

Testimony to the Vermont House Commerce Committee
March 12, 2014
From: Will Belongia, Executive Director – Vermont Community Loan Fund

My name is Will Belongia, I am the Executive Director of the Vermont Community Loan Fund. Thank you for allowing me the opportunity to testify this morning.

As some of you may know, the Vermont Community Loan Fund is a Community Development Financial Institution, an alternative lender based here in Montpelier. Our mission is to create opportunities that lead to healthy communities and financial stability for all Vermonters. We look to develop and promote capital-based approaches to issues of poverty and opportunity.

Since 1987, we've made over 800 loans totaling \$80M that have created or preserved employment for 4,100 Vermonters, 3,500 affordable homes, quality care for 3100 children and community services for hundreds of thousands of Vermonters.

We have a particular interest in supporting the early education and care industry here in Vermont. We believe that access to quality child care is a critical component to creating financial stability for Vermonters.

VCLF launched our Child Care Loan Program in 2000. Since then, we've made over 100 loans to programs of all shapes and sizes in every corner of the state. We've loaned almost \$7.5 million, creating or retaining quality care for 3,100 Vermont children and their families and jobs for over 550 providers.

We also provide direct one-on-one business assistance to child care providers through our Project Success Program. Project Success provides a broad scope of business development technical assistance to child care providers and programs.

I would like to talk about the link between workforce development and the child care financial assistance program. Employee retention is a big issue and large expense for child care business owners. We all acknowledge the positive correlation between credentialed and degreed child care staff and quality care. The problem is the trend of credentialed and degreed staff leaving the industry for higher paying jobs with better benefits. This forces the child care business to rehire lower skilled staff and retrain to again lose them once they are credentialed and degreed. Child care businesses that serve lower income populations – with a high degree of public subsidy – cannot afford the cost to retain credentialed and degreed staff. The start of a solution to this is to support the increase the child care financial assistance program. Increases in this program help in retaining credentialed and degreed staff in those programs that serve some of our most vulnerable children.

Our experience at VCLF is that wages and turnover are linked. Estimates of annual turnover in the US ranges between 30% and 50%, about three times the level of teacher turnover in primary schools. The average wage for Vermont child care staff in 2010 was \$10.63. Within our portfolio, the average wage of child care staff was \$12.28 - \$1.65 more. Staff turnover in VCLF funded projects was 11%. I believe that there is a direct correlation between the higher wages and higher retention. I believe that quality in the early education and care industry needs to combine the increase in staff credentials and

degree with an increase in the financial assistance program if we hope to retain the high quality staff within the industry.