185 percent of the current federal poverty guidelines shall not have a family co-payment. Families with an annual gross income up to and including ~~350~~ 600 percent of current federal poverty guidelines, adjusted for family size, shall be eligible for a subsidy authorized by the subsection in fiscal year 2024. Families with an annual gross income up to and including 900 percent of current federal poverty guidelines, adjusted for family size, shall be eligible for a subsidy authorized by the subsection in fiscal year 2025.The scale shall be structured so that it encourages employment. If the federal poverty guidelines decrease in a given year, the Division shall maintain the previous year's federal poverty guidelines for the purpose of determining eligibility and benefit amount under this subsection. It is the intent of the legislature that eligibility for the Child Care Financial Assistance Program increase in future years until no family in Vermont spends more than 10% of their gross annual income on child care.

(3) Employees of center based child care and preschool programs, afterschool child care programs, and family child care home providers and staff shall be categorically eligible for the Child Care Financial Assistance Program regardless of income.

~~(3)~~(4) Earnings deposited in a qualified child education savings account, such as the Vermont Higher Education Investment Plan, established in 16 V.S.A. § 2877, or any similar plan qualified under 26 U.S.C. § 529, shall be disregarded in determining the amount of a family's income for the purpose of determining continuing eligibility.

~~(4)~~(5) ~~After September 30, 2021, a~~ A regulated center-based child care program or family child care home as defined by the Department in rule shall not receive funds pursuant to this subsection that are in excess of the usual and customary rate for services at the center-based child care program or family child care home.

~~(5)~~(6) The Department shall ensure that applications for the Child Care Financial Assistance Program use a simple, plain-language format. Applications shall be available in both electronic and paper formats.

Section 3 – Early Childhood Educator Compensation

Nationally, establishing compensation standards or compensation scales for early childhood educators is an emerging, innovative best practice in line with the prevailing wage requirements used by other state agencies in contracting and procurement agreements with construction contractors. A number of states have already implemented ECE wage scales or standards or are about to do so including Connecticut, Delaware, the District of Columbia, Illinois, Minnesota, Nebraska, North Carolina, Oregon, Rhode Island, and Washington.

We recommend aligning the proposal to develop tiered professional compensation standards for early childhood educators with recommendations offered by national organizations in their testimony over the past two weeks, including removing language specifically referencing kindergarten through third grade teacher compensation parity and directing the Department to work with the Vermont Association for the Education of Young Children, the organization leading Vermont's Advancing as a Profession work, instead of Building Bright Futures, to develop minimum compensation standards for the field.

(6)(A) The Department, in consultation with the Vermont Association for the Education of Young Children shall adopt by rule, pursuant to 3 V.S.A. chapter 25, ~~a~~ tiered professional compensation standard~~s comparable to compensation received by early childhood educators in Vermont's public school system who serve children from prekindergarten through grade three~~. Annually, the Commissioner shall amend the rule containing the professional compensation standards required by this section to account for inflation ~~and increases due to renegotiated public school teacher compensation levels~~and other factors influencing compensation levels as determined by the methodology used to establish the minimum compensation standards. The Commissioner shall ensure that the professional compensation standards ~~is~~ are posted to the Department's website.

(B) To participate in the Child Care Financial Assistance Program, child care providers shall minimally compensate employees providing child care services in accordance with the professional compensation standards established pursuant to this subsection (a).

Section 4 – Payments to Providers

Cost of care methodology for determining child care financial assistance rates is considered a national best practice, and there are national standards and guidance available for states on how to develop a proposal that meets the approval of federal partners who oversee federal funding for state child care financial assistance programs. Currently, the District of Columbia and New Mexico use a cost of care methodology to determine child care financial assistance payment rates, and other states, including Colorado, Delaware, Illinois, Minnesota, New York, Oklahoma, and Washington have conducted cost of care modeling and are determining how to use cost of care methodologies to support their respective state's ECE system. In both Washington, DC and New Mexico, the district/state governing agency oversees the calculation of the cost of care, similar to the proposal in S.56.

We also recommend amending the directive regarding the annual updating of the cost of care to account not just for inflation, but, more broadly, changes that may need to be made to the cost of care model such as new types of expenses or changes in expenses previously included in the cost of care model. This better reflects that cost of care models should be dynamic to account for evolving child care business needs.

We also fully support the proposed removal of payments being paid based on a program's STARS designation. Long-term research on programs like Vermont's STARS (broadly known as quality rating and improvement systems) has shown that payments based on a program's quality designation can actually cement systemic inequities rather than ameliorate them. While quality recognition systems can be an important tool for states to support quality advancement of programs, the research now shows that tiering payments based on a program's quality designation often leads to programs with strong economic resources consistently retaining high quality recognition levels and programs serving lower-resourced communities never gaining the financial resources they need to support sustained quality improvement. Vermont is currently engaged in a process to revise its Quality Improvement System, with proposed rules out for comment right now, and we believe that ensuring ALL programs receive sufficient financial payments through CCFAP to support quality is the best way to ensure equity system wide.

33 V.S.A. § 3514. Payment to providers

(a) The Commissioner shall establish a payment schedule by rule, pursuant to 3 V.S.A. chapter 25 and in consultation with Building Bright Futures, for ~~purposes~~ the purpose of reimbursing providers for full- or part-time child care services rendered to families who participate in the programs established under section 3512 or 3513 of this title. Payments established under this section shall reflect the

~~following considerations:~~ total cost of care, including whether the provider operates a licensed child care facility or a registered family child care home, type of service provided, cost of providing the service, and ~~the prevailing market rate for comparable service~~ provider credentials. Payments shall be based on enrollment ~~status or any other basis agreed to by the provider and the Division~~ and the professional compensation standards established in 3512(a)(6)(A) of this title.

(b) The Commissioner may establish a separate payment schedule for child care providers who have received specialized training, approved by the Commissioner, relating to protective or family support services.

(c)~~(1) The payment schedule established by the Commissioner may reimburse providers in accordance with the results of the most recent Vermont Child Care Market Rate Survey.~~

~~(2) The payment schedule shall include reimbursement rate caps tiered in relation to provider ratings in the Vermont STARS program. The lower limit of the reimbursement rate caps shall be not less than the 50th percentile of all reported rates for the same provider setting in each rate category.~~ Annually, the Commissioner shall amend the rule containing the payment schedule required by this section to account for inflation or other changes to the cost model used to determine the cost of care. The Commissioner shall ensure that the payment schedule is posted on the Department's website.

Section 9 – Special Accommodation Grants

We appreciate the bill's attention to the structure of special accommodation grants and support a study to improve the program, but immediate intervention is needed to support child care programs and families.

In SFY 24, we propose transforming the SAG program to include two streams of funding, one for child care programs to meet specialized needs for individual children, administered by regional CIS teams, and a separate funding stream for child care programs to provide inclusive care, administered by the new quality coaches. The current SAG application process must also be dramatically streamlined and the current six-month eligibility cap should be extended to a 12-month eligibility determination in line with eligibility determination processes used by other social support programs in the state.

In SFY 25, specialized child care and advanced specialized child care training should be made available at no cost to child care programs and DCF should be directed to work with higher education partners to integrate components of basic specialized child care training into curriculum and professional preparation pathways.

Section 10 – FY 2024 Appropriation; Child Care Worker Retention Grant Program

We fully support this temporary support for employees and operators of child care programs, but we strongly recommend that it be structured as beneficiary payments, as opposed to grant payments, due to logistical challenges that arose this fiscal year with grant payments to programs. We recommend amending the current proposal as follows:

In fiscal year 2024, the sum of $7,300,000.00 is appropriated from the General Fund to the Department for Children and Families for ~~the~~ retention payments directly to employees of regulated child care programs, including owners of family child care homes. ~~early childhood staff and home-based provider retention grant program established in 2021 Acts and Resolves No. 74, Sec. G.300(a)(30), as added by 2022 Acts and Resolves No. 83, Sec. 68.~~

Section 13 – Building Bright Futures Technical Assistance

We recommend that your committee include additional funding for Building Bright Futures to support the requests outlined in this section of the bill.

Sections 17-70 – ECE System Governance

As an alternative to the language changes offered in Sections 17-70 in the bill, we recommend adopting language that aligns with the recommendations offered by the final Early Childhood Systems Analysis report, with a single, empowered entity or individual – preferably an exempt position at the cabinet level – to coordinate early childhood work across state government.

Topics Not Yet Addressed in S. 56

CCFAP-Related Topics

- **Eligibility determination resources:** With the proposed expansion of CCFAP, it is critical to allocate additional resources to Community Child Care Support Agencies to allow them to expand staffing to support increased CCFAP eligibility determination, as recommended in the Governor's budget proposal. Additionally, it is critical that adequate funding is allocated for increased specialized child care determination, which, according to specialized child care eligibility specialists, can be 1.5 to 2 times more resource intensive than standard CCFAP eligibility determination.
- **Allocate resources to better reach all eligible families:** When other states have expanded their versions of CCFAP, they have found it important to allocate resources to ensure that the name of the program, materials, applications, etc. are easy to understand, effective, and resonate with families. Funding should be allocated to ensure that any expansion of CCFAP effectively resonates with families through program rebranding, new materials, accessible and easy to use applications, and clear engagement materials.
- **Strategic outreach to communities marginalized by inequities:** In addition to allocating resources for program rebranding and general outreach, we recommend that your committee amend S. 56 to include language directing additional funding for specific outreach to families of color and other underserved families based on the Burlington Early Learning Initiative model, especially given the creation of the parallel program for non-citizen families.

Early Childhood Educator Supports

- **Health Insurance**: Let's Grow Kids recommends early childhood educators should be categorically eligible for a no- or low-cost silver-level health insurance plan through Vermont Health Connect beginning in 2024. Model statutory language is available from Washington State.
- **Provide funding for Vermont's Early Childhood Higher Education Consortium**: The Consortium helps to coordinate Vermont's preparation pathways for current and prospective early childhood educators. The Consortium is currently supported voluntarily, and funding is needed to support dedicated facilitation of the Consortium and its work.