



Blue Ribbon Commission on Financing High Quality, Affordable Child Care

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## FINAL REPORT

2016

**Final Report:**  
**Blue Ribbon Commission on Financing High Quality Affordable, Child Care**

Prepared in accordance to an Act Relating to Making Appropriations for the Support of Government No. 58 § C.101 (2015)

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November 2016

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## TRANSMITTAL LETTER

Governor Shumlin; Governor Elect Phil Scott; the General Assembly; Senate Committees on Education, on Finance, and on Health and Welfare; and to the House Committees on Education, on Human Services, and on Ways and Means:

This final report is a presentation of Vermont’s Blue Ribbon Commission on Financing High Quality Affordable, Child Care (“the Commission” or “the BRC”) and was prepared in accordance with an Act Relating to Making Appropriations for the Support of Government No. 58 § C.101 (2015).

The Commission gathered research and feedback from public forums, surveys and presentations from state early childhood subject matter experts and consultation services from a research consulting team. Thoughtful deliberations occurred between September 2015 through November 2016. The Commission’s recommendations were guided by a mutually agreed upon definition of high quality early care and learning and the guiding principle of providing equal access to care for all Vermont children, ages birth to five. Estimated costs of providing the high-quality care in addition to measures of affordability are provided to demonstrate the gap in investment in the state. The report presents Vermont’s policymakers with a clear set of recommendations and financing options for consideration.

Though the Commission focused on three key areas prescribed the act—the cost of high quality care, affordability and financing—the Commission strongly recommends the full examination of the early childhood system and related programs. The BRC believes efficiencies and cost savings can be found at the systematic level of funding, administration and coordination of high quality early care and learning services to Vermont’s children and families.

Thank you for this opportunity to serve Vermont.

Sincerely,

VT Blue Ribbon Commission on Financing High Quality Affordable, Child Care

## STATUTORY CHARGE

Act Relating to Making Appropriations for the Support of Government No. 58 § C.101 (2015)

\*\*\* Vermont's Blue Ribbon Commission on Financing High Quality Affordable, Child Care\*\*\*

Sec. C.101 BLUE RIBBON COMMISSION ON FINANCING HIGH QUALITY, AFFORDABLE CHILD CARE (a) Creation.

The Secretary of Administration shall establish a Blue Ribbon Commission on Financing High Quality, Affordable Child Care.

(b) Purpose. The purposes of the Commission are as follows:

- (1) to inventory and review reports and recommendations issued over the past 10 years relating to high quality, affordable child care;
- (2) to determine the elements inherent in all quality child care programs; and
- (3) to make recommendations to the General Assembly and the Governor on the most effective use of existing public funding and additional opportunities.

(c) The Blue Ribbon Commission will collaborate and work to support goals and strategies within the Vermont Early Childhood Framework and the accompanying Vermont Early Childhood Action Plan. (d) The goals of the Commission are as follows:

- (1) To determine the total costs of providing equal access to voluntary, high quality, early care and education for all Vermont children, ages birth through five. The Commission shall consider the needs and preferences of families, which may range along a continuum from partial day or partial year services to full day or full year services and include nontraditional work hours as well as usual business hours or a combination of these. The Commission shall also consider various family compositions and income levels, and recommend the amount that families should pay toward the costs of high quality, early care and education based on a sliding scale.
- (2) To work in coordination with the ongoing efforts of Vermont's Early Learning Challenge – Race to the Top grant, Vermont's PreK Expansion Grant, and Vermont's implementation of 2014 Acts and Resolves No. 166 – Universal PreK.
- (3) To examine current policies in Vermont's Child Care Financial Assistance Program (CCFAP) in relation to national trends and innovation in subsidy practice, as well as the relationship between CCFAP and other public benefits, taking into consideration the overall impact on families, and recommend changes to maximize the use of CCFAP to support affordable access to high quality, early care and education for eligible families.
- (4) To review and identify all potentially available funding for high quality, affordable early care and education.
- (5) To explore possible funding sources for equal access to voluntary, high quality, early care and education for all of Vermont children, ages birth through five, including investigating child care tax credits, identifying possible revenue from health care reform, from changes in the education system, from possible funding generating systems such as fees, and possible reallocation or expansion of tax and fee revenues

- (e) Membership. The Commission shall consist of members to be selected as follows:
- (1) the Secretary of Education or designee;
  - (2) the Secretary of Administration or designee;
  - (3) the Secretary of Human Services or designee;
  - (4) the following members appointed by the Governor:
    - (A) a representative from the Department for Children and Families, Child Development Division;
    - (B) a representative from higher education;
    - (C) three representatives of the Vermont business community;
    - (D) a representative of the financial services industry in the State;
    - (E) a representative of licensed and registered home-based early learning and development programs in the State;
    - (F) a representative of licensed center-based early learning and development programs in the State;
    - (G) a representative of Head Start;
    - (H) a representative of the Parent Child Centers;
    - (I) two parents of children enrolled in an early care and education program in the State, one of whom is serving in the military;
    - (J) a representative of a child advocacy group; and
    - (K) a representative from the Building Bright Futures State Council.
- (f) The Chair shall be the Secretary of Administration or designee and the first meeting of the Commission shall be held on or before July 15, 2015.
- (g) The Commission shall have the administrative, technical, and legal assistance of the Secretary of Administration.
- (h) The Commission shall report on its findings to the Governor and to the Senate Committees on Education, on Finance, and on Health and Welfare and to the House Committees on Education, on Human Services, and on Ways and Means on or before November 1, 2016.

The following table provides a list of all gubernatorial appointees and statutory members:

**Table 1. Blue Ribbon Commission on Financing High Quality, Affordable Child Care Members**

Gubernatorial Appointees	Statutory Position
Charlotte Ancel	Vice President, Power Supply & General Counsel at Green Mountain Power. Business Representative.
Donna Bailey	Co-Director of the Addison County Parent/Child Center. Parent/Child Center Representative
Paul Behrman	Director at Champlain Valley Head Start. Head Start Representative.
Laurel Bongiorno	Dean of Champlain College Division of Education and Human Studies. Higher Education Representative.
Frank Cioffi	President of the Greater Burlington Industrial Corporation. Business Representative.
Michelle Fay	Associate Director. Voices for Vermont's Children. Child Advocacy Representative.
Rachel Hunter	Child Care Provider/Pre-K Teacher and Mentor at an in-home child care. Licensed and Registered Home-Based Child Care Program Representative.

<b>Gubernatorial Appointees</b>	<b>Statutory Position</b>
Steven Lambrecht	Lieutenant Colonel, Vermont Air National Guard. Military Parent Representative.
Chloe Learey	Executive Director of Winston Prouty Center for Child Development. Licensed Center-Based Child Care Program Representative.
Lauren Norford	Coordinator of Early Childhood Services at Rutland Mental Health. Business Representative.
David Rubel	Commercial Lending Portfolio Manager at the Community National Bank. Financial Services Representative.
Sarah Squirrell	Executive Director, Building Bright Futures. Building Bright Futures Representative.
<b>Statutory Members</b>	<b>Agency</b>
Paul Dragon	Director of Policy & Program Integration at the Agency of Human Services. Secretary of Human Services Appointee.
Jessica Gingras	Director of Appointments to Boards and Commissions for the Governor's Office. Secretary of Administration Appointee.
Rebecca Holcombe	Secretary of Education, Agency of Education Representative.
Reeva Murphy	Deputy Commissioner for the Vermont Department for Children and Families. Child Development Division Representative.
Jessica Blackman	Administrator of the Commission.

## INTRODUCTION

In recent years, Vermont has focused on investing in young children through strategic investment in resources and time toward early care and learning. Key accomplishments include, but are not limited to, the development of Vermont's Early Childhood Framework and Action Plan,<sup>1</sup> the implementation of the STARS quality rating and improvement system,<sup>2</sup> the passage of Act 166, universal prekindergarten,<sup>3</sup> and receipt and implementation of initiatives through the \$36.9 million Federal Race to the Top Early Learning Challenge Grant.<sup>4</sup> Vermont made great strides towards investing in early care and learning, the Commission believes the state can do more. The Commission's work aligns with the Early Childhood Framework and Action plan and efforts to provide equal access to high quality care for all children birth to five in Vermont.

Vermont's policymakers and citizens have a clear course for shaping the future of the state's economy and the health and well-being of families through strategic investments in high quality affordable early care and learning. Investment in early care and learning is good for Vermont. Businesses benefit by employing parents who can focus on work because they are assured their children are in a safe, nurturing setting. Moreover, young children, the future workforce, are developing a critical foundation for success.

Child care is not just babysitting; it is critical learning and development for future generations. The science is clear, high quality early care and learning matters:

- In the first few years of life, 700-1,000 new neural connections are formed every second- this is the foundation upon which all learning, behavior and health depend;<sup>5</sup>
- At 18 months of age, disparities in vocabulary begin to appear for children not exposed to high quality care;
- 90-100 percent chance of development delays when children experience multiple risk factors of maltreatment;<sup>6</sup>
- Children who face significant adverse experiences (more than 7-8) have 3:1 odds of adult heart disease after adverse childhood experiences;<sup>7</sup> and
- \$4-9 in returns for every dollar invested in early childhood programs.<sup>8</sup>

The Commission's report seeks to provide a clear definition of high quality child care, the estimated cost of providing that care to all Vermont children birth through the age 5, and a clear picture on the major gap in investment to support equal access to high quality care. The Commission provides a set of short-term and longer-term financing options to fill the current investment gap. Section one of the report outlines the Commission's process. Section two includes the Commission's key findings on the importance of high quality care, the definition of high quality, estimated cost of care, and recommended changes to maximize the use of the state's Child Care Financial Assistance Program (CCFAP) to support affordable access to high quality, early care and learning for eligible families. Finally, section three identifies potential available funding to support equal access to voluntary, high quality early care and learning for all Vermont children ages birth to five. The appendices provide detail on research and findings and the Commission's methodologies for cost and affordability calculations. Full meeting minutes are archived at <http://buildingbrightfutures.org/blue-ribbon-commission>.

Note that the Commission focused on early care and learning for children birth to five years old; however, the Commission recognizes that early care and learning needs for families do not end at five years old.

Before, after-school, and summer-time care is critical for supporting working parents and for providing safe, nurturing and educational environments for young children.

To provide a sustainable investment in access to high quality care for all children, the Commission recognizes the need to conduct a systemic review of all child care and early childhood programs and services for children birth to five. The Commission believes efficiencies and cost savings could be gained through a comprehensive review of services, infrastructure and modes of delivery. Although this was not specifically in the scope of the Commission's charge, the Commission strongly recommends supporting new and existing efforts in the state, including but not limited to the work of the Building Bright Futures State Advisory Council, to address issues of overlap and fragmentation.<sup>9</sup>

Throughout this report, the term "early care and learning" is used to refer to programs that provide educational and behavioral learning environments for children birth to age 5; "early care and learning system" or "early childhood system" refers to the mixed-delivery system of direct service programs, related comprehensive service providers, and myriad of public and private administrators; the term "early childhood professional" is used to refer to individuals providing early care and learning.<sup>10</sup>

## EXECUTIVE SUMMARY

The Vermont Blue Ribbon Commission on Financing High Quality Affordable, Child Care, established by No. 58 § C.101 (2015), met from September 2015-November 2016 to determine the elements inherent in high-quality early care and learning programs in Vermont, and make recommendations to the General Assembly and the Governor on possible funding sources that will provide equal access to voluntary early care and learning programs for all of Vermont's children, ages birth through five. Through national best practices research, review of Vermont's current early care landscape, and public input from across the state, the Commission defined the components of early care and learning programs essential to high quality, estimated the cost of operating a high-quality care program, analyzed and defined affordability, and determined recommendations for immediate and long-term next steps.

The Commission learned that early care and learning is critical to the economic and community wellbeing of Vermont. Every dollar spent on high-quality early care and learning programs yields a return on investment that ranges from \$4 - \$9.<sup>11</sup> Currently there are over 36,000 children birth to age 5 in Vermont: 6,023 infants, 12,224 toddlers, and 18,360 preschoolers.<sup>12</sup> These children and families have access to approximately 1,500 licensed and registered programs (46% center-based, 54% home-based).<sup>13</sup> As of July 2016, 31.9% of all early care and learning programs have a 4 or 5 STAR high quality designation.<sup>14</sup> Nearly half (47%) of all infants and toddlers likely-to-need-care do not have access to any regulated early care program.<sup>15</sup> Currently Vermont spends \$130 million through state and federal investments.<sup>16</sup> Families, who pay both taxes and tuition, are the primary source of funding for the system. The Child Care Financial Assistance Program (CCFAP) subsidizes 23% of families seeking regulated care. The remaining roughly 75% of families pay full tuition.<sup>17</sup> On the provider side, a March 2013 survey showed that 14.2% of providers do not charge a co-payment to any family receiving financial assistance. An additional 27.6% only charge under certain circumstances. Moreover, 65.2% of providers provide additional financial support (like scholarships or lowered co-payments) or work with families to determine payments that are affordable.<sup>18</sup> These financial supports reduce the income of the business, limiting providers' ability to pay staff, buy

supplies, or support quality improvements. Compared nationally, Vermont ranked 13<sup>th</sup> least affordable for center-based infant care and 3<sup>rd</sup> least affordable for center-based four-year-old care.<sup>19</sup> Furthermore, parents across the state report difficulty accessing early care and learning programs, let alone high quality programs.

Equitable early care and learning for all Vermont children ages birth to five is the most significant opportunity for the state for making systemic and dynamic improvements that will foster economic development, advance social and community well-being, and provide the greatest positive impact for future generations. Vermont could be a national leader in early care and learning by demonstrating that investing in children and families is the pathway to economic and community wellbeing. The Commission recommends taking immediate steps that both encourage the growth of high quality programs and increase families' access to such programs. The BRC also recommends continuing this work by developing a birth to five systems strategy that considers delivery, funding, governance, and economies of scale to create a seamless continuum of high quality early care and learning opportunities.

### *Commission Findings*

Vermont currently spends roughly \$130 million through state and federal investments in early care and learning.<sup>20</sup> The Child Care Financial Assistance Program (CCFAP) helps 23% of families seeking access to regulated care, leaving the remaining roughly 75% of families to cover the full cost of tuition. Additionally, to make care more affordable for families, providers offer financial support, including not collecting CCFAP co-payments. Doing so reduces the income of the business, limiting their ability to pay staff, buy supplies, and support quality improvements. To understand the investment gap between current spending and the investment necessary to achieve high quality, the Commission estimated the cost of providing high quality care at the point of service delivery,<sup>21</sup> as well as an early care subsidy program that supports affordable care for Vermont families.

The Commission defined the components of high quality care and estimated the cost of providing such care to children ages birth to 5 at both a center-based and a home-based program.<sup>22</sup> This exercise yielded a center-based cost of roughly \$35,000 per child to care for infants and toddlers (0-2) and \$15,000 per child to care for preschoolers (3-5). For home-based care, it costs roughly \$41,000 per infant, \$21,000 per toddler, and \$14,000 per preschooler.<sup>23</sup>

These per-child costs were multiplied by varying demand levels to determine the program-level costs associated with serving Vermont's population of children birth to 5. The Commission requested to see three different demand levels: a) 24.7%, a 2007 federal estimate of non-relative care<sup>24</sup> b) 70.4%, the percent of Vermont children under 6 who have all available parents in the workforce<sup>25</sup> and c) 100%, all children in Vermont age birth to 5. Assuming half of the demand is met by center-based care and half of the demand is met by home-based care, the operational costs associated with serving 25% to 100% of the birth to 5 population range from roughly \$360 million to \$850 million. Please see Figure 1 for more detail on how this total cost is distributed across funding sources.

Tied to these cost models, the Commission also modeled a more robust early care subsidy system, based on CCFAP, that would increase the access to affordable care through adjustments in eligibility, the sliding fee scale, benefit levels and subsidy rates. Based on study of best practice and variations to fit Vermont demographics, the Commission concluded that providing 100% benefit to families earning up to roughly \$60,000 and slowly tapering off that support until families earn \$180,000<sup>26</sup> would make accessing high-quality early care and learning affordable. Vermont currently prioritizes the most needy

families to receive full subsidy. As families begin to earn, however, the state reduces their subsidy, which often creates a cliff effect. Decreases in the percent of subsidy covered quickly begin to outpace a family’s increasing wages, ultimately leading the family to dedicate a larger, often unsustainable, proportion of their income to early care. The goal of the aspirational sliding fee scale is to decrease the cliff effect and expand access to families working full time. Currently, the estimated cost of high quality early care and learning is unaffordable for almost 90% of Vermont families.

**Figure 1: The Cost of Providing High Quality Care to Vermont Children Birth to Five Using the Commission’s Model of High Quality, Affordable Early Care and Learning**

Demand	Number of Children	Cost of High Quality	Current State Investments	Estimated Family Contribution*	Estimated Additional Investment Needed
24.7%	15,133	\$366,406,397	\$129,979,869	\$91,845,731	\$144,580,797
70.4%	25,771	\$597,875,076	\$129,979,869	\$261,778,925	\$206,116,282
100%	36,607	\$849,254,369	\$129,979,869	\$371,845,064	\$347,429,436

\* Please see the Cost of Care section and **Appendix G. Analysis of Parental Contribution** for more details.

The Commission emphasizes that these calculations serve only as initial models that reflect the cost of providing early care and learning at the highest quality level if no changes to the system were made. The BRC also realizes that, under the current system, expanding the number of early care and learning providers would drive increased administrative and regulatory costs at the state level. The BRC recognizes that the current early care and learning system in Vermont is a complex arena with many stakeholders, spanning health, mental health, education, child nutrition, special needs services, and social services. The Commission’s findings underscore both the need for immediate investments to increase quality and access, as well as the need to design and implement the future of Vermont’s early care and learning system.

*Recommendations*

The Commission supports a long-term goal that progresses toward universal early care and learning for all children and families in Vermont. This long-term goal requires significant shifts in the current funding, governance, and delivery model of early care and learning in the state today. The Commission’s charge did not include providing recommendations for systemic changes; however, the Commission’s research revealed that investments in the current delivery system are not enough to move the needle on early care and learning for Vermont children and families. The Commission submits the following recommendations to the General Assembly and the Governor: a) make immediate incremental investments in high quality, affordable early care and learning, b) design and implement Vermont’s future early care and learning system, and c) review and act on the potential financing mechanisms outlined in our Recommendations section.

Please see the Recommendations section of this report for our full recommendations.

## SECTION ONE: THE COMMISSION'S PROCESS

In 2015, Legislative Act 58 established the Commission which outlined five primary goals to support equal access to high quality affordable child care for all Vermont children birth to age five. The Commission began meeting in September 2015 and met monthly in an open public hearing to conduct transparent processes and deliberation.

Five community forums were held across the state in Burlington, Barre, St. Johnsbury, Rutland, and Brattleboro to gather feedback from stakeholders on child care access, affordability and quality. A follow-up survey was provided to those who could not attend the forums. Additionally, the Commission examined and discussed feedback received from the public through public members who attended monthly Commission meetings, the state email for the Commission, and over 1,000 post cards collected statewide by Let's Grow Kids. For additional information on findings from the Commission's public outreach efforts please see ***Appendix A. VT Early Care and Education Key Stakeholders & Findings.***

Research presentations and discussions included an examination of current ongoing efforts of Vermont's early care and learning system including but not limited to Early Learning Challenge - Race to the Top grant, Vermont's Pre-K Expansion Grants, implementation of 2014 Acts and Resolves No. 166 – Universal Pre-K, and Vermont's Child Care Financial Assistance Program (CCFAP). International, national and other states' best practices in child care system delivery and financing were also explored (statute goals #2 and #3).

A Commission Administrator was added in May 2016 and a research consulting team from Public Consulting Group, Inc. (PCG) was contracted in June 2016, respectively, to provide additional support to the Commission. Under the direction of the Commission Chair and Administrator, the Commission divided the remaining work into four parts.

First, after presentations to the Commission from subject matter experts in the field, a sub-Committee developed, and the Commission approved, a working definition of high quality child care (in support of meeting statute goal #1).

Second, the Commission focused on costing out this high quality framework. A line item budget was created using Vermont-based and national best practices data to estimate the total annual cost of care at both a center-based program and a home-based program. The annual costs were extrapolated to determine the cost of access to high quality care statewide for all children in Vermont birth to age 5 (statue goal #1).

Third, the Commission addressed the issue of affordability and created a methodology to assess affordable child care for Vermont families. The methodology was then translated into a sliding fee scale comparable to the sliding fee scale used by the state's Child Care subsidy program (statue goal #3).

Both the cost and affordability estimates were used to illustrate the current gaps in investment that should be filled for the state to truly offer equal access for all children birth to age 5.

Fourth, the Commission explored possible funding sources to fill the gap in investment in high quality child care. Given the size of the gap, the Commission offers policymakers a series of short and long-term financing options. Funding mechanisms from other states, regions and countries were explored as well as current tax credits, public funding sources, and possible reallocation or expansion of tax and fee revenues. Financing options the Commission agreed were acceptable at this time are set forth in the recommendations section of this report.

## SECTION TWO: THE COMMISSION'S FINDINGS

### A. Why it Matters

Too many Vermonters lack access to high-quality, affordable child care. Currently, over 36,000 children birth to age five live in Vermont, and nearly half (47 percent) of all infants and toddlers likely to need care do not have access to any regulated child care program.<sup>27</sup> The Commission believes Vermont should be a national leader in early care and learning by ensuring equal access to high quality care for all Vermonters. The investment is a benefit to the economy, to parents, and most importantly, to young children.

#### The Benefits to the Economy

Vermont's population is stagnant while the U.S. population is growing. The working population is aging and the labor force is not growing as fast as the number of jobs.<sup>28</sup> In fact, 1 in 6 Vermonters are older than 65.<sup>29</sup> The U.S. Census Bureau estimates more than 29 percent of Vermont's population will be 60 and older by the year 2030, an increase of 40 percent from 2012.<sup>30</sup> There is a need to boost investments in areas that will bring new jobs to Vermont, and keep talented young Vermonters in the state while also investing in the future. An investment in early care and learning can create a more favorable work environment for working families with children while also investing in the future workforce.

Early care and learning or "child care" is commonly cited as one of the major barriers to work. Access to high-quality care for young children can enable parents to work, and to work more hours. Investment in making child care more affordable is an investment in workforce support. Traditionally, public funding for child care subsidy is focused on low-income single mothers. In today's world, one must consider the evolving needs of families. In Vermont, 26.6 percent of children are living in families headed by a single parent, meaning these parents, as the sole income providers, are much more likely to work.<sup>31</sup> Many families have both parents in the workforce. Seventy percent of two-parent families have both parents in the workforce.<sup>32</sup> Research shows in the U.S. at least once in a six-month period, 45 percent of parents are absent from work because of child care issues, averaging 4.3 days. During the same six-month period, 65 percent of parents' work schedules are affected by child care issues an average of 7.5 times.<sup>33</sup> This costs U.S. employers more than \$3 billion annually.<sup>34</sup>

There are an estimated 36,607 children under the age of six in Vermont; 70 percent of those children are estimated to have all available parents in the workforce.<sup>35</sup> The parents of approximately 24,892 children under six must rely on some form of regular child care to maintain stable employment in the Vermont workforce (see Appendix D).

Using U.S. Census Bureau data from the American Community Survey (ACS), approximately 7.4 percent of participants in the labor force have a child under six years old using child care. Together, these working parents earn just over \$1 billion annually, or 8.4 percent of total wages in Vermont. Parents also pay approximately \$114 million in state, local, and federal taxes in Vermont (see Appendix D).

Additionally, investments in early care and learning yield high returns. Through three of the most rigorous long-term studies, economists have shown the range of return for every dollar spent on high-quality early care and learning programs yields a return of \$4-9;<sup>36</sup> "Program participants followed into adulthood benefited from increased earnings while the public saw returns in the form of reduced special education, welfare, and crime costs, and increased tax revenues from program participants later in life."<sup>37</sup>

The results of one study include a warning that it would be incorrect and short-sighted to assume investments in “early childhood programs” benefit only the participants and not the public who pays for them.<sup>38</sup> “Whether one thinks it is the moral thing to do or whether it is the role of government, it makes economic sense to invest in increasing productivity; to spend less early on to prevent much greater costs later.”<sup>39</sup>

In 2014, the Executive Office of the President of the United States released a report on economics of early childhood investments. The report notes:

“...investments made when children are very young will generate returns that accrue over a child’s entire life. Since the benefits are realized over a longer time horizon the earlier in life they are made, early childhood interventions are likely to generate substantial benefits – both to the affected child and to his or her community... it is important for children to have access to high-quality (care and) education at all ages in order to maximize the benefits of early education.”<sup>40</sup>

Further, Nobel-prize winning economist James Heckman demonstrated investments in early childhood yield a higher rate of return than investments later in life. Heckman’s work quantified and demonstrated investments in early childhood, on average, yield a 10% annual rate of return.<sup>41</sup>

Investment in quality early care and learning can also mitigate future costs in the public education, health care and corrections systems because children with a strong foundation during the early years:

- Score higher on school-readiness tests;
- Are 40 percent less likely to need special education or be held back a grade; and
- Are 70 percent less likely to commit a violent crime by age 18.<sup>42</sup>

In Vermont, even a small cost savings in special education, for example, could have a significant impact on a sector of educational spending that has nearly doubled since 2001, while student population has declined.

Not all benefits can be translated into dollar values; these cost-benefit estimates for effective programs are likely to be conservative. Additionally, it is important to consider these studies do not reflect other potential benefits not analyzed in the studies. These benefits can include: “improved labor market performance for the parents of participating children, as well as stronger national economic competitiveness as a result of improvements in educational attainment of the future workforce.”<sup>43</sup> Increased economic competitiveness on a local level is also a factor as are reduced unemployment expenses and a potential reduction in health care costs.

Investments are also needed on the supply side. The Commission’s community forums, surveys, and post card responses from the public echoed this need across Vermont. Parents expressed their difficulty in finding options for child care, putting financial stress on their family since they are unable to work. In many parts of the state, access to any option, let alone high-quality or affordable programs, is an issue. Even in Chittenden county, the most urban part of the state, many families and providers reported long waiting lists for enrollment in child care programs. Some even require parents to reserve enrollment spaces before their child is born.

For more information on the economic impacts of child care, please see the 2016 economic impact of child care report, an update to the 2002 report in **Appendix D. Economic Impacts of Child Care, 2016**

**Update.** For additional information on findings from the Commission’s public outreach efforts please see **Appendix A. VT Early Care and Education Key Stakeholders & Findings.**

## Investments in Early Childhood Yield a Significant Return

### The Benefits to Fighting Poverty

High-quality early care and learning programs are also a poverty fighting intervention. A 2003 study by University of Kansas researchers demonstrated that by age three, children who live in low-income families have a significant gap in the number of words they know and have been exposed compared to children who live in middle- or upper-income families. According to the study, “In four years, an average child in a professional family would accumulate experience with almost 45 million words, an average child in a working-class family 26 million words, and an average child in a welfare family 13 million words.”<sup>44</sup> The same study also demonstrated a child’s vocabulary at age 3 is a good predictor of a child’s ability and success in school at ages 9 and 10 in the arenas of vocabulary, language development, and reading comprehension. However, research has shown quality early care and learning programs can help to address this “word gap.” While they support the healthy development of young children from low-income or high-needs families, many high-quality early care and learning providers can also offer broader support such as parent education, developmental screening, and referral services to families. According to the American Academy of Pediatrics, “Research of high-quality, intensive early childhood education programs for low-income children confirm lasting positive effects such as greater school success, higher graduation rates, lower juvenile crime, decreased need for special education services later, and lower adolescent pregnancy rates.”<sup>45</sup>

### The Benefits to Parents

Access to affordable high-quality child care allows parents to be better workers, while also enhancing their parenting focus and ability to attend to and provide for their families. In a new poll of parents in the U.S. with children in child care conducted by National Public Radio (NPR), the Robert Wood Johnson Foundation, and Harvard T.H. Chan School of Public Health researchers found, of parents in the U.S. with children in child care, nearly a third of parents (31 percent) who pay fees for child care say the cost has caused a financial problem for their household. Approximately three-quarters of those parents (71 percent) say it has caused a “very” or “somewhat” serious problem.<sup>46</sup> Alleviating financial stress and confidence in care selection potentially improves the overall well-being of the family by extension.<sup>47</sup> In addition, the poll indicated “a majority of parents say that having their child in child care has had a ‘very positive’ impact on their own overall well-being (62 percent) and their relationship with the child (58 percent);”<sup>48</sup> additionally, “programs with parent support components, such as home visiting, have a number of other benefits for parents, including increased confidence and reduced stress.”<sup>49</sup>

### The Benefits to Children

Today, in Vermont nearly half (47 percent) of infants and toddlers likely to need care lack access to any regulated child care program<sup>50</sup>. Additionally, about “79 percent of infants and toddlers in Vermont who are likely to need care also lack access to high-quality programs.”<sup>51</sup>

An investment in high quality child care as a work support is an investment in the future of Vermont. High quality child care is a national focus due to the clear positive outcomes for children as well as for

communities. Child care provides critical learning and development for the future generation of Vermont. Brain science tells us that in the first few years of life, 700 new neural connections are formed every second, laying the foundation upon which all learning, behavior and health depends, with 90 percent of brain development occurring before age 5.<sup>52</sup>

Studies show that benefits of high-quality child care for children include:

- A narrowed the achievement gap: cognitive and achievement scores are increased by 0.35 standards deviation on average;
- Increased earnings later in life by 1.3-3.5 percent
- Reduced involvement with the criminal justice system through improved cognitive and socio-emotional development
- Fewer remedial educational services.<sup>53</sup>

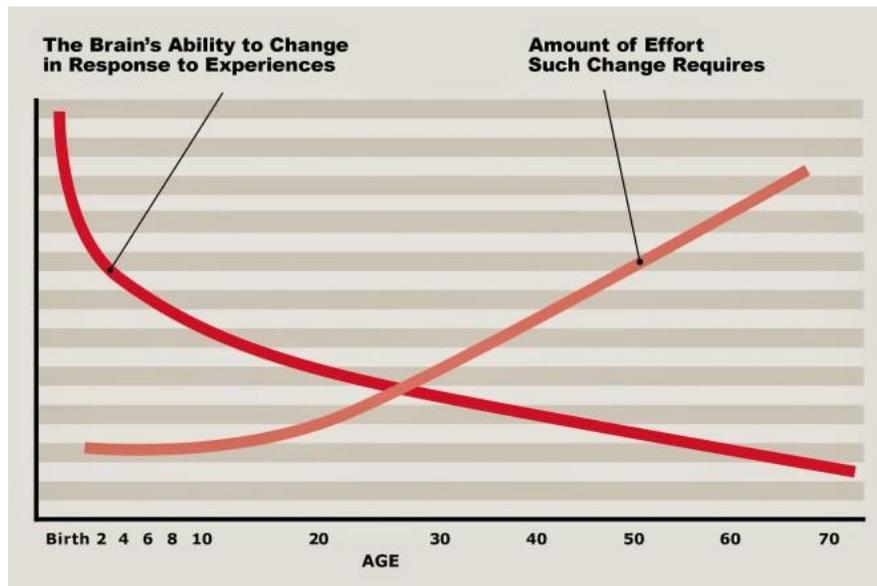
The development of a young child's brain is not only influenced by a child's genetics, which serve as the "blueprints" for a child's development, but also by a child's relationships, experiences, and environment.<sup>54</sup> These non-genetic factors can either play a positive, supporting role in a child's early brain development or, if a child had adverse early childhood experiences, a negative impact on early brain development which can lead to the brain developing not as expected.

An example of how these factors can contribute to healthy brain development is through a process called "serve and return." Serve and return refers to interactions between a caregiver and a young child; he caregiver gives a cue and the young child responds. For example, if a caregiver plays peekaboo with a young child, the caregiver will often hold up his or her hands to hide and then move them away to reveal her or his face while saying, "peekaboo," (the serve) and the young child will react to being able to see the caregiver's face again (the return). Through this serve and return interaction, the young child's neural connections are strengthened; strong neural connections lead to a strong foundation for healthy development.

However, not all children are exposed to positive environments, relationships, or experiences early in life. The absence of positive relationships, experiences, and a nurturing environment can result in a young child experiencing prolonged, negative stress. Although some stress is a part of healthy development, prolonged and consistent stress such as neglect or abuse, often referred to as "toxic stress," can have an adverse effect on a child's healthy development. According to the Center on the Developing Child at Harvard University, "just as a weak foundation compromises the quality and strength of a house, adverse experiences early in life can impair brain architecture, with negative effects lasting into adulthood."<sup>55</sup> Additionally, the Adverse Childhood Experiences (ACE) study, a national study of the impact of negative (adverse) early childhood experiences, cites adverse childhood experiences have long-term associations with adult risk behaviors, health status, and diseases.<sup>56</sup>

While children with limited quality early experiences or who experience prolonged toxic stress are often able to overcome developmental or health challenges later in life given the right supports, it is often more expensive and difficult to overcome these barriers later in life than ensure access to positive early environments, experiences, and relationships. The graph below, developed by Pat Levitt (2009), demonstrates the incredible opportunity present in the earliest years of a child's life to overcome adverse experiences.<sup>57</sup> As noted by the graph's author, "it is easier and less costly to form strong brain circuits during the early years than it is to intervene or "fix" them later."<sup>58</sup>

**Graph 1. Interaction Between Age and Brain Responses**



Research has also shown when young children have access to at least one responsive and supportive relationship with a trusted, caring adult early in life, whether it be a parent, grandparent, child care provider, or other caregiver, the supportive relationship can help to mitigate some of the negative developmental impacts of other adverse experiences. Therefore, it is critical young children have access to supportive, nurturing relationships, experiences, and environments to support healthy development.

The focus on high-quality is essential when discussing investments in early care and learning. Over the past two decades, there has been a growing focus on the importance of quality in early care and learning programs. An important step forward in this process has been the development and implementation of quality recognition and improvement systems (QRIS) for early care and learning programs. QRIS are considered to be a national best practice and are designed to support providers in increasing the quality of their programs. They provide a framework for developing quality early care and learning opportunities for young children, and allow states to provide families and policy makers with information behind a state's early care and learning programs (such as the number of programs with a given quality designation, the metrics used to assess quality, etc.). Vermont is one of 42 states plus the District of Columbia that utilize a statewide or county/regional QRIS for early care and learning programs. In Vermont, the state's QRIS is known as STARS, which stands for STep Ahead Recognition System<sup>59</sup>. STARS is a voluntary program in which providers can receive a quality designation ranging from 1-Star to 5-Stars, with 5-Stars being the highest quality designation. In addition to participating in STARS, early care and learning programs may also choose to seek accreditation from national organizations such as the National Association for the Education of Young Children (NAEYC) or the National Association for Family Child Care (NAFCC). Accreditation from these national organizations is widely viewed as being an indicator of high level of quality, and the assessments used for the national accreditation process for the two aforementioned organizations go above and beyond the assessments used for most states' QRIS. The following section details the Commission's definition of high-quality care, which is a guiding principle for this report. The Commission's definition is based on the expertise of Commissioners on this topic, research, and consultation with national experts.

## B. Defining High Quality Early Care and Learning

The Commission prepared a definition of high quality early care and learning programs synthesized from the Vermont STARS system, a national best practices framework and the state's Quality Rating and Improvement System (QRIS), the national standards set by the National Association for the Education of Young Children (NAEYC), the National Association for Family Child Care (NAFCC), and Federal Head Start Monitoring Protocol. The definition includes the elements inherent in all high-quality child care programs.

### Definition of High Quality Early Care and Learning Program

High-quality early childhood programs in Vermont strive to realize the promise of each child. These programs focus on: Child Health and Safety; Early Care, Education and Child Development; Family and Community Engagement; and Leadership and Management Systems. These programs seek to move up the quality continuum in STARS and to achieve high quality standards as indicated by 5 STARS, Accreditation and/or Federal Head Start Monitoring.

#### 1. Child Health & Safety

- a. Screening and referrals: health, sensory, developmental and behavioral
- b. Environmental health & safety
- c. Food & nutrition
- d. Assuring child and family access to health and dental care
- e. Healthy practices and routines
- f. Appropriate group sizes, ratios and supervision
- g. Safe transportation

#### 2. Early Care, Education and Child Development

- a. Relationships and teaching practices
- b. Curriculum and assessment
- c. Individualization
- d. Services for children with special needs
- e. Cultural and linguistic responsiveness
- f. Transitions and school readiness

#### 3. Family and Community Engagement

- a. Family stability and well-being
- b. Partnerships with families
- c. Parent-Child relationships
- d. Parents as their child's educators
- e. Community partnerships

#### 4. Leadership and management systems

- a. Governance, mission and vision
- b. Fiscal stability and integrity
- c. Human resources
  - i. Credentials, training, professional development
  - ii. Compensation and benefits

- iii. Supervision, evaluation and leadership development
- iv. Practice-based coaching
- d. Facilities, materials and equipment
- e. Equity, access and inclusionary practices
- f. Enrollment systems and practices

### C. The Cost of High Quality Child Care

The Commission approximated the “true cost of care” by estimating the costs associated with running a high quality child care program<sup>60</sup> National research and Vermont provider feedback submitted to the Commission suggests that child care providers often operate at a loss or, for smaller centers and home-based programs, directors and owners operate without a pay check. The cause is largely due to providers’ focus on the reimbursement rate from the government. The “iron triangle” of early care and learning program financing highlights the importance of all three factors: full enrollment, revenues cover per-child cost, and full fee collection.<sup>61</sup>

Recognizing the importance of the “true cost of care,” the Commission estimated the budgetary line item expenses associated with operating a program that met the standards of the high-quality child care framework established by the Commission. The true cost of care assists in demonstrating the current investment gap for high quality care for the state. For the purposes of the Commission’s exercise, the models outlined cost for an average sized center and home-based child care program in the state (34 and 9 children enrolled, respectively). Stakeholder feedback indicated that Vermonters, especially in rural communities, prefer smaller child care options to large center-based or school-based programs. Though in some of the most rural communities, school-based programs are the only form of regulated care available.

#### Commission’s Cost of High Quality Care Calculations

The Commission modeled the cost of operating their high-quality early care and learning framework to estimate the total cost of providing equal access to voluntary, high-quality, early care and learning for all Vermont children, ages birth to five. Line item expenses for the operation of a high-quality program are included below for both center-based and home-based programs. To increase the number of high-quality programs, many early care and learning system supports would also need to be brought to scale. The transitional, systematic changes and the estimated costs and benefits to supporting high-quality care are also detailed below.

The following chart summarizes estimated annual operating costs by operating expense type for a center-based and home-based program, each serving the average number of children by program type (34 and 9 respectively). Note that the programs modeled are for full-time care which is typically from 8:00am-4:00pm. The Vermont Child Development Division defines full time daily hours as 6-10 hours.<sup>62</sup>

For a detailed description of the cost of quality methodology and line-item assumptions, please see **Appendix B. Cost of Quality Methodology.**

**Table 2. Line Item Budget for the True Cost of High Quality Child Care**

EXPENSES	CENTER-BASED	HOME-BASED
<b>Gross Salaries</b>		
Infant Staff (2.5 FTE Center, 0 Home)	\$97,760.00	n/a
Toddler Staff (2.5 FTE center, 0 Home)	\$97,760.00	n/a
Preschool Staff (2.5 FTE Center, Pre-K Consulting Teacher 4hrs/wk home)	\$116,480.00	\$4,795.20
Center Staff (4 FTE center, Provider's Salary home)	\$112,736.00	\$56,160.00
Center Staff (regular sub home)		\$3,328.00
Staff: Comprehensive Services Early Care Advocate (1 FTE center, .25 FTE Home)	\$42,203.20	\$10,550.80
<b>Taxes, Fees, and Employee Benefits</b>		
Federal Tax Liability	\$32,492.30	n/a
Healthcare	\$87,281.86	\$8,400.00
Workers Comp	\$6,770.62	\$256.05
Retirement Contribution	\$28,360.80	\$1,684.80
Reduced tuition for employee children	\$21,320.00	n/a
Staff wellness activities	\$1,800.00	n/a
Training & Professional Development	\$13,121.50	\$2,282.00
Travel	\$2,520.00	\$1,992.00
Rent	\$43,350.00	n/a
Telephone + Internet	\$1,847.87	\$1,380.00
Utilities & Services	\$12,600.00	\$3,600.00
Cleaning and Maintenance Fees	\$9,996.00	\$300.00
Repairs to program-owned equipment	\$3,600.00	\$600.00
Contribution to Capital Expense Fund	\$6,557.73	\$3,250.08
Advertising + Hiring Ads	\$2,520.00	n/a
Accounting & legal	\$3,000.00	\$250.00
Liability Insurance	\$6,996.00	\$864.00
Debt Service	\$6,000.00	\$5,400.00
Food and Supplies	\$54,330.00	\$12,228.00
Office Supplies & Equipment	\$3,000.00	\$300.00
Educational supplies & equipment	\$10,200.00	\$1,800.00
Allowance for bad debt and vacancy	\$19,016.88	\$3,250.08
Comprehensive Services	\$6,224.53	\$1,098.45
Miscellaneous expenses	\$3,000.00	\$600.00
<b>TOTAL EXPENSES</b>	<b>\$852,845.28</b>	<b>\$124,369.46</b>

### Cost of High Quality Care Statewide

The Commission model produced the total cost of care for both a center-based and home-based Commission-defined high-quality program. To determine a cost per child, the total cost was proportionally divided into the age groups and number of children served by program type. The Commission's cost per

child to provide high quality care to infants, toddlers, and preschoolers ranges from \$13,879 to \$41,639 per year.

**Table 3. Total BRC-Estimated Cost per Child**

Age Groups	Center-Based Cost Per Child	Home-Based Cost Per Child
Infant	\$ 35,535.22	\$ 41,639.56
Toddler	\$ 35,535.22	\$ 20,819.78
Preschool	\$ 15,793.43	\$ 13,879.85

The cost per child by age group was then multiplied by perceived demand by each age group and type of care, resulting in the total cost of providing high-quality care to all children from birth to five in Vermont. The Commission provides three models of demand for child care, which summarize total costs to serve all children from birth to five in Vermont.

***Cost of care for all Vermont children ages birth to five<sup>63</sup>***

Cost Demand #1 All Children (100%, 36,607 children) = **\$849,254,369**

Cost Demand #2 Children with both Parents in the workforce (70.4%<sup>64</sup>, 25,771) = **\$597,875,076**

Cost Demand #3 Perceived demand of non-relative care (roughly 24.7%<sup>65</sup>, 15,133) = **\$ 366,406,397**

Given current state and federal contributions and estimated family contributions (based on the Commission’s sliding fee scale), the above costs are distributed between families and the state in the following way:

**Figure 1: The Cost of Providing High Quality Care to Vermont Children Birth to Five Using the Commission’s Model of High Quality, Affordable Early Care and Learning**

Demand	Number of Children	Cost of High Quality	Current State Investments	Estimated Family Contribution*	Estimated Additional Investment Needed
24.7%	15,133	\$366,406,397	\$129,979,869	\$91,845,731	\$144,580,797
70.4%	25,771	\$597,875,076	\$129,979,869	\$261,778,925	\$206,116,282
100%	36,607	\$849,254,369	\$129,979,869	\$371,845,064	\$347,429,436

\* Please see the Cost of Care section and **Appendix G. Analysis of Parental Contribution** for more details.

For a detailed description of the cost of quality methodology including the cost per child for each provider type in each demand model please see **Appendix B. Cost of Quality Methodology**.

**Other Transitional Systematic Investment**

The Commission recommends additional analysis to more effectively administer existing publicly funded programs that provide wrap-around services for children from birth to age five. Many services today are not fully provided by the existing system and thus costs of wrap-around services are passed to child care providers. Maximizing current programs outside of the early care and learning system can help to relieve

the financial stress of providing services in child care programs. Maximizing current programs could result in cost savings or cost shifting, both allow programs to focus resources towards early learning and care. These wrap-around services include:

- Provision of high quality child health related services including dental health, health screenings, mental health services
- Supportive services for families with special needs including early intervention and home visiting<sup>66</sup>
- Supportive services for low-income families including but not limited to referrals, support with applications for child health insurance, temporary assistance for needy families (TANF), supplemental nutritional assistance program (SNAP), and the child care financial assistance program (CCFAP)

Below are a few programs and initiatives currently supporting child care providers in Vermont. Increased investments to scale-up the programs could significantly move the needle on increasing the supply of high-quality early care and learning programs.

- Higher-education degree programs
- Higher-education professional development and training programs
- Vermont Department of Children and Families-supported technical assistance and training services to providers
- Support for the increased use of the Child Care Financial Assistance Program (CCFAP) and Child and Adult Care Food Program (CACFP)
- Agency of Education (AOE) support related to licensure

The Commission recognizes the important role of existing organizations that support Vermont's early care and learning system and supports continuous quality system improvement toward a more coordinated and efficient system of delivery. The Commission also notes that increased investments in existing programs also creates increased demand on the administrators of the programs. Administrative costs should be assessed as part of any increased investment in direct services programs.

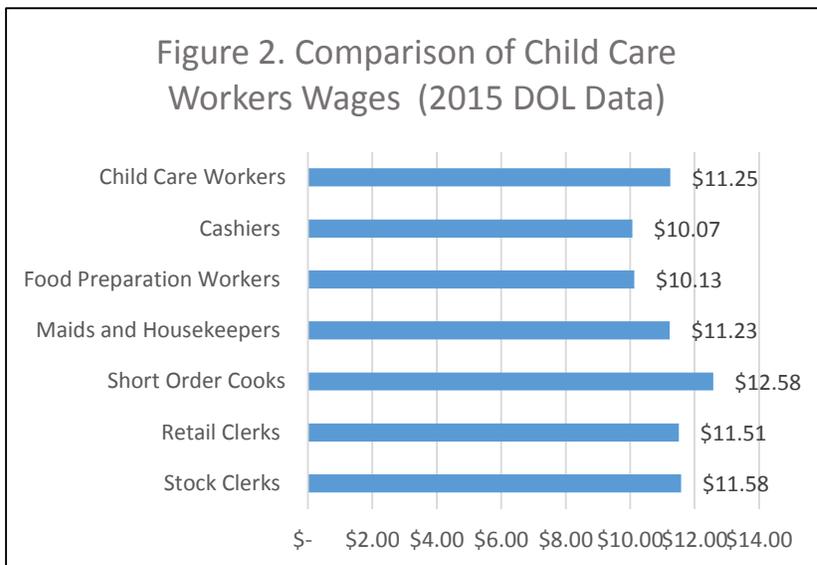
### Early Care and Learning Workforce

As evidenced in Table 2, the number one cost driver for high-quality programs identified by the Commission are wages and benefits for the early care and learning workforce (program staff). The Commission's costs raise program director and lead licensed teacher salaries to Vermont's State Fiscal Year (SFY) 2015 Public School average teacher and teacher aide salaries (see full comparison of pay charts in **Appendix B. Cost of Quality Methodology**).

Studies show the number one reason child care educators leave are low wages. A recent workforce study conducted in the state found wages in home-based and center based programs along with afterschool licensed centers are lower than wages in public school settings. Some of the disparity is due to the level of education and qualifications, but even for similarly qualified teachers, the pay is significantly lower for early childhood professional as compared to kindergarten teachers in the K-12 system. Achieving high quality means increasing education and training for the entire early care and learning workforce. Additionally, "low wages and few benefits are the top reasons why individuals might leave the field of early care and education and afterschool care."<sup>67</sup> In Vermont, the median hourly wage for child care providers at licensed centers is \$11.25. Hourly wages typically start at \$9.37 and can range up to \$16.01.<sup>68</sup> With child care workers' wages very low, many educators are unable to afford child care themselves. Note

that wages for early childhood assistance and home-based care professionals are often similar or lower than center-based programs. Figure 2 below represents comparative compensation data across similarly paid fields.<sup>69</sup>

Furthermore, sub-standard wages contribute to the issue that the child care industry has not yet become “professionalized.” In some cases, child care providers themselves, who are paid similarly to retail clerks and maids and housekeepers, do not recognize their role as a professional. This perception, along with lack of available resources, training, and professional development can also lead to inefficient business practices, further frustrating the field and creating challenges in elevating the work as a profession.



In addition, many working families require non-traditional hours of care i.e. before and after work and options for programs serving children with special needs. These child care services represent some of the unmet needs across the state of Vermont and are issues which compound the challenge of both access and affordability.

### Shared Services

Much like other service industries and the public school system, the child care industry has employed a number of best practices to increase efficiency through shared resources by achieving economies of scale. Shared Services is a community or statewide partnership model which can be comprised of center and home-based providers working together to share costs and deliver services. The model requires directors of programs (small businesses) to pay into a “hub,” either the state, community organization or another large child care provider or provider network<sup>70</sup>. The model looks different across the country and even within states. Some models show shared services cost savings are between 20-26 percent.<sup>71</sup> Shared service models enable program funds to be reinvested in teaching and learning.

The Commission recommends an investment in the infrastructure and administration of shared services for child care providers starting with administrative services including cleaning and maintenance fees, advertising and hiring ads, accounting and legal, office supplies and equipment. For the average center-based program, the modeled shared services approach by the Commission offers 20 percent savings, equaling \$3,700 per provider (from a total cost of \$18,516). Administrative services are likely components of child care operations that garner provider buy-in. Food services and substitute pools are also popular areas of shared services nationally.

Currently, Vermont Birth to Five (VB5) has taken on the task of exploring the shared services model and is working toward launching the development effort at a broader scale (<http://www.sharedservicesvt.org/default.aspx>). VB5 piloted a shared services model in the state with

an investment from the Permanent Fund, however, initial pilot results did not yield significant results. Further investments in building the infrastructure/ “hub” is needed to execute the model effectively to provides cost savings to early learning programs and ultimately the state.

### Comprehensive Services

Comprehensive services are services to children and families that serve the whole child. These services include comprehensive health and developmental screenings, health care referrals, and follow-up; special services for children with disabilities; nutritious meals; vision and hearing tests; and immunizations.<sup>72</sup> In addition, comprehensive services provide a two-generation approach by engaging families with onsite family caseworker supports and the inclusion of home visits, as needed.

An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions. The Commission’s high quality child care budget includes an Early Care Advocate, or components of the role, as needed for the population served. The following job description of a Head Start Early Care Advocate, modified for the purposes of this project, provides a description of the role:

#### Service provision / data management

- Plan, schedule and provide home visits or social service contacts that address the individual needs of children and families.
- Maintain child and family records (electronic and paper-based data) with documentation for each enrolled child/family.

#### Health, developmental and behavioral services

- Conduct health, sensory, behavioral and developmental screenings for children, and make referrals for needed services as appropriate, including coordination with mental health and nutrition service providers.
- Assist children and families in connecting to health services and establishing and maintaining a medical home and dental home for each child.
- Ensure that children are up-to-date on physical and dental exams, and receive any follow-up treatment needed for identified or suspected health issues. Document and maintain child health plans.
- Assist families when necessary in the arrangement and transportation for children’s medical or dental appointments, including designated follow-up appointments.

#### Family Engagement and Social Service Support

- Provide family engagement opportunities for parents to become directly involved in the development of their children, and in the services provided to their children.
- Assist families in identifying family resources and needs, provide resources and referrals to families in response to social service needs, and assist parents in accessing and utilizing community resources.
- Assist families in a collaborative process of setting and achieving goals based on identified strengths and needs.
- Attend meetings with collaborating agencies to assure coordination of social service supports, and participate in case management / family support meetings as needed.

#### Special Needs and Transition Service Support

- Assist in identifying special needs and attend meetings with collaborating agencies to support children with special needs and their families.

- Maintain contacts with special education service providers for support and follow up for children with special needs and those on IEPs / IFSPs.
- Collaborate with school and child care organizations to support transitions for children and families.

### Transportation

Another major barrier identified by parents for accessing high quality child care is the lack of transportation. The Commission estimated the cost of transportation using data from a collaborative transportation model for children birth to five under development by Champlain Valley Head Start and Addison County Parent Child Center. Due to the difficulty of estimating the demand or actual “take up” rate for transportation services, and the cost of an efficient system of transportation across a region, the Commission did not include the cost in the line-item budget. The Commission recognizes the need for comprehensive study of transportation services for child care in Vermont.

**Table 3. Line Item Costs Estimates of Child Care Transportation**

Line Item	Cost
<b>Start-Up Costs</b>	
Amortized cost of (1) 21-passenger Multi-Function School Activity Buses (MFSAB)(over 7 year lifespan) (total cost \$61,000)	\$8,714
Bus Driver CDL Training & Test (2 drivers)	\$6,050
Head Start Bus Monitor and Bus Driver Transportation Training (2 drivers, 4 monitors) \$30 per trainee	\$180
<b>On-Going Operational Costs</b>	
<u>Bus Drivers: Salary &amp; Fringe</u>	
(2) .5 FTE – 20 hours/week at 52 weeks	\$59,122
<u>Bus Monitors: Salary &amp; Fringe</u>	
(4) .5 FTE – 20 hours/week at 52 weeks	\$88,478
<u>Administration Costs: Calculated at \$32/hour</u>	
15 hours/week at 52 weeks	\$24,960
<u>Projected MFSAB Operational Costs:</u>	
Fuel, registrations, insurance, maintenance, inspections	\$31,143
<b>Total Annual On-Going Cost</b>	<b>\$ 203,703</b>
<b>Total On-Going cost per child for a 34 child center-based program</b>	<b>\$ 5,991</b>

### Act 166 Preschool

As referenced earlier in this report, the supply of early care and learning programs within the state is low. Prior to Act 166, some preschool was offered through Title 1, Head Start, and Act 62. Act 166 expanded this by offering universal tuition payments, essentially expanding public, part-time, high-quality preschool offerings for all children 3-5 in the state (10 hours per week for 35 weeks annually). Act 166 translates to a public investment of \$3,092<sup>73</sup> per child for the current fiscal year, plus costs to districts for administration and costs to the state agencies for support and oversight. The Commission both acknowledges and emphasizes that investment and focus only on early learning for three to five year olds

has the potential to overshadow the equally critical needs of children birth to three and expanding their access to early learning programs.

The mixed delivery system for early care and learning programs (public and private programs) is one of the primary vehicles states use to increase access and maintain parent choice in early care and learning (birth to five).<sup>74</sup> Future conversations around this issue need to carefully consider the trade-off between parental choice and affordability.

#### D. Affordability

After establishing the cost of high quality early care and learning programs, the Commission sought to determine what is affordable for Vermont families. Measuring the affordability of high quality early care and learning programs allowed the Commission to further identify the gap in Vermont's investments. The Commission found the national common metric for affordability a family should spend is no more than 10 percent of its income on child care.<sup>75</sup>

##### Affordability in Vermont

The Commission was charged with analyzing affordability, examining current policies in Vermont's Child Care Financial Assistance Program (CCFAP). The CCFAP is the state's child care subsidy program that is guided by the Federal Child Care Development Block Grant (CCDBG) the primary source of funding nationally to support low-income working families fund and improve the quality of child care. Funding for CCFAP includes the Child Care Development Fund (from the CCDBG), the state CCDBG match, the Temporary Assistance for Needy Families (TANF Block Grant), and additional general fund appropriations determined by the state. The Commission conducted analysis of affordability to recommend changes to maximize the use of CCFAP to support affordable access to high quality, early care and learning for eligible families.

The current child care subsidy program in Vermont provides eligible families with a percent of the subsidy rate, established as a percentage of the current market rate and adjusted based on level of quality of the program, to families based on a sliding fee scale. Federal guidance from the U.S. Department of Health and Human Services recommends states establish rates that allow assisted families access to at least the 75<sup>th</sup> percentile of the child care market. Vermont's rates fell short of this guidance; rates ranged between 24.9 and 48.6 percentile of the center-based market rates and between 27.8 and 54.7 percentile of home-based market rates for 4 and 5 STAR rated programs.<sup>76</sup> Base rates (for non-rated programs) fall even shorter of the 75<sup>th</sup> percentile benchmark and are as low as meeting only the 1.08 percentile for infant care in full-time licensed centers in the most populous geographic region.<sup>77</sup>

Regardless of the CCFAP subsidy program, in Vermont, families pay 25 to 53 percent of their median income to access early care and learning programs, based on child care cost from the 2014 market rate survey. The "Parents and The High Cost of Child Care 2015 Report" from Child Care Aware<sup>78</sup> ranked all 50 states on affordability. **Vermont ranked 13<sup>th</sup> on the list for having the least affordable center-based infant care. Vermont ranked 3rd on the list for having the least affordable center-based four-year-old care.**<sup>79</sup> The same Child Care Aware report found that in Vermont, single parents pay 86 percent of their income to send two children to full-time center-based care and married families at the poverty line with two children pay 88 percent of their income for child care. The annual cost of child care for an infant and a four-year-old in a center is \$21,240.<sup>80</sup>

## Current Vermont Investments

Today, public investments in early care and learning in Vermont and nationally come from a mix of federal and state funding sources. The following table provides a breakdown of major national programs administered in Vermont. The data summarized is from an October 2016 state/territory profile of Vermont’s early care and learning program, aggregated by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. The data indicate **approximately \$130 million are spent annually in Vermont on early care and learning, leaving a gap of between \$283-766 million in investments which ensure equal access to high-quality child care statewide.**

**Table 4. Major Public Funding Sources for Vermont’s Current Early Care and Learning System (Combination of Federal and State Funding)**

Funding	Description	Amount
Child Care and Development Fund (CCDF) Discretionary (includes TANF transfer)	Child Care Subsidy Program, in Vermont the Child Care Financial Assistance Program (CCFAP), Administered by the Agency of Human Services (AHS)	\$16,097,815
Child Care and Development Fund (CCDF) Mandatory Match		8,639,924
Title IV-E (Child Welfare)		\$4,200,000
Title IV-B (Child Welfare)		\$783,847
Social Services Block Grant Program		\$398,428
General Funds		\$17,220,750
Temporary Assistance for Needy Families (TANF) for Child Care*	TANF – Direct Expenditure on Child Care, Current Spent on Transportation, Administered by the Agency of Human Services (AHS)	\$1,201,008
Child and Adult Care Food Program (CACFP)	For participating Center, Home-Based and Pre-K school-based programs	\$5,560,000
Head Start	Vermont Head Start Grantees. Includes both Head Start and Early Head Start programs	\$17,229,159
IDEA Part C*	Ages Birth to age 3, Administered by the Agency of Human Services	\$2,148,938
Prekindergarten Special Education <sup>81</sup>	Administered by the Agency of Education (AOE)	\$24,100,000
Prekindergarten General Education	Co-administered by AOE and AHS	\$32,400,000
Parent Tuition Payments	Family Fees	Undefined
<b>TOTAL</b>		<b>\$129,979,869</b>

\*All data presented is from Fiscal Year 2016 with the exception of TANF and IDEA Part C which are from Fiscal Year 2014 and CACFP from February 2015

Please see **Appendix E. State/Territory Profile: Vermont Early Care and Education** for a copy of the full report and sources.

The Commission recognizes the estimate is not a comprehensive picture of all investments and programs in the state. In addition to public investments, the primary source of funding for the system comes from

families, who not only pay taxes but also pay tuition for early care and learning programs. Even in the case of families receiving child care subsidy through CCFAP, programs often charge the difference between the subsidy and full tuition rates, a practice called “balanced billing. Early care and learning programs also contribute financial resources to the system, by not charging subsidy copayment (or by lowering it), through scholarships, or by working with families to determine affordable payments. While the Commission was unable to capture the total investments from families through tuition, and of providers through absorbing costs and discount practices, there is some available information about the cost burden shared by families and providers. According to the 2015 report, “How Are Vermont’s Young Children and Families?” families with young children who earn between 200 percent of the 2014 FPL and the state’s 2014 median family income spend 28-40 percent of their income on child care and early learning.<sup>82</sup> Some information has been collected regarding the cost burden shared by providers too.

Due to the scope and timeframe of the work, the Commission was unable to complete a full review of all funding sources for the state’s early care and learning system. The total spending estimate does not include critical programs and grants that also support health related services (SCHIP), mental health services, other wrap around social services supporting support whole families, home-visiting and others. It also does not include Vermont’s federal Race to the Top Early Learning Challenge Grant for \$36.9 million, awarded in 2013 to help build a high-quality and accessible early childhood system in the state.<sup>83</sup> **The Commission recommends a comprehensive examination of the early childhood system and related programs which includes a review of all public funding dedicated to families and children birth to 5. A detailed study of total spending coupled with the provision of services should result in the identification of opportunities for system-wide efficiencies and cost savings.**

#### [Analysis of Affordability of High Quality Child Care](#)

**The Commission created a model for a new sliding fee scale for the state’s Child Care Financial Assistance Program (CCFAP), raising the bar for the standard for accessible affordable high quality care. In keeping with the methodology used to determine cost, the Commission determined affordability assuming no changes to the current system of delivery. The new recommendation sliding fee scale would:**

- i. Set a 100 percent subsidy “floor” at the Vermont Basic Needs Budget without including the child care line item (floor defined as the basic income threshold where a family would qualify for 100 percent subsidy).**
- ii. Raise income eligibility and percent of subsidy gradually so a “cliff effect” does not occur—where a family’s incremental increase in income would cause an unaffordable decrease in subsidy.**
- iii. Scale the cap or “ceiling” of eligibility at three times the floor (the basic needs budget without childcare).**

**The Commission’s recommended model reflects high-quality early care and learning is not affordable for about 89 percent of Vermont families.<sup>84</sup>**

#### [Affordability Calculations](#)

The following section summarizes the Commission’s calculations and rationale for the recommended revisions to the sliding fee scale. For a detailed description of the affordability methodology, please see ***Appendix C. Affordability Methodology.***

**The Commission assumes that the new sliding fee scale at 100 percent benefit rate would cover the full cost of child care.** Today, the CCFAP rates, which vary depending on the quality level of the program families choose, do not cover the full cost of care even at 100 percent benefit rates. The rates fall below the 75<sup>th</sup> percentile (the national benchmark for child care subsidy rates) for the high quality (4 and 5 STAR) programs and below the 5<sup>th</sup> percentile for the base rate (programs not participating or low STAR rating in the QRIS).<sup>85</sup>

**i. Set a 100% subsidy “floor” at the Vermont Basic Needs Budget without including the child care line item (\$59,661)**

To calculate the parameters for a sliding fee scale for CCFAP that would be affordable for Vermont families, the Commission analyzed the Vermont basic needs budget.<sup>86</sup> Considering the line items costs that were part of the Basic Needs Budget, the Commission decided to set a subsidy “floor” at the current Basic Needs Budget without the child care cost line item. The eligibility scale “floor” for 100% subsidy-covering 100% of the actual cost of child care (not today’s CCFAP rates)- would be provided for families with an annual income of \$59,661 or less (Basic Needs Budget without Child Care for an urban family of three).<sup>87</sup> In other words, setting the “floor” at the basic needs budget without child care means that a family of three making \$59,661 or less, could cover all of the family’s basic needs with the assistance of the CCFAP child care subsidy.

**Table 5. A. Vermont 2014 Basic Needs Budget without Child Care<sup>88</sup>**

Line Item		Annual Cost
Annual Basic Needs Budget	\$	74,757
Annual Child Care Cost	\$	15,096
Annual Basic Needs budget without child care	\$	59,661

**Table 5. B. Vermont 2014 Basic Needs Budget without Child Care – Monthly and Annual Line Items**

Line Item	Monthly Cost	Annual Cost <sup>89</sup>
Housing	\$1,328	\$15,936
Food	\$739	\$8,868
Transportation	\$499	\$5,998
Health Care	\$555	\$6,660
Personal & Household Expenses	\$534	\$6,408
Insurance & Savings	\$305	\$3,660
Taxes	\$1,012	\$12,144

Recall that in the Commission’s modeling exercise, the cost for full time high quality early care and learning programs were estimated to be as follows. The Vermont Basic Needs Budget estimates that monthly child care costs total \$1,258, and \$15,396 annually, significantly below the cost per child calculated in the Commission’s cost of high quality affordable early care and learning programs.

**Table 6. Commission’s Cost of High Quality Child Care by Age Group**

Age groups	Center Cost Per Child	Home-Based Cost Per Child
Infant	\$ 35,535.22	\$ 41,639.56
Toddler	\$ 35,535.22	\$ 20,819.78
Preschool	\$ 15,793.43	\$ 13,879.85

**ii. Raise income eligibility and percent of subsidy gradually so that a “cliff effect” does not occur.**

The design of the current CCFAP eligibility scale, creates a “cliff effect” in two ways:

1. Cliff effect due to percent of benefit scale: Currently, at the 95 percent of benefit (subsidy) level in which CCFAP pays 95 percent of the subsidy rate, the percent of benefit drops from an incremental decrease of 1 percent to more than 5 percent when family income is \$24,168.

% of Benefit	Incremental Decrease in Benefit	Income	Incremental Increase in Income
100%	n/a	\$ 20,160.00	3.9%
99%	-1.0%	\$ 20,940.00	2.5%
98%	-1.0%	\$ 21,456.00	2.5%
97%	-1.0%	\$ 21,996.00	2.3%
96%	-1.0%	\$ 22,512.00	3.1%
95%	<b>-1.0%</b>	<b>\$ 23,208.00</b>	<b>4.1%</b>
90%	<b>-5.3%</b>	<b>\$ 24,168.00</b>	<b>4.0%</b>
85%	-5.6%	\$ 25,140.00	4.1%
80%	-5.9%	\$ 26,172.00	4.1%

The inconsistent incremental decrease in benefit is also seen in the current scale’s increase in income. The 5.3 percent decrease in subsidy makes it difficult for families making between \$23,208 and \$24,168 because the difference creates a “cliff” where a 4.1 percent increase in income means a much lower benefit amount. The “cliff effect” is known as the drop off of assistance to families. The drop off creates a disincentive for those families making \$23,207 to increase income up to \$24,168 because the small increase in income create a large loss in subsidy payment. CDD indicated that parents often report that the decrease in subsidy is equal to or more than the increase in income.

2. The CDD also reported another “cliff” occurs around the 45% of subsidy mark in which the incremental increase in income reduces the percent of subsidy received to the point where it is not beneficial to increase income (i.e., earning more money would cause a family’s child care costs to increase).

**Table 8. Current CCFAP “Cliff Effect” Part 2**

% of Benefit	Incremental Decrease in Benefit	Income	Incremental Increase in Income
50%	-9.1%	\$ 32,472.00	3.3%
45%	-10.0%	\$ 33,516.00	3.2%
40%	-11.1%	\$ 34,572.00	3.2%
35%	-12.5%	\$ 35,640.00	3.1%
30%	-14.3%	\$ 36,660.00	2.9%
25%	-16.7%	\$ 37,704.00	2.8%

The Commission recommends a sliding fee scale that endeavors to avoid the “cliff effect” by more closely aligning the rates at which subsidy decreases and income eligibility increases. The recommended sliding fee scale incrementally scales down the percent of benefit at a steady rate as the income level increases at a steady rate; in the Commission’s model, the subsidy payment percentage decreases by 2% while income eligibility increases incrementally by 1.8%. In other words, for every 1.8% increase in income, a family’s subsidy payment only decreases by 2%.

**Table 9. Recommended Fee Scale (to avoid "Cliff Effect")**

% of Benefit	Incremental Decrease in Benefit	Income	Incremental Increase in Income
100%	n/a	\$ 59,661.00	2.0%
98%	-1.8%	\$ 60,854.22	2.0%
96%	-1.8%	\$ 62,071.30	2.0%
95%	-1.8%	\$ 63,312.73	2.0%
93%	-1.8%	\$ 64,578.99	2.0%
91%	-1.8%	\$ 65,870.56	2.0%
89%	-1.8%	\$ 67,187.98	2.0%
87%	-1.8%	\$ 68,531.74	2.0%
86%	-1.8%	\$ 69,902.37	2.0%
84%	-1.8%	\$ 71,300.42	2.0%
82%	-1.8%	\$ 72,726.43	2.0%
80%	-1.8%	\$ 74,180.95	2.0%

**iii. Scale the cap or “ceiling” of eligibility at three times the floor (\$178,983)**

The Commission recommends a ceiling at three times the floor (the basic needs budget without childcare), \$178,983. This income accounts for approximately 89% of Vermont families. **The Commission’s recommended model reflects that high quality child care is not affordable for about 89% of Vermont families.**<sup>90</sup>

**Table 10. Calculating the Sliding Fee Scale “Ceiling”**

Basic Needs Budget without Child Care	\$ 59,661
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983
% of Families eligible for subsidy (based on income)	89%

The Vermont Child Development Division finds that under the current sliding fee scale, fewer families participate in CCFAP once their income falls below the 50% benefit (where families receive 50% of the rate). Additionally, families have stated that the benefit at 20% or lower is not substantial enough to participate in CCFAP. The goal of the Commission’s incremental increases in income on the sliding fee scale, coupled with the “ceiling” will help to mitigate the “drop-off.” The Commission notes that with the recommended scale, families at the upper incomes levels may still choose to “drop-off” of subsidy. For the full sliding fee scale model please see **Appendix C. Affordability Methodology.**

## SECTION THREE: THE COMMISSION'S RECOMMENDATIONS

High quality early care and learning experiences have a significant positive impact on brain development and help lay the foundation for a child's future health, learning and development. Equitable access to high quality affordable early care and learning serves to promote economic development, improve workforce attachment, and combat poverty. Moreover, investments in early childhood have been shown to earn a higher rate of return than investments later in life. **Equitable early care and learning for all Vermont children ages birth to five is the most significant opportunity for the state for making systemic and dynamic improvements that will foster economic development, advance social and community well-being, and provide the greatest positive impact for future generations.**

As outlined by the statute, the Commission's work included three key focus areas: the cost of high quality care, affordability and financing. The Commission defined elements of high quality and determined the provider-level costs associated with achieving high quality. Unfortunately, in the current delivery system, this level of quality would be unaffordable for 90% of Vermont families. Vermont's current system does not have sufficient capacity or resources to meet the needs of young children and their families.

As such, developing and funding an early care and learning system must be a top state priority of the next Gubernatorial Administration and State Legislature. Given the enormous complexities of this area, as well as immediate needs of children and families, this Commission recommends both short term investments and a long-term transformational design of the future of the early childhood system.

### **I. Recommendation 1: Make Immediate Incremental Investments in High-Quality, Affordable Early Care and Learning**

It is the recommendation of the Commission that the state immediately begin to make annual incremental investments to support high-quality, affordable early care and learning. To support the further development of quality and access in the state's early care and learning system, the Commission recommends the following strategies:

- a. To improve financial access and stability, adjust Vermont's Child Care Financial Assistance Program (CCFAP) in the following way:
  - i. Set the 4-STAR Rate at the 75<sup>th</sup> percentile of 2015 market rates and adjust accordingly the current tiered system methodology which incentivizes quality<sup>91</sup>
  - ii. Provide 100% benefit at the 200% Federal Poverty Level (FPL)
  - iii. Provide 50% benefit at the 300% FPL
  - iv. Provide 0% benefit at the 350% FPL

The Vermont Department of Children and Families Child Development Division modeled what these changes would mean. Using U.S. Census data, they estimated that all the families currently eligible for CCFAP would now qualify for 100% of the benefit. An additional 1,000 families with infants, toddlers, and preschoolers would qualify for 100% benefit. An additional 3,920 families with infants, toddlers, and preschoolers and 1,344 families with school-aged children would qualify for between the 99% and 10% benefit level. CCFAP rates would increase from the rates published on Aug 21, 2016 by 27% on average for licensed centers and 16% on average for registered providers. The estimated cost per year for this benefit level is \$90.8 million. The current

budget for CCFAP in State Fiscal Year 2017 is \$47.3 million. An additional \$43.5 million would be needed to fund these changes.

- b. To increase capacity and quality environments, establish a facilities fund to be maintained by the Vermont Community Loan Fund that includes, but is not solely funded by, the Building Bright Futures license plate revenue. Minimal annual allocation should be at least \$3 million to include both grants and loans.
- c. Vermont's early care and learning professionals face a unique set of challenges, including significant disparity between their wages and benefits and those of other education professionals with similar qualifications. To make early care and learning a sustainable profession, providers need compensation that is aligned with their education, skills, and expertise. To support early childhood professionals and strengthen the early childhood workforce:
  - i. Establish a range of "Outstanding Early Childhood Professional" recognitions that are substantial enough to incentivize providers to enter and stay in the workforce;
  - ii. Establish and fund a W.A.G.E.\$<sup>®</sup> program that assures private sector programs can recruit and retain highly qualified staff<sup>92</sup>;
  - iii. Permanently establish a leadership institute or program to strong, ongoing, committed leaders in the early childhood system;
  - iv. Establish pathways to credentials and licensure:
    - Locally enhanced higher education coursework and accredited opportunities
    - Portfolio development and assessment of prior learning
    - Provider support through mentoring, coaching, teaching and assisting;
  - v. Establish a scholarship fund robust enough to incentivize pursuing a degree in Early Childhood Education. Link this to the T.E.A.C.H.<sup>®</sup> support already in place.<sup>93</sup>
    - Scholarships for educational advancement toward degree attainment
    - Incentives that promote social and emotional competence and literacy
    - Supports for "relief time" for schooling and coursework.
- d. Educate employers about ways to support employees in affording quality early care and learning programs, such as offering a matching contribution fund that allows employees to dedicate pre-tax dollars to early care and learning programs. Consider developing an "Early Care and Learning for Businesses" handout.

## **II. Recommendation 2: Design and Implement Vermont's Future Early Care and Learning System for Children Birth – Five**

The Commission recommends engaging Vermont's early care and learning stakeholders, including members of Vermont's gubernatorial administration and state legislature, in a design process to develop a comprehensive, inclusive, voluntary, high-quality, affordable early childhood system for all children birth – five. Early care and learning is a complex arena with many stakeholders. It is a cross agency and community issue that involves multiple disciplines including health, mental health, education, child nutrition, special needs services, and social services. Developing a high quality integrated system of early care and learning requires a joint birth to five systems strategy that creates a seamless continuum of high quality early care and learning opportunities across Vermont's early childhood system. While this

Commission addressed pieces of the work, state- and district-level costs related to administration, monitoring, distribution of resources, and staffing were not explored. To meet the needs of all Vermont's children and their families, further conversation and research are needed to fully explore and design a system that considers delivery, funding, governance, and achieving economies of scale. The goal is to determine the totality of available resources and how to better drive them into direct service.

- a. **The Commission recommends that the state's early childhood public/private partnership facilitates a statewide effort to explore and develop recommendations for a comprehensive integrated early care and learning system.** Building Bright Futures (BBF), the State's Early Childhood Advisory Council to the Governor, Administration, and Legislature in Vermont, is well positioned to lead this initiative. Through Act 104, Building Bright Futures has the authority and duty to convene members of the early care and learning community, medical community, education community, and other organizations, as well as state agencies serving young children, to ensure that families receive quality services in the most efficient and cost-effective manner.<sup>94</sup> Stakeholders in the process should include representation from across the early childhood system. Moreover, to capitalize on substantial shared learning, the process should also include representation from this Blue-Ribbon Commission. The process should begin early in 2017, take place in a timeline that recognizes the urgency of this issue, and conclude in time to deliver proposed legislation to the state legislature no later than January 2019. The Commission recommends appropriating funding for the project, though not in place of the immediate direct service investment needs outlined in Recommendation 1.
- b. **The Commission recommends a comprehensive examination of the early care and learning system and related programs.** The project should aim to develop a future system of integrated early care and learning that maximizes existing resources and provides high quality efficiently and effectively. The Commission recommends that the project focus on the following topics:
  - i. Achieving affordability for families *and for the state*. Consider state- and district-level costs associated with administration, monitoring, distribution of resources and staffing. Also, consider the relationship between delivery costs and economies of scale;
  - ii. Maximizing current wrap-around comprehensive services including healthcare, mental health, services for children with special needs, and families with social service needs;
  - iii. Maximizing available services and professional development to support and retain high quality early childhood professionals;
  - iv. Exploring a shared services model that leverages economies of scale to decrease the cost to providers of providing high quality early care and learning;
  - v. Leveraging transportation services to reduce the barriers for families in need;
  - vi. Exploring the infrastructure and capacity of the K-12 system and other community facilities to increase the supply of high quality preschools.
- c. **Learn from Others:** While this Commission reviewed a substantial amount of information about early care and learning systems around the world, a growing number of states and municipalities offer a range of voluntary, high-quality, affordable early care or early learning systems. The stakeholder group should review analyses of programs and best practices from

across the United States and other applicable areas. There are important lessons to be learned from the successes and failures of others that can inform Vermont's efforts. Please refer to the appendices of this report for an index of resources and references that can serve as a starting point for this work.

- d. **Ensure equity:** The Commission had rich discussions about the need to ensure equity in access and affordability to early care and learning programs. The BRC feels it is important to specifically recommend that any policy or policies that result from the work of the design group are equitable and that they do not create barriers for families to access or afford high-quality early care and learning programs.
- e. **Family and Community Member Engagement in the Design Process:** Based on the experience of this Commission, broad family and community engagement should be incorporated into the design process. It is critical for the thoughts and opinions of all Vermonters to inform this important work.

### III. Recommendation 3: Financing Mechanisms

The Commission discussed a range of financing options. Though Commissioners all strongly agree that investments in early care and learning represent the most significant opportunity to greatly impact long-term dynamic and systemic improvements in Vermont's economic development and social and community wellbeing, the BRC fully acknowledges the tension between the need to support Vermont's children and families and the broader economic and budgetary realities of the state. This report includes recommendations for immediate changes that will have a significant and positive impact on the system as it is currently designed. These changes, however, do not achieve equitable access to true high-quality, affordable early care and learning in Vermont. It is the Commission's hope that recommending a comprehensive examination of system improvements, delivery methods, and efficiencies will continue the exploration of how to achieve that very important goal, and pave the way for the implementation of more publicly supported impactful investments down the road.

It is the recommendation of this Commission that the Vermont Legislature review and act on the following list of potential financing mechanisms to support Vermont's early care and learning system.

- a. Reallocation of savings across all state agencies through operational efficiencies
- b. Business and philanthropic community partnerships and incentives
  - i. Public-Private Partnerships
  - ii. Pay for Success
  - iii. Philanthropic Investments
- c. Early care and learning license plates
- d. Endowment funds
- e. Leveraging additional funding from Medicaid through the global commitment waiver
- f. Exploring options for other revenue sources

**A more thorough description of the above financing options follows:**

- a. *Reallocation of savings across all state agencies through operational efficiencies:* Reallocate saving from operational efficiencies implemented in all state agencies towards early care and learning. Note that operational efficiencies from the Agency of Education and Agency of Human Services would be reallocated to the respective agencies.
  
- b. *Business and philanthropic community partnerships and incentives:* Forming business partnerships to direct funding into the early childhood system is not an uncommon strategy employed by states in the U.S. Viable strategies take different forms. The key factor in developing strong business community partnerships is to have clear messaging about the return on investing in high quality early care and learning, starting with the direct economic impact on individual businesses. Businesses benefit from the investment through incentives, increased employee productivity (by reducing the child care barrier to work), employee retention and morale, to the macro economic impact of investing in the future workforce and leadership in the state. Seeking major philanthropic funding also can serve as an effective function. Some of the most common examples of successful business community partnerships and incentives in early childhood include:
  - i. Public-Private partnerships have been utilized by multiple states to pull in funding from the private sector by matching state allocations to early care and learning with private funding. Through active engagement of the business community, state leaders can work with business leaders to establish agreements to contribute to the early childhood system with state matched or percentage-matched funding models.
  - ii. The pay for success model, also called “social impact bonds” or “social benefit bonds” are an emerging model for public-private partnerships in the country as an alternative innovation funding mechanism for outcomes-based programs solving social issues facing state or local communities. In the partnership model, a government agency “works with a financing organization where private investors provide up-front funding to help achieve a specific result for a target population—the government only pays if the agreed-upon goal is achieved.<sup>95</sup>” Over 36 states have engaged in pay for success activities, including Vermont;<sup>96</sup> Common Good Vermont and the Agency of Human Services have received technical assistance from the Harvard University Government Performance Lab to explore the feasibility of projects addressing early childhood to family self-sufficiency.<sup>97</sup> The legislature’s investment in the start-up, infrastructure and administration costs of an early childhood-based pay for success model could yield significant private investments, government cost savings and improved outcomes for young children.
  - iii. Philanthropic investments: Vermont has the opportunity to support large in-state and national philanthropic interests to invest in the state’s early care and learning system. The most effective philanthropic efforts in early care and learning are supported by multiple sectors including the state, public, private and non-profit. Vermont’s leaders can put pressure on philanthropic organizations through public displays of commitment to early care and learning.
  
- c. *Early Childhood Education license plates:* Vermont, like many other states,<sup>98</sup> has a special license plate that raises funds for early care and learning programs. In Vermont’s case, these additional dollars go to the Building Bright Spaces for Bright Future fund, which awards grants for the development, expansion, and renovation of early care and learning facilities in the state.

Currently, the annual additional revenue generated for each license plate holder is \$24.<sup>99</sup> For additional fundraising out of this mechanism, the state could raise the annual registration fee for the plate or engage in more awareness activities to spread notice and take-up of the license plate.

- d. *Endowment funds*: Through legislative action and subsequent voter referendum, Nebraska passed in 2006 a state constitutional amendment that allowed dedicated education funding to be used for early care and learning programming, which set up an endowment fund as the primary vehicle for administration of relevant funding. This fund constitutionally required an initial \$20 million of private funding to be contributed (which was met in 2011); and saw \$40 million of perpetual school funds from the state also dedicated. Keeping with the nature of an endowment fund, only interest or income from the fund can be spent towards early care and learning programming for at-risk children birth to age five.<sup>100</sup>
- e. *Leveraging additional funding from Medicaid through the global commitment waiver*: Vermont has participated in the Medicaid Global Commitment (GC) Waiver since 2006. The waiver allows states flexibility in Federal Medicaid dollars expenditures toward health-related services. The Federal Centers for Medicare & Medicaid Services' (CMS) most recent approval for the 2016 calendar year extension for the global commitment waiver is available online.<sup>101</sup>

Early care and learning services, especially those with intervention and wraparound services, can potentially fall under this funding stream. Through the waiver, the state must use those Federal funds to decrease the amount that would have otherwise been spent on normal Medicaid expenditures. The GC Waiver must be demonstrably budget neutral (“does not increase federal funding over what would have been spend without the waiver”). The total program savings (documented in the state’s 2015 evaluation report) in Federal Fiscal Year (FFY) 2013 were \$131 million, with an aggregate budget neutrality limit of \$1.337 million (the cap) and actual expenditures of \$1.206 million.<sup>102</sup> Therefore there is the potential for a proportion of the \$131 million (in FFY 13) that could be applied to early care and learning programming.

- f. *Exploring options for other revenue sources*. The Commission encourages the Gubernatorial Administration and State Legislature to continue to explore other sources of revenue to support the vital investment in Vermont’s early care and learning system.

## SECTION FOUR: ENDNOTES

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<sup>1</sup> Building Bright Futures, Vermont's Early Childhood Advisory Council. *The Early Childhood Action Plan*  
<http://buildingbrightfutures.org/the-early-childhood-action-plan/>

<sup>2</sup> Agency of Human Services, Department for Children and Families. *STARS Step Ahead Recognition System*  
<http://dcf.vermont.gov/childcare/parents/stars>

<sup>3</sup> Act 166 Publicly Funded Prekindergarten Education in Vermont (10 hours of prekindergarten for all 3 to 5 year olds)  
<http://www.vtpublicprek.info/act-166>

<sup>4</sup> Building Bright Futures, Vermont's Early Childhood Advisory Council. *VT's Race to the Top- Early Learning Challenge Grant*.  
<http://buildingbrightfutures.org/learn-about-vts-race-to-the-top-early-learning-challenge-grant/>

<sup>5</sup> Center on the Developing Child (2009). *Five Numbers to Remember About Early Childhood Development* (Brief). Retrieved from: [www.developingchild.harvard.edu](http://www.developingchild.harvard.edu) "Neural connections are formed through the interaction of genes and a baby's environment and experiences, especially "serve and return" interaction with adults, or what developmental researchers call contingent reciprocity."

<sup>6</sup> Ibid. "90-100% chance of development delays when children experience 6-7 risk factors of maltreatment. Significant adversity impairs development in the first three years of life—and the more adversity a child faces, the greater the odds of a developmental delay. Indeed, risk factors such as poverty, caregiver mental illness, child maltreatment, single parent, and low maternal education have a cumulative impact."

<sup>7</sup> Ibid. "A growing body of evidence now links significant adversity in childhood to increased risk of a range of adult health problems, including diabetes, hypertension, stroke, obesity, and some forms of cancer."

<sup>8</sup> Ibid. "Three of the most rigorous long-term studies found a range of returns between \$4 and \$9 for every dollar invested in early learning programs for low-income children. Program participants followed into adulthood benefited from increased earnings while the public saw returns in the form of reduced special education, welfare, and crime costs, and increased tax revenues from program participants later in life."

<sup>9</sup> An act relating to the building bright futures council. No. 104 § C.268 (2010). Building Bright Futures, the Vermont State Early Childhood Advisory Council, is charged with addressing "issues of overlap and fragmentation, program accountability, and equitable access to services across the state, engaged community members, policy-makers, early childhood service providers, and advocates agree that there is a need for a comprehensive and integrated system for all children below the age of six and their families in Vermont who are in need of and desiring such services."

<sup>10</sup> Let's Grow Kids (LGK), Vermont's public awareness and engagement campaign organization focusing on the importance of high quality affordable child care, conducted in-state market research on the most effective term for "child care." Among a number of terms based on national research and state-based focus groups, LGK found that the general public responded most favorably to the terms "early care and learning" as well as "child care" in reference to programs serving children birth to five years old.

<sup>11</sup> Center on the Developing Child (2009). *Five Numbers to Remember About Early Childhood Development* (Brief). Retrieved from: [www.developingchild.harvard.edu](http://www.developingchild.harvard.edu) "Three of the most rigorous long-term studies found a range of returns between \$4 and \$9 for every dollar invested in early learning programs for low-income children. Program participants followed into adulthood benefited from increased earnings while the public saw returns in the form of reduced special education, welfare, and crime costs, and increased tax revenues from program participants later in life." It should be noted that this level of return can only be obtained by adhering to highest standards of quality.

<sup>12</sup> Vermont Insights *Communities Connected by Data* <http://vermontinsights.org/>

<sup>13</sup> Vermont Child Development Division. 2014 Child Care Market Rate Study. Note, that this does not include the 607 licensed-exempt providers, or the estimated number of children and families that use unlicensed care or children cared for full time by immediate family members.

<sup>14</sup> Almost 80% of regulated early care and learning programs participated in STARS. Source: Analysis of Vermont child care provider data from [data.vermont.gov](http://data.vermont.gov), dataset updated July 18, 2016. Dataset limited to programs' reported desired capacity for infants, toddlers and/or preschoolers.

<sup>15</sup> Let's Grow Kids (2016). *Stalled at the Start- Vermont's Child Care Challenge. An Analysis of the Supply of and Demand for Regulated Infant and Toddler Care in Vermont*.

<sup>16</sup>This number largely reflects direct service costs and does not consider state- and district-level costs associated with administration, monitoring, resource distribution, and staffing.

<sup>17</sup> Vermont Department of Children and Families, Child Development Division.

<sup>18</sup> Vermont Department of Children and Families, Child Development Division, "Vermont Child Care Financial Assistance Co-Payment Survey," March 2013. <http://dcf.vermont.gov/sites/dcf/files/CDD/Reports/Co-payment%20Survey.pdf>

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- <sup>19</sup> Child Care Aware. *Parents and the High Cost of Child Care: 2015* <<http://usa.childcareaware.org/advocacy-public-policy/resources/reports-and-research/costofcare/>>
- <sup>20</sup> Includes Federal State Funding from the Child Care Development Block Grant, Temporary Assistance for Needy Families, Child Adult Care Food Program, Head Start, Early Head Start, Early Intervention, and Preschool Funding
- <sup>21</sup> The calculation approximates the operational costs associated with running a high quality early care and learning program and does not consider state level administration costs including regulation, licensing, monitoring and oversight.
- <sup>22</sup> Note that the Commission focused on early care and learning for children birth to five years old; however, the Commission recognizes that early care and learning needs for families do not end at five years old. Before and after-school and summer-time care is critical for supporting working parents and for providing safe, nurturing and educational environments for young children.
- <sup>23</sup> These estimates do not include state level costs associated with regulation, licensing, monitoring and oversight, as well as support for nutrition services. It also does not include special education costs and business costs related to contracting with School Districts.
- <sup>24</sup> Administration for Children and Families. Office of Planning, Research & Evaluation. "National Study of Child Care of Low-Income Families 1997-2007." <http://www.acf.hhs.gov/opre/research/project/national-study-of-child-care-of-low-income-families-1997-2007>
- <sup>25</sup> Vermont Insights *Communities Connected by Data* <http://vermontinsights.org/>
- <sup>26</sup> This number reflects the Commission's understanding that after a certain income level, though families might technically qualify, the benefit is not substantial enough for them participate in the subsidy program.
- <sup>27</sup> Let's Grow Kids (2016). *Stalled at the Start- Vermont's Child Care Challenge. An Analysis of the Supply of and Demand for Regulated Infant and Toddler Care in Vermont.*
- <sup>28</sup> Woolf, Art. 6 October 2016. Vermont Free Press. *Vermont Job Count Grows, but Short of Estimates.* <http://www.burlingtonfreepress.com/story/money/2016/10/06/vermont-job-count-grows-but-short-estimates/91598370/>
- <sup>29</sup> Woolf, Art. 2 July 2015. Vermont Free Press. *Census Shows 1 and 6 Vermonters Older than 65.* <http://www.burlingtonfreepress.com/story/money/2015/07/02/census-shows-vermonters-older/29577473/>
- <sup>30</sup> Agency of Administration. October 2012. Policy Academy State Profile. *Vermont Population.* [http://www.aoa.gov/AoA\\_Programs/HPW/Behavioral/docs2/Vermont%20Epi%20Profile%20Final.pdf](http://www.aoa.gov/AoA_Programs/HPW/Behavioral/docs2/Vermont%20Epi%20Profile%20Final.pdf)
- <sup>31</sup> Building Bright Futures (2014). *How Are Vermont's Young Children 2014 Edition.*
- <sup>32</sup> U.S. Census Bureau. (2014). *Selected Economics Characteristics: 2010-2014 American Community Survey 5-Year Estimates* <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>
- <sup>33</sup> Child Action Solutions for Employee Child Care: <http://www.childaction.org/providers/booklets/docs/Solutions%20for%20Employee%20Child%20Care.pdf>
- <sup>34</sup> Shellenback, Karen. "Child Care & Parent Productivity: Making the Business Case." Cornell University, 2004: [http://wrdc.usu.edu/files/publications/publication/pub\\_185790.pdf](http://wrdc.usu.edu/files/publications/publication/pub_185790.pdf)
- <sup>35</sup> Let's Grow Kids (2016). *Stalled at the Start- Vermont's Child Care Challenge. An Analysis of the Supply of and Demand for Regulated Infant and Toddler Care in Vermont.*
- <sup>36</sup> Center on the Developing Child (2009). *Five Numbers to Remember About Early Childhood Development* (Brief). Retrieved from: [www.developingchild.harvard.edu](http://www.developingchild.harvard.edu) "Three of the most rigorous long-term studies found a range of returns between \$4 and \$9 for every dollar invested in early learning programs for low-income children. Program participants followed into adulthood benefited from increased earnings while the public saw returns in the form of reduced special education, welfare, and crime costs, and increased tax revenues from program participants later in life."
- <sup>37</sup> Ibid
- <sup>38</sup> Heckman, J.J. (2011). The economics of inequality: The value of early childhood education. *American Educator*, 35 (1),31-47
- <sup>39</sup> Ibid
- <sup>40</sup> Executive Office of the President of the United States, "The Economics of Early Childhood Investments." [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf)
- <sup>41</sup> Heckman, J.J. (2016). "Starting Ahead is Better than Catching Up." *Heckman Equation.* Retrieved from: <http://heckmanequation.org/content/starting-ahead-better-catching>.
- <sup>42</sup> Watson, Sara. "The Costs of Disinvestment." Partnership for America's Economic Success, 2010.
- <sup>43</sup> Karoly, L.A., Kilburn, M.R., & Cannon, Jill S. (2005). *Early Childhood Interventions: Proven Results, Future Promise.* RAND Corporation. Retrieved from: <http://www.rand.org/publications/MG/MG341>
- <sup>44</sup> Hart, Betty and Risley, Todd, "The Early Catastrophe: The 30 Million Word Gap by Age 3." <http://www.aft.org/sites/default/files/periodicals/TheEarlyCatastrophe.pdf>
- <sup>45</sup> Ibid

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- <sup>46</sup> NPR, the Robert Wood Johnson Foundation, and Harvard T.H. Chan School of Public Health. October 2016. *Child Care and Health in America*
- <sup>47</sup>White House Council of Economic Advisers, Reports and Issue Briefs. January 2015. *The Economics of Early Childhood Investments*. [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf)
- <sup>48</sup> NPR, the Robert Wood Johnson Foundation, and Harvard T.H. Chan School of Public Health. October 2016. *Child Care and Health in America*
- <sup>49</sup> White House Council of Economic Advisers, Reports and Issue Briefs. January 2015. *The Economics of Early Childhood Investments*. [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf)
- <sup>50</sup> Let's Grow Kids (2016). *Stalled at the Start- Vermont's Child Care Challenge. An Analysis of the Supply of and Demand for Regulated Infant and Toddler Care in Vermont*.
- <sup>51</sup> Ibid
- <sup>52</sup> Center on the Developing Child (2009). Harvard University.
- <sup>53</sup> White House Council of Economic Advisers, Reports and Issue Briefs. January 2015. *The Economics of Early Childhood Investments*. [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf)
- <sup>54</sup> Ibid
- <sup>55</sup> Ibid
- <sup>56</sup> US Centers for Disease Control. "About Adverse Childhood Experiences." [https://www.cdc.gov/violenceprevention/acestudy/about\\_ace.html](https://www.cdc.gov/violenceprevention/acestudy/about_ace.html)
- <sup>57</sup> Center on the Developing Child, "Key Concepts: Brain Architecture." Harvard University: <http://developingchild.harvard.edu/science/key-concepts/brain-architecture/>
- <sup>58</sup> Ibid
- <sup>59</sup> Agency of Human Services, Department for Children and Families. *STARS Step Ahead Recognition System* <http://dcf.vermont.gov/childcare/parents/stars>
- <sup>60</sup> Providers were treated as small businesses, rather than as public programs. This eliminates the costs to school districts of managing contracts and dispersal of tuition dollars, and in some cases, serving as the food authority, and providing special services. It also does not consider the costs to the relevant state agencies for review and oversight, and in the case of the AOE, supporting child nutrition eligibility at each site where meals are served.
- <sup>61</sup> Stoney, Louise (2010). *The Iron Triangle: A Simple Formula for Financial Policy in ECE Programs* Alliance for Early Childhood Finance. Retrieved from: [http://www.earlychildhoodfinance.org/downloads/2010/IronTriangle\\_10.2010.pdf](http://www.earlychildhoodfinance.org/downloads/2010/IronTriangle_10.2010.pdf)
- <sup>62</sup>Child Care Financial Assistance Program Provider Handbook. [http://dcf.vermont.gov/sites/dcf/files/CDD/Brochures/ccfap/Provider\\_Handbook.pdf](http://dcf.vermont.gov/sites/dcf/files/CDD/Brochures/ccfap/Provider_Handbook.pdf). Note that some programs offer non-standard hour care which can affect program costs (and therefore tuition rates). Variations in hours open were not factored into the Commission's model.
- <sup>63</sup> Estimates a split of 50% in center and 50% in home-based childcare since we are unable to estimate the exact split of choice of child care arrangement of families if **all families** used non-relative child care. Child Trends found that since 1977 child care choices of employed mothers has fluctuated greatly with use of home and center-based care converging; in 2012, the use of care in home by a relative and center-based care was almost equal at 27.3 percent and 25.9 percent respectively. 2016 May. Child Trends Data Bank. Indicators of Children and Youth <http://www.childtrends.org/?indicators=child-care>
- <sup>64</sup> Let's Grow Kids (2016). *Stalled at the Start- Vermont's Child Care Challenge. An Analysis of the Supply of and Demand for Regulated Infant and Toddler Care in Vermont*.
- <sup>65</sup> Administration for Children and Families. Office of Planning, Research & Evaluation. "National Study of Child Care of Low-Income Families 1997-2007." <http://www.acf.hhs.gov/opre/research/project/national-study-of-child-care-of-low-income-families-1997-2007>
- <sup>66</sup> It should be noted that health-related and special needs services are provided on site at public school based preschool programs for children 3-5.
- <sup>67</sup> Education Development Center, Inc. December 2015. *Findings from the Vermont Early Childhood and Afterschool Workforce Surveys*. Submitted under Contract with Vermont Child Development Division, Department for Children and Families, Agency of Human Services
- <sup>68</sup> VT Department of Labor (2015). *Childcare Worker ELMI Occupation Report*. Retrieved from: <http://www.vtلمي.info/oic3.cfm?occcode=39901100> Accessed Nov. 11, 2016.
- <sup>69</sup> VT Department of Labor (2015). *ELMI Occupational Information Center*. Retrieved from: <http://www.vtلمي.info/oic.cfm>
- <sup>70</sup> Child Care exchange at [www.childcareexchange.com](http://www.childcareexchange.com) is one example of the national shared services platform.
- <sup>71</sup> (26%) Stoney, L. (2009) *Shared Services: A New Business Model to Support Scale and Sustainability in Early Care and Education*. Greenwood Village, CO: David & Laura Merage Foundation [http://www.earlychildhoodfinance.org/downloads/2009/SharedServicesELVreport\\_2009.pdf](http://www.earlychildhoodfinance.org/downloads/2009/SharedServicesELVreport_2009.pdf) (~20%) Ruble, K., Gruendel, J.,

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Waters, J., Lewis, D. (2009) *Greenville County First Steps: South Carolina Shared Services Model*. Greenville, SC: Institute for Child Success. <<http://greenvillefirststeps.org/wp-content/uploads/2015/12/Final-Shared-Services-ICS-Proposal-RFS.pdf> >

<sup>72</sup> Center for Law and Social Policy (CLASP) Policy Brief. January 2004. Brief No. 4. *Head Start Comprehensive Services: A Key Support for Early Learning for Poor Children*. <http://www.clasp.org/resources-and-publications/files/0169.pdf>

<sup>73</sup> \$92 more than the initial 2015/16 tuition rate due to controlling for inflation: <http://education.vermont.gov/student-support/early-education/prekindergarten>

<sup>74</sup> One state model is Louisiana: Louisiana Policy Institute for Children. *Community Collaborations/Mixed (Diverse) Delivery*. <http://www.policyinstitutela.org/collaborationsdiverse-delivery>.

<sup>75</sup> Executive Office of the President of the United States. (2014). The Economics of Early Childhood Investments. [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf) and Gould, Emily. *Capping child care costs at 10 percent would mean significant savings for families*. Economic Policy Institute 12 May 2016 <http://www.epi.org/publication/capping-child-care-costs-at-10-percent-of-income-would-mean-significant-savings-for-families/>

<sup>76</sup> 2014 Child Care Market Rate Survey. Vermont Department for Children and Families, Child Development Division

<sup>77</sup> Vermont Child Care Development Fund (CCDF) Approved State Plan FY 2016-2018. Section 4.3 Setting Payment Rates, 4.3.1. [https://www.acf.hhs.gov/sites/default/files/occ/vermont\\_stplan\\_pdf\\_2016.pdf](https://www.acf.hhs.gov/sites/default/files/occ/vermont_stplan_pdf_2016.pdf)

<sup>78</sup> Child Care Aware. *Parents and the High Cost of Child Care: 2015* <<http://usa.childcareaware.org/advocacy-public-policy/resources/reports-and-research/costofcare/>>

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> Includes IDEA Part B, known as Essential Early Education ("EEE"), available to children between the ages of 3 and 5 who may not be enrolled in publicly funded pre-K programs.

<sup>82</sup> Building Bright Futures, "How Are Vermont's Young Children and Families." 2015 edition:

<http://buildingbrightfutures.org/initiatives/how-are-vermonts-young-children/>

<sup>83</sup> Vermont's Early Learning Challenge – Race to the Top grant (ELC) <http://buildingbrightfutures.org/early-learning-challenge/>

<sup>84</sup> According to 2014 American Community Survey (ACS) data from the U.S. census:

<http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

<sup>85</sup> Vermont Child Care Development Fund (CCDF) Approved State Plan FY 2016-2018. Section 4.3 Setting Payment Rates, 4.3.1. [https://www.acf.hhs.gov/sites/default/files/occ/vermont\\_stplan\\_pdf\\_2016.pdf](https://www.acf.hhs.gov/sites/default/files/occ/vermont_stplan_pdf_2016.pdf)

<sup>86</sup> The Vermont Legislative Joint Fiscal Office prepares the Basic Needs Budgets and Livable Wage Report annually. The basic needs budget includes the components of food, housing, transportation, child care, clothing and household expenses, telecommunications, health and dental care insurance and savings, as well as taxes. The current methodology was established in 1999. The purpose of the calculation is to provide to the public information on what it cost to live in Vermont.

<sup>87</sup> 2014 Vermont Basic Needs Budget. Single Parent, Two Children with Employer-Sponsored Health Care, Page 10

<http://www.leg.state.vt.us/jfo/reports/2015%20Basic%20Needs%20Budget%20report%2001-15-2015.pdf>

<sup>88</sup> Ibid.

<sup>89</sup> Ibid. Due to rounding, the line item costs and the total annual basic needs budget do not align.

<sup>90</sup> According to 2014 American Community Survey (ACS) data from the U.S. census:

<http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

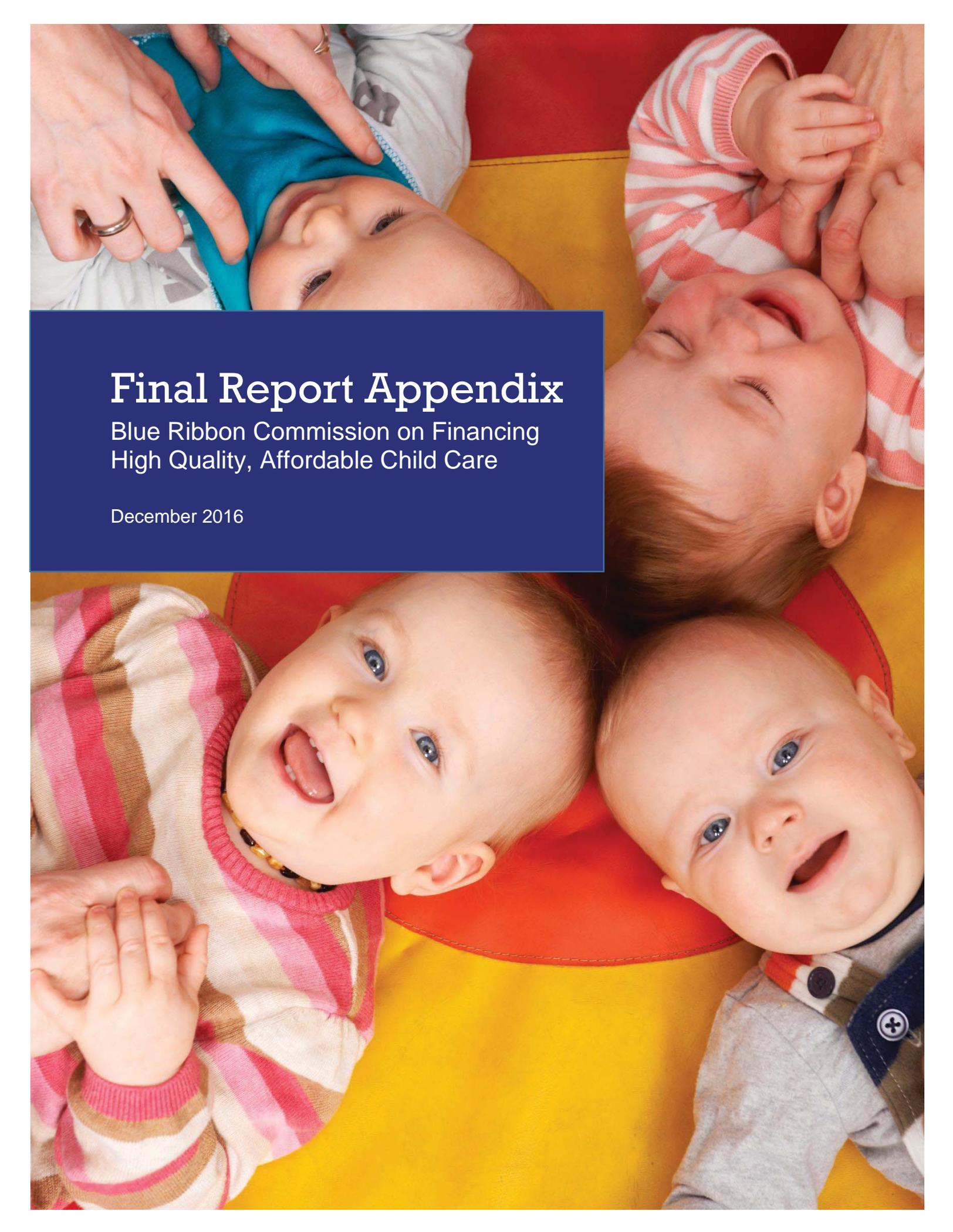
<sup>91</sup> Federal guidance from the U.S. Department of Health and Human Services recommends that states establish rates that allow assisted families access to at least 75% of the child care market. States are required to conduct a market rate survey every two years and reference state rates to an amount equal to or greater than the rate charged by 75% of all child care providers (the 75<sup>th</sup> percentile). In Vermont, the Department for Children and Families, Child Development Division created a tiered rate system to pay child care programs based on their participation in the Vermont Step Ahead Recognition System (STARS). The more STARS the program has achieved the higher the CCFAP. The 4-STAR rate is based on the 75<sup>th</sup> percentile of the Child Care Market Rate Survey. CDD first establishes the 4-STAR Rate and then extrapolates to the tiered system accordingly. The tiered system includes **1 Star** – 5% above the base rate; **2 Stars** – 10% above the base rate; **3 Stars** – 20% above the base rate; **4 Stars** – 30% above the base rate; **5 Stars** – 40% above the base rate. This system provides an incentive to early care and learning programs to increase their quality ratings.

<sup>92</sup> Child Care Services Association. *Launching a T.E.A.C.H. Early Childhood® or Child WAGES® Project in Your State* [http://www.childcareservices.org/ps/teach\\_ta\\_qac/launching/](http://www.childcareservices.org/ps/teach_ta_qac/launching/)

<sup>93</sup> Vermont Association for the Education of Young Children (VAEYC). *T.E.A.C.H. Early Childhood® Vermont Scholarship Project* <http://vaeyc.org/quality-improvement/teach/>

<sup>94</sup> An act relating to the building bright futures council No. 104 § S. 268 (2010)

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- <sup>95</sup> <https://www.whitehouse.gov/omb/factsheet/paying-for-success>
- <sup>96</sup> <http://www.payforsuccess.org/pay-success-deals-united-states>
- <sup>97</sup> <https://blog.commongoodvt.org/2015/09/social-impact-bonds-gain-ground-in-vermont/>
- <sup>98</sup> <https://blog.mass.gov/transportation/rmv/rmv-plate-invest-in-children/>
- <sup>99</sup> [http://dmv.vermont.gov/sites/dmv/files/pdf/DMV-VD102-Bright\\_Futures\\_Plate\\_App.pdf](http://dmv.vermont.gov/sites/dmv/files/pdf/DMV-VD102-Bright_Futures_Plate_App.pdf)
- <sup>100</sup> Nebraska Department of Education: <https://www.education.ne.gov/oec/endowment.html>
- <sup>101</sup> <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/vt/vt-global-commitment-to-health-ca.pdf>
- <sup>102</sup> Global Commitment to Health Section 1114 Demonstration 2015 December <http://dvha.vermont.gov/global-commitment-to-health/interim-evaluation-report-final-dec-21-2015.pdf>



# Final Report Appendix

Blue Ribbon Commission on Financing  
High Quality, Affordable Child Care

December 2016

**Final Report Appendix:**

**Blue Ribbon Commission on Financing High Quality Affordable, Child Care**

Prepared in accordance to an Act Relating to Making Appropriations for the Support of Government No. 58 § C.101 (2015)

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## Appendix A. Vermont Early Care and Learning Key Stakeholders Outreach Findings

Beginning in July 2016, PCG collaborated with the Blue Ribbon Commission’s administrative leadership to conduct a series of informational interviews, community forums, and surveys with early childhood stakeholders and the general public from across the state. Through these efforts, PCG and the BRC collected valuable data that were used as part of the foundation of this report and informed many of the key findings and recommendations expressed throughout.

This appendix provides a high-level summary of the findings from each of these efforts.

### Blue Ribbon Commission Stakeholder Interviews

In the beginning phases of PCG’s engagement with the BRC, several key stakeholder interviews were held in order to help inform and create a picture of the current early childhood landscape in the state. Community forums were also held and used as small focus groups, to help inform the BRC and PCG of with public input. The following table lists each of these interviews and their relevance to the Commission.

**Table 1. Stakeholder Interviewees**

Name/Stakeholder	Title and/or Organization
<b>Aly Richards</b>	CEO, The Permanent Fund for Vermont’s Children
<b>Barbara Postman</b>	Advisor and Special Projects, The Permanent Fund for Vermont’s Children
<b>Robyn Freedner-Maguire</b>	Campaign Director, Let’s Grow Kids
<b>Bill Talbott</b>	Deputy Secretary and CFO, VT Agency of Education
<b>Building Bright Futures (July 25 Meeting)</b>	State Early Childhood Advisory Board
<b>Jim Reardon</b>	Former Commissioner of Finance and Management for Vermont Former CFO for the VT Agency of Human Services
<b>Julie Cadwallader-Staub</b>	Grant Director, VT Race to the Top – Early Learning Challenge Grants
<b>Matt Levin</b>	Executive Director, VT Early Childhood Alliance
<b>Paul Behrman &amp; Betsy Rathbun-Gunn</b>	Vermont Head Start Programs (Champlain Valley and Bennington)
<b>Reeva Murphy</b>	Director, Child Development Division, VT Agency of Human Services
<b>Community Forums</b>	Burlington, Barre, St. Johnsbury, Rutland, Brattleboro

The interviews provided rich information on the landscape of early childhood services in the state, as well as provided recommendations to the BRC on the cost, affordability and financing options. Key research and data collected from these forums and interviews include:

- **Vermont’s Current Early Childhood System:** Several programs and community stakeholder organizations currently support Vermont’s delivery of early learning services. Many of the programs

and frameworks that make up the early childhood system in the state could be expanded and brought to scale with additional support and funding.

- High-quality programming and support includes (but are not limited to): Child Care Financial Assistance Program (CCFAP), early childhood professional development and scholarships, community loans, VT STARs, Help Me Grow, RTT-ELC current projects, Head Start and Early Head Start;
- Key stakeholder organizations include (but are not limited to): the Vermont Child Development Division of the Agency of Human Services, the Vermont Agency of Education, Building Bright Futures, Let’s Grow Kids, Vermont Community Loan Fund, the Permanent Fund, Vermont Head Start Association
- **Financing:** There are a number of potential funding and revenue sources that would fare politically well in the state:
  - Public/Private Partnerships, philanthropic efforts, re-appropriations, tax incentives, employer supported child care, shared services models.
- **Access & Affordability:** There are several state-specific “pain points” in the child care system around access and affordability.
  - Access to child care programs, access to high-quality child care programs, lack of programs that support non-traditional hours, transportation;
  - Support for changes in family leave policy;
  - increased support to child care professionals including increases in salaries and wages as well as affordable or free professional development and higher education;
  - Lack of momentum to make changes to family leave policy;
  - Discrepancies between the wages of Kindergarten and elementary school teachers’ salaries that the average salary of a current early learning professional; the discrepancy between these two salaries can create high turnover in early learning programs, and lack of retention in early learning positions; and
  - The need for affordable, or free, higher education for those interested in the early learning profession, and the continued need for professional development funding beyond that.

### Community Forums

As explained previously, in addition to key stakeholder interviews, PCG and the BRC held several community forums throughout the state that were used as focus groups, and made available for all interested members of the general public to attend. The BRC partnered with several community stakeholder organizations to promote the events, and encouraged not only parents of young children to attend, but also providers, businesses, general community members who had an opinion to share about how the state should support its youngest children and families. The following table provides the location, date, and number of attendees for each community forum held.

Table 2. Community Forum Locations

Location of Forum	Date	Number of Attendees
St. Johnsbury, VT	July 18, 2016	24

Location of Forum	Date	Number of Attendees
Burlington, VT	July 18, 2016	26
Barre, VT	July 18, 2016	31
Rutland, VT	July 19, 2016	19
Brattleboro, VT	July 19, 2016	23

For continuity, the community forum discussions were structured around three questions relating to Vermont’s interaction with the early child care field in the state. Each community member who attended was able to respond in person with their thoughts to each question. For individuals who were not able to attend the events in person, they were encouraged to email or submit their comments about the three questions online.

Below is a high-level summary of the key themes that echoed throughout all the forums. Each section leading off with the question posed:

**What would help you most with respect to accessing high-quality childcare?**

- More options for child care: increasing the supply by increasing number of licensed and exempt through incentives
- More options for high quality child care:
  - Need for more high STAR level programs
  - Need for high quality- not necessarily measured by STARs, there are plenty of high-quality programs that are either not rated or rated “low” due to lack of administrative time to participate
- More affordable child care
  - Support families on the waitlist
- Transportation
  - Especially for rural locations
  - Especially for special needs populations
- More options for special education/ early intervention needs
  - Include trauma-informed practices
- More options for high needs children
- More options for non-traditional hours
- Increase state universal pre-k hours (above 10 hours/week)
- More resources for child care providers to maintain high STARS (QRIS) ratings
- Increase compensation or other incentives for the early childhood education workforce
- More financial assistance to pay for child care

**What are the responsibilities of Vermont to help ensure all Vermonters have access to high-quality childcare?**

- All Vermonters: increasing broad based taxes
- The State of Vermont (government): redistributing current government tax dollars
  - Take a look at corrections
- Businesses:
  - Providing on-site child care
  - Providing “scholarships”/ financial assistance to child care of family choice
  - Partnering with local child care provider(s) to “reserve” slots for employees

- Paid family leave
- Private philanthropy
- State to improve current early childhood delivery system
  - Streamlining paperwork
  - Reducing the amount of time for benefits to kick-in
  - Ensuring continuity of care
  - Advance notice when financial assistance is ending
- Too many cooks in the kitchen: state departments involved and not working together effectively
- Too many cooks in the kitchen: state departments and non-profit, advocacy organizations involved and not working together effectively

**What should we do to make accessible, high-quality childcare more affordable in Vermont?**

- Increase subsidy rates for the VT Child Care Financial Assistance Program (CCFAP)
  - Some families unaware of program
- Change eligibility criteria for the VT Child Care Financial Assistance Program (CCFAP)
  - Take the Dr. Dynosaur approach
- Employer supports for employees
- Community partnerships
- Public-private partnerships
  - Look at the affordable housing model
  - Shared services
- Scholarships for early childhood education workforce professionals: teachers cannot pay for further education
  - Loan forgiveness
- Reducing the burden on providers to reach and maintain high levels of STARS (QRIS) ratings
  - Livable wage for providers – increasing subsidy payments for STARS participants
  - Pushing for a system where providers are able to charge the true cost of high-quality care and be fully reimbursed for it
- Tax credits
  - Credits for investors in early childhood system
  - Credits for providers
  - Credits for parents/families (EITC)

[Online Early Childhood Programming Survey](#)

As a supplement to the in-person community forums, between August and September 2016, the BRC administered an online public survey that collected a total of 186 respondents. The survey itself contained six different questions, two being demographic related (relation to child care system and town/zip code), and four others that provided an opportunity for respondents an opportunity to provide input on how to make child care more accessible, affordable, and of higher-quality throughout the state. Overall, as stated in Table 3, the majority of respondents were parents, though there was still an excellent mix of responses from all types of major child care system stakeholders (parents, providers, community and business leaders).

**Table 3. Respondent Relationship to Child Care System**

### How do you relate to the childcare system?

Answer Options	Response Count
I am a parent	102
I am a provider	68
I am a concerned family/community member	58
I am involved in childcare nonprofit/regulation/advocacy	52
I am a business owner	20
Other (please specify)	18

Note: Respondents could check more than one choice (e.g. a respondent might be both a parent and a business owner).

Of the 186 total responses, 162 (87%) answered question 1 that asked, “What would help *you* the most with respect to accessing high-quality childcare?” Respondents were able to rank 9 different strategies that could help childcare access. Highlights from question 1 are reviewed in the bullets below (the parenthetical notes are the averages of the ratings, 1 being the greatest, 9 being the least):

- Of the ratings averages, the three highest ranking strategies were:
  - More affordable childcare options (3.24)
  - Increase compensation or other incentives for early childhood education workforce (3.49)
  - More financial assistance to pay for childcare (3.88)
- The three lowest ranked strategies were
  - Access to transportation, especially in rural locations (6.22)
  - More options for non-traditional hours (6.19)
  - More options for special education/early intervention needs (6.11)

There were 182 (98%) total responses to question two: “How do you feel about the following responses to the question: What are the responsibilities of Vermont to help ensure all Vermonters have access to high-quality childcare?” Respondents were able to provide feedback on each of the state’s potential responsibilities through ratings on a Likert scale (high priority, good but lower priority, neutral, and against).

- 76 percent of respondents felt that it was a high priority that Vermont should help compel businesses to offer paid family leave; only 2 percent were totally against.
- The majority (over 80 percent) of respondents also felt that it was either a high-priority or “sounded good” for the state to help:
  - New regulations and policies that encourage businesses to offer childcare reimbursement/subsidy as a benefit of employment; and
  - Increase system efficiency by making sure state departments, non-profits, and advocacy organizations are working together effectively;
- The most controversial option, that the state should increase taxes to pay for childcare, saw 41 percent of respondents totally against, 19 percent neutral, and 40 percent in somewhat to high approval of the option.

The third and final content-specific question saw 158 (85%) responses that answered the question: “Please rank in order of importance: What should the state do to make accessible, high-quality childcare more affordable in Vermont?”

- The highest-ranking option, the only one that had an average over 5 of the 13 different ranks, was that the state should ensure a livable wage for providers.
  - The next two highest-ranking options were related to child care subsidy, with requests to change eligibility criteria by adjusting the qualifying poverty level and to increase subsidy rates for CCFAP.
- The lowest scoring options (at an average rank of 8 or below) were:
  - Tax credits for investors in the early childhood system;
  - Reducing the burden on providers to reach and maintain high levels of STARS (QRIS); and
  - Make more families aware of CCFAP

Finally, respondents were given the opportunity with the final question to provide any comments or feedback they would like to express. There were 68 (37% of respondents) total comments provided by respondents, which were related to the following themes:

- The vast majority of comments were complaints, testimonials, or other commentary on child care being far too expensive, with and without subsidy.
- Additional themes that came up were related to:
  - Increasing compensation for providers/educators;
  - CCFAP eligibility should reach more families at higher incomes and it should provide additional assistance dollars to families and providers;
  - There should be more financial support in general for child care businesses, either through tax credits, professional development funding, higher education incentives, or other kinds of supports.

### Blue Ribbon Commission Postcards

During Vermont’s town meeting week of 2016, postcards were distributed to parents, providers, and other community stakeholders by Let’s Grow Kids, that were completed and sent back to the BRC. The post cards, which were distributed to and filled out by general members of the public, asked for feedback on child care issues facing Vermonters throughout the state. In total, the BRC received 1,708 total postcards in response. Findings from the analysis of the postcards revealed the following data in Table 4.

Table 4. BRC Postcard Data

<b>How do you relate to the childcare system?</b>		
Answer Options	Total Responses	% of Total Responses
I Can’t Find Child Care	93	5%
I Can’t Afford Child Care	250	15%
I Don’t Have Transportation	33	2%
I Don’t Rely on Child Care, But I Realize This is an Important Issue	1,079	63%
I’m a Child Care Provider, and am Experiencing These Challenges	109	6%
Other Reason	350	20%
<b>Total Responses</b>	<b>1,708</b>	<b>100%</b>

Note: percentages and count of responses are independent of one another, since respondents could select multiple options. All counts and percentages are “out of” the total number of responses.

The postcards also offered an opportunity to provide additional written feedback/commentary to the BRC, of which nearly 500 postcards had feedback. Some common themes from the postcards were:

- Reiterating that the cost of child care is too high for parents;

- Wages for providers are too low, which leads to high staff turnover rates;
- Waitlists for openings in child care programs are backed up – and that access to programs is a large issue;
- Reiterating the challenges of transportation to and from child care, both on parents and providers;
- Issues with limited availability, and access to programs in some areas of the state.

## Appendix B. Cost of Quality Methodology

The pricing model for high-quality child care centers and home-based providers is an adjusted version of the Vermont Cost of Quality Child Care Calculator. The “calculator” is a product of the “Cost of Quality Child Care Modeling Project” developed by a working group of Vermont-based early childhood organizations: The Permanent Fund, Let’s Grow Kids, Vermont Birth to Five, and Vermont Community Loan Fund. The intent of the “calculator” is to allow Vermont Birth to Five and the Vermont Community Loan fund to “provide technical assistance to child care providers to support them in developing sound business models while also improving quality.”

For the purposes of estimating the total cost of funding high quality care for all children and families in Vermont, PCG used the BRC high-quality definitions, decisions on the major cost drivers of providing high quality care, and national best practices research to adjust the model.

### Blue Ribbon Commission’s Estimated Cost Per Child for High-Quality Care

Using the methodology that is elaborated further throughout this section, the Blue Ribbon Commission calculated the total per child cost to provide high quality care to infants, toddlers, and preschoolers. These costs are expressed for children placed in center care as well as home-based care.

Table 1. Total BRC-Estimated Cost per Child

Age Groups	Center Cost Per Child	Home-Based Cost Per Child
Infant	\$ 35,535.22	\$ 41,639.56
Toddler	\$ 35,535.22	\$ 20,819.78
Preschool	\$ 15,793.43	\$ 13,879.85

For purposes of comparison, the costs for three- and four-year-old education (preschool) that are currently administered by the state are shown below in Table 2. These costs show that the BRC-determined costs of high quality care are comparable to those that the state is already working with.

Table 2. Comparing BRC Cost Per Child and Current VT Cost per Child for 3 & 4 Year-Olds

#### Estimated costs for 3 and 4 Year olds-- Assumes an 8-3 day

Source	Cost	Notes
BRC -- child care center	\$15,793.43	special education provided by school system, does not include transportation or special education and full cost of school meals program, nor admin overhead at district and AOE
BRC -- family care center	\$13,879.85	special education provided by school system, does not include transportation or special education and full cost of school meals program, nor admin overhead at district and AOE

**Estimated costs for 3 and 4 Year olds-- Assumes an 8-3 day**

Source	Cost	Notes
<b>NIERC (basis of Act 166 tuition vouchers)</b>	\$10,817.00	special education provided by school system, does not include transportation or special education and full cost of school meals program
<b>Current public school based programs*</b>	\$15,100.00	includes all comprehensive services currently provided in public schools, including special education and a full day with a certified teacher staff at a slightly higher price point, and lower staff to student ratios than NIEER, easier PK to k transition

**Center-based program**

The following section provides a brief description of the assumptions and rationale used for each line item expense for a high-quality center-based provider in Vermont.

**STAR Level & Quality**

- NAEYC teacher/child ratios
- 5 STAR (Vermont’s highest quality rating, according to the state’s QRIS) level program

**Total Children Served: Program Size: 34 Children**

- Used the average size of a center-based program in Vermont: 33-34 children

**Table 3. Average Capacity by Program Type in Vermont**

	Average Total Capacity	Avg. Infant	Avg. Toddler	Avg. Preschool	School-Age
<i>Licensed - Family Child Care</i>	12	2	3	5	1
<i>Licensed school-age</i>	65	0	0	0	64
<b>Licensed (Early childhood, Non-R)</b>	33	4	4	21	4

**Percent of Population Served Eligible for CCFAP/CACFP: 25%**

- Based on the working group’s model research and assumptions: “The models assume that the program participates in the Child and Adult Care Food Program, which provides free or reduced meals to eligible children. It is also assumed in the model that 25% of half the infant group (half of those between the ages of 13 months and 23 months), 25% of toddlers, and 25% of preschoolers would be eligible for CACFP reimbursement. The model also assumes that half of the CACFP eligible children qualify for the CACFP free meal rate and half qualify for the reduced meal rate. Based on 2015–2016 CACFP rules, the program would receive \$5.57 per free meal rate eligible child per day, \$4.45 per reduced meal rate eligible child, and \$0.65 per non-income qualifying child for breakfast, lunch and one snack.”

CACFP daily participation FY15: 10,353<sup>1</sup>  
 National School Lunch program participation: 49,208  
 CACFP total participating child care centers (FY14): 167<sup>2</sup>  
 CACFP total participating family child care homes (FY14): 460

**Total current participation in CACFP:**

- Total daily participation (10,353)/Total children 0-5 (73,214)=14%

**Total current participation rate in National School Lunch:**

- NSLP total participation (49,208)/Total children 6-17 (86,966<sup>3</sup>)=56.6%

**Staff (Child Ratios):**

- Used NAEYC ratios and age groupings and best practices. <sup>4</sup>

**EXPENSES**

The following section provides a brief description of the assumptions and rationale used for each line item expense for a high-quality child care center in Vermont. Expenses are for an annual budget unless otherwise indicated.

**Gross Salaries: \$466,939**

- Based on the working group’s model research and assumptions; “the salary line items are broken down by the staff’s primary role – classroom or center-wide support. The salary information included in this section accounts for gross salaries. It is assumed that all applicable taxes would be paid by the program as part of standard payroll procedures.” The following chart provides the salary information used in the model as compared to Vermont’s SY 2015 Public School average teacher and teacher aide salaries. The BRC recognizes that the child care workforce often leaves the child care field for public schools due to higher salaries. The Program Director and Licensed Teacher’s salaries are comparable to VT Public School Teachers.<sup>5</sup>

**Table 4. Center-Based Salary/Pay Chart**

Staff	Center-Based		VT Public School	
	Hourly Wage	Annual Salary per Teacher	VT Public School Staff	Avg. Annual Salary
Program Director	\$ 27.00	\$ 56,160.00	Teacher (Licensed)	\$ 56,504.00
Teacher (Licensed)	\$ 27.00	\$ 56,160.00	Teacher (Licensed)	\$ 56,504.00

<sup>1</sup> Participation data from: <http://www.fns.usda.gov/pd/child-nutrition-tables>

<sup>2</sup> Center and FCC participation data from: <http://frac.org/federal-foodnutrition-programs/child-and-adult-care-program/>

<sup>3</sup> School age population data retrieved from: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

<sup>4</sup> National Association for the Education of Young Children. Teacher Child Ratio Chart. [http://www.naeyc.org/academy/files/academy/file/Teacher\\_Child\\_Ratio\\_Chart.pdf](http://www.naeyc.org/academy/files/academy/file/Teacher_Child_Ratio_Chart.pdf)

<sup>5</sup> Teacher/Staff Full-time Equivalency (FTE) and Salary Report. Vermont Agency of Education. <http://education.vermont.gov/documents/edu-data-teacher-staff-survey-report-sy2015.pdf>

Staff	Center-Based		VT Public School	
	Hourly Wage	Annual Salary per Teacher	VT Public School Staff	Avg. Annual Salary
Teacher Associate	\$ 20.00	\$ 41,600.00	Teacher (Licensed)	\$ 56,504.00
Teaching Assistant	\$ 18.00	\$ 37,440.00	Teacher Aide	\$ 19,725.00
Classroom Aide/Center Assistant - PT -40 hr/wk	\$ 16.00	\$ 33,280.00	Teacher Aide	\$ 19,725.00
Cook - PT - 20hrs/wk	\$ 16.00	\$ 16,640.00	n/a	n/a
Substitute - PT - 8hrs/wk	\$ 16.00	\$ 6,656.00	n/a	n/a
Early Care Advocate	\$ 20.29	\$ 42,203.20	n/a	n/a

- Includes:
  - 1 licensed teacher
  - 3 teacher associates (1 per class room/age group)
  - 3.5 FTE Teacher Assistants: 1.5 FTE Teacher Assistant for Infant and Toddler classrooms and .5 FTE for Preschool classroom. The full-time employees are budgeted for 8 hours a day, the extra 1.5 FTE are available to cover the additional 2 hours/day for typical center operating hours to ensure appropriate staffing ratios are consistently met 2 part-time
  - Classroom aide/ Center assistant: 2 part-time to cover a 10 hour a day provider. It is best practice that a “floater” is available to assist lead teachers and assistants rather than relying on the director to cover breaks, including lunch. The staff member can “float” between classrooms of different age groups to ensure appropriate staffing ratios are consistently met and to provide extra classroom support when activities or classroom routines are best supported with an additional set of hands. The “floater” also allows the Program Director to be available to focus on administrative matters and can help reduce the need for program substitutes.
  - 1 substitute, 1 day a week: given the teacher assistant and floater roles, a substitute should not be needed consistently. It is best practice for programs to have consistent educators i.e. the teacher assistants and floaters versus a substitute for purposes of promoting continuity of care.
  - 1 program director
  - 1 part time cook to prepare nutritious meals for children
  - 1 FTE Early Care Advocate: An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions.

**Taxes, Fees, and Employee Benefits: \$176,226**

- Based on the VT Working Group’s model research and assumptions:
    - “workers compensation is estimated at 1.45% of gross salaries.
    - Retirement contribution:
      - For center models, the models assume employer matching contributions.
- Reduced tuition for employee children: All of the models assume that the programs offer a 25% discount on tuition.”

- Program pays 80% of monthly premium for FTE and 60% of monthly premium for PTE for Blue Cross/Blue Shield HD Gold Plan. Also assumes 60% of staff participate
- Fringe and benefits (including health insurance) for the center based model account for 29.7% of total cost for salaries (including training and development). The industry standard for the private education and health services industry for total benefits costs is 29.5%.<sup>6</sup>

**Training and professional development: \$13,122**

- \$1,141 per FTE for 12.5 FTE (does not include the cook); based on the average annual estimated cost of Head Start professional development in four Head Start programs in Vermont

**Travel (field trips, vehicle maintenance) and Staff mileage reimbursement for work-related travel: \$2,520**

- \$630 quarterly; includes travel for program field trips, vehicle maintenance and repair, and staff mileage reimbursements for work-related travel including professional development workshops or trainings

**Staff wellness activities: \$1,800 (\$150/monthly)**

- Based on the working group’s model research and assumptions; “this line item includes expenses to foster a healthy, collaborative workplace such as providing a meal at a program’s monthly staff meeting, hosting a staff and family holiday party etc.”

**Rent: \$43,350 (\$3,612.50/monthly)**

- Based on the working group’s model research and assumptions; “Rent was estimated based on allowance of 75 square feet of space per child (combines individual space – space immediately around a child – and shared spaces such as kitchen facilities, bathrooms and hallways). The center-based models assume that most programs are able to rent space at the rate of \$17 per square foot. Models also assume that the property owner covers repairs and general building upkeep (new roof, updating flooring on regular basis, etc.).”

**Telephone + Internet: \$1,848 (\$152.99/monthly)**

- Based on the VT Working Group’s model research and assumptions; “the monthly cost listed is based on Comcast’s small business telephone and internet bundle of \$139.99 plus applicable taxes and fees.”

**Utilities & Services: \$12,600 (\$1,050/monthly)**

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<sup>6</sup> Table 10. Private Industry, by Industry Group. Bureau of Labor Statistics. March 2016

<http://www.bls.gov/news.release/ecec.t10.htm>

Note that the model is compared to private educational services as opposed to the public school sector since child care centers in Vermont or majority private-owned small businesses and thus not comparable to the benefits provided by state/local government school districts

- Based on the VT Working Group’s model research and assumptions; Costs include utilities such as electricity and/or gas or other heating fuel, and services such as trash removal, lawn care, and snow removal.”

**Administration: \$18,516**

- Based on the VT Working Group’s model research and assumptions:
  - Cleaning and maintenance (\$833/month);
  - Advertising and hiring ads (\$210/month);
  - Office supplies and equipment (\$250/month); and
  - Accounting and legal (\$250/month)

**Liability Insurance: \$6,996 (\$583 monthly)**

- Based on the VT Working Group’s model research and assumptions; “this line item represents an average monthly cost for liability insurance based on budget models the work group reviewed and based on past experience providing technical assistance to providers.”

**Debt Service: \$6,000 (\$500/monthly)**

- Based on the VT Working Group’s model research and assumptions; “many programs take out loans to make capital expense purchases. This line represents an average monthly payment amount for a child care program based on the experience of the Vermont Community Loan Fund.”

**Food & Supplies: \$54,330**

- Based on the working group’s model research and assumptions (varies by month); “This line includes only the cost of food items and excludes labor costs associated with food preparation (salary information for a cook is included in the salary line). Food expenses are estimated at \$7 per child per day and include breakfast, lunch and one snack. Food expenses are adjusted to reflect days the program is closed” (and therefore costs fluctuate month-to-month).

**Comprehensive Services: \$6,225**

- Comprehensive services are services to children and families that serve the whole child. These services include comprehensive health and developmental screenings, health care referrals, and follow-up; special services for children with disabilities; nutritious meals; vision and hearing tests; and immunizations. In addition, comprehensive services provide a two-generation approach by engaging families with onsite family caseworker supports and the inclusion of home visits, as needed.

**Comprehensive Services (Early Care Advocate): \$42,203**

- Includes 1 fulltime Early Care Advocate. An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions. The Commission’s high

quality child care includes an Early Care Advocate or components of the role, as needed for the program's children served.

**Educational Supplies & Equipment: \$10,200 (\$25 per child per month = \$850/month);**

- Based on the VT Working Group's model research and assumptions; "these expenses include classroom supplies such as paint, paper, markers, crayons, etc. as well as resources such as Teaching Strategies GOLD materials, a progress evaluation tool used by prequalified Pre-K providers, and other programming resources used by higher STARS recognized programs such as Strengthening Families resources."

**Repairs to Program-Owned Equipment: \$3,600 (\$300/month)**

- Based on the VT Working Group's model research and assumptions; this line item includes repairs to non-facility equipment such as play equipment, furniture, painting easels, etc."

**Allowance for Bad Debt and Vacancy: \$19,017 (\$1,613/month)**

- Based on the VT Working Group's model research and assumptions; "An industry best practice is to estimate a vacancy rate of 3% per month. This includes all classrooms plus the adjusted Pre-K tuition payment from the state. Pre-K payment losses are included to account for losing part of a payment if an eligible child transfers to another program or drops out of the program."

**Contribution to Capital Expense Fund - 1% of AGR, Miscellaneous expenses: \$6,557 (\$546/month)**

- Based on the VT Working Group's model research and assumptions; "a best business practice is to set aside funds for future capital expenses such as new play equipment, renovations, etc. In the level two and three models, some funding is set aside for this purpose."

**Miscellaneous Expenses: \$3,000 (\$250/month)**

- Based on the VT Working Group's model research and assumptions; "this line represents monthly budgeting for small-scale expenses not otherwise covered by the aforementioned line items."

## Home-based Program

The following section provides a brief description of the assumptions and rationale used for each line item expense for a high quality registered home-based provider in Vermont.

### STAR Level & Quality

- Used Vermont Registered-Home Licensing Regulation Ratios
- 5 STAR (Vermont's highest quality rating, according to the state's QRIS) level program

## **Total Children Served: Program Size: 9 Children**

- Used the average size of a registered home-based provider in Vermont<sup>7</sup>: 9 children (1 infant, 2 toddlers, 3 pre-school, 3 school-age children part time)

## **CACFP: 25%**

- Based on the VT Working Group's model research and assumptions; "The models assume that the program participates in the Child and Adult Care Food Program, which provides free or reduced meals for eligible children. We assume that 25% of half the infant group (half of those between the ages of 13 months and 23 months), 25% of toddlers, and 25% of preschoolers would be eligible for CACFP reimbursement. The model also assumes that half of the CACFP eligible children qualify for the CACFP free meal rate and half qualify for the reduced meal rate. Based on 2015–2016 CACFP rules, the program would receive \$5.57 per free meal rate eligible child per day, \$4.45 per reduced meal rate eligible child, and \$0.65 per non-income qualifying child for breakfast, lunch and one snack."

CACFP daily participation FY15: 10,353<sup>8</sup>

National School Lunch program participation: 49,208

CACFP total participating child care centers (FY14): 167<sup>9</sup>

CACFP total participating family child care homes (FY14): 460

## **Total current participation rate in CACFP:**

- Total daily participation (10,353)/Total children 0-5 (73,214)=14%

## **Total current participation rate in National School Lunch:**

- NSLP total participation (49,208)/Total children 6-17 (86,966<sup>10</sup>)=56.6%

## **Staff (Child Ratios)**

Licensed family child care ratios are listed below:<sup>11</sup>

- a. a second staff person is present and on duty when the number of children receiving child care exceeds six (6); and
- b. there are no more than two children under 24 months of age per staff person; or, when children only under age 3 are enrolled:
- c. there is at least one staff present and on duty when 3 or fewer children are in care; and
- d. there are at least two staff persons present and on duty when 4-7 children are in care; and
- e. there are at least three staff persons present and on duty when 8 or more children are in care.

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<sup>7</sup> Based on VT Child Development Division Licensing Data

<sup>8</sup> Participation data from: <http://www.fns.usda.gov/pd/child-nutrition-tables>

<sup>9</sup> Center and FCC participation data from: <http://frac.org/federal-foodnutrition-programs/child-and-adult-care-program/>

<sup>10</sup> School age population data retrieved from:

<http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

<sup>11</sup> [http://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Licensing/Licensed\\_Family\\_Child\\_Care\\_Regulations.pdf](http://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Licensing/Licensed_Family_Child_Care_Regulations.pdf)

**EXPENSES**

**Gross Salaries: \$18,674 + \$56,160 (Owner’s draw)**

- Based on the VT Working Group’s model research and assumptions:
  - The salary information included in this section accounts for gross salaries and/or pay issued to program staff and/or contractors. The provider’s salary is listed under the line item called, “Owner’s Draw,” in the expense section of the budget. The following chart provides the salary information used in the model as compared to Vermont’s SY 2015 Public School average teacher and teacher aide salaries. The BRC recognizes that the child care workforce often leaves the child care field for public schools due to higher salaries. The Program Director and Licensed Teacher’s salaries are comparable to VT Public School Teachers:<sup>12</sup>
- .25 FTE Early Care Advocate: An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions.

Table 5. Home-Based Child Care Salary/Pay Chart

Home-Based/Family Child Care Staff			VT Public School	
Staff	Hourly Wage	Annual Salary per Teacher	VT Public School Staff	Avg. Annual Salary
Program Director	\$ 27.00	\$ 56,160.00*	Teacher (Licensed)	\$ 56,504.00
Teacher (Licensed) 4 hrs/wk	\$ 27.00	\$ 56,160.00**	Teacher (Licensed)	\$ 56,504.00
Substitute - PT - 8hrs/wk	\$ 16.00	\$ 6,656.00	n/a	n/a
Early Care Advocate	\$ 20.29	\$ 10,550.80	n/a	n/a

\* Program director likely working approximately 10.5 hour/day

\*\* Licensed teacher only modeled for part time, salary is in full time salary equivalent for purposes of comparing to the average VT public school salary

- Includes
  - 1 licensed teacher working part-time for 4 hours/week
  - 1 substitute teacher working a ½ day/week (4 hours/week)
  - 1 provider/owner (salary included as the “owner’s draw line item expense)

**Taxes, Fees, and Employee Benefits: \$10,341**

- Based on the VT Working Group’s model research and assumptions;

<sup>12</sup> Teacher/Staff Full-time Equivalency (FTE) and Salary Report. Vermont Agency of Education. <http://education.vermont.gov/documents/edu-data-teacher-staff-survey-report-sy2015.pdf>

- Workers compensation: estimated at 1.45% of Gross Salaries.
- Retirement contribution: For center models, the models assume employer matching contributions. Reduced tuition for employee children: All of the models assume that the programs offer a 25% discount on tuition.”
- Workers compensation and training, professional development and retirement costs are included for all staff (2 part-time and the owner), while health care costs are included for the full time staff (owner) only.
- Program pays 80% of monthly premium for FT and 60% of monthly premium for PT for BCBS HD Gold Plan - Assume 60% of staff participate

**Training and Professional Development: \$2,282**

- \$1,141 per FTE for 2.5 FTE (does not include the cook); based on the average annual estimated cost of Head Start professional development in four Head Start programs in Vermont

**Travel (field trips, vehicle maintenance) and Staff Mileage Reimbursement for Work-Related Travel: \$1,992 (\$166/monthly);**

- Based on the working group’s model research and assumptions; “includes travel for program field trips, vehicle maintenance and repair, and staff mileage reimbursements for work-related travel including professional development workshops or trainings.”

**Rent/Mortgage: \$0 (\$0/monthly)**

- Based on the working group’s model research and assumptions “assume that the provider takes a tax write-off for portion of home that is used for program. Therefore, expense is not included in any of the home models.”

**Utilities: \$3,600 (\$300/month)**

- Based on the VT Working Group’s model research and assumptions; “costs include utilities such as electricity and/or gas or other heating fuel, and services such as trash removal, lawn care, and snow removal.”

**Administration: \$850**

- Based on the VT Working Group’s model research and assumptions; Cleaning and maintenance (\$25/month), Office supplies and equipment (\$25/month), Accounting and legal (\$20.83/month)

**Liability Insurance: \$864 (\$72/month)**

- Based on the VT Working Group’s model research and assumptions “this line item represents an average monthly cost for liability insurance based on budget models the work group reviewed and based on past experience providing technical assistance to providers.”

**Debt Service: \$5,400 (450/monthly)**

- Based on the working group’s model research and assumptions;; “many programs take out loans to make capital expense purchases. This line represents an average monthly payment amount for a child care program based on the experience of the Vermont Community Loan Fund.”

**Food & Supplies: \$12,228**

- Based on the VT Working Group’s model research and assumptions (varies by month); “This line includes the cost of food items. For infants eating solid foods, toddlers, and preschoolers, food expenses are estimated at \$7 per child per day and include breakfast, lunch and one snack. For part-time school-age children, food expenses are estimated at \$1 per child per day for one snack. It is also assumed that the provider is responsible for food preparation. Food expenses are adjusted to reflect days the program is closed. Some programs spend more than this each day, especially if the program provides organic and/or locally sourced food options.”

**Educational Supplies & Equipment: \$1,800 (\$20 per child per month =\$150/month)**

- Based on the working group’s model research and assumptions; “These expenses include classroom supplies such as paint, paper, markers, crayons, etc. as well as resources such as Teaching Strategies GOLD materials, a progress evaluation tool used by prequalified Pre-K providers, and other programming resources used by higher STARS recognized programs such as Strengthening Families resources.”

**Repairs to Program-Owned Equipment: \$600 (\$50/monthly)**

- Based on the VT Working Group’s model research and assumptions; “this line item includes repairs to non-facility equipment such as play equipment, furniture, painting easels, etc.”

**Allowance for Bad Debt and Vacancy: \$3,250 (\$248/month);**

- Based on the working group’s model research and assumptions “an industry best practice is to estimate a vacancy rate of 3% per month. This includes all classrooms plus the adjusted Pre-K tuition payment from the state. Pre-K payment losses are included to account for losing part of a payment if an eligible child transfers to another program or drops out of the program.”

**Comprehensive Services: \$1,098**

- Comprehensive services are services to children and families that serve the whole child. These services include comprehensive health and developmental screenings, health care referrals, and follow-up; special services for children with disabilities; nutritious meals; vision and hearing tests; and immunizations. In addition, comprehensive services provide a two-generation approach by engaging families with onsite family caseworker supports and the inclusion of home visits, as needed.

**Comprehensive Services (Early Care Advocate): \$10,550**

- Includes 0.25 fulltime Early Care Advocate per child care home. An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family

engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions. The Commission's high quality child care includes an Early Care Advocate or components of the role, as needed for the program's children served.

**Miscellaneous Expenses: \$600 (\$50/month)**

- Based on the VT Working Group's model research and assumptions; "this line represents monthly budgeting for small-scale expenses not otherwise covered by the aforementioned line items."

**Contribution to Capital Expense Fund - 3% of AGR, Miscellaneous Expenses: \$3,250 (\$271/monthly)**

- Based on the VT Working Group's model research and assumptions; "a best business practice is to set aside funds for future capital expenses such as new play equipment, renovations, etc. In the level two and three models, some funding is set aside for this purpose."

**Owner's Draw (Provider's Salary): \$56,160**

- \$27 per hour; this is the owner/program director's salary

## Total Cost of Care Calculations

The cost of high-quality child care for the State of Vermont depends on the demand or the “take up rate” of non-parental care of children birth to age five. This model calculates the range of cost from the total cost of high-quality care for all children birth the age five in the State, to variations in demand. Below are three calculations of cost for the state:

- **Total Cost 1.** assumes all families with children 0-5 in the state (assumes a 100% demand)
- **Total Cost 2.** assumes the perceived demand families with children 0-5 with parents in the labor force
- **Total Cost 3.** assumes the perceived demand families with children 0-5 based on current family child care choices

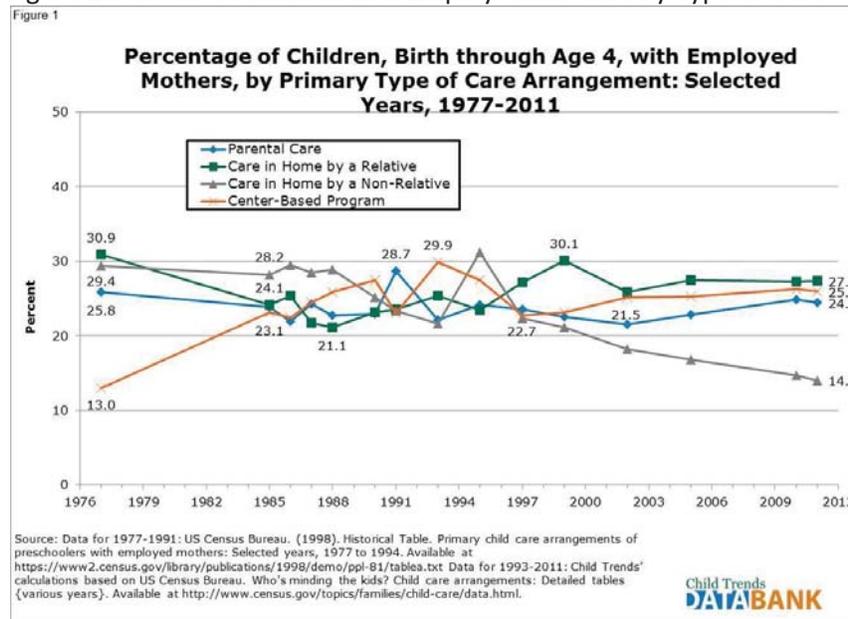
Total estimated cost of funding high-quality child care in the state ranges from \$336.4 -\$849.2 million.

### Total Cost 1. All Children: \$849.2 million

\*Note: this is based on current per pupil expenditures, so may be high. Adding students to existing systems would likely bring down per pupil costs overall, due to shared fixed overhead.

- Assumes all children birth to five are enrolled in some type of non-relative care (either center or home-based)
- Estimates a split of 50% in center and 50% in home-based childcare since we are unable to estimate the exact split of choice of child care arrangement of families if **all families** used non-relative child care. Child Trends found that since 1977 child care choices of employed mothers has fluctuated greatly with use of home and center-based care converging; in 2012, the use of care in home by a relative and center-based care was almost equal at 27.3% and 25.9% respectively.<sup>13</sup>

Figure 1. Percent of children with Employed Mothers by Type of Care



<sup>13</sup> <http://www.childtrends.org/?indicators=child-care>

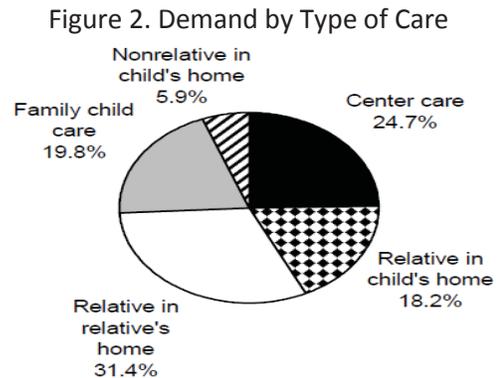
## Total Cost 2. Perceived Demand Option 1: \$597.8 million

- Perceived demand based on the U.S. Census Bureau's estimate that 70.4% of Vermont Children under the age of 6 have all available parents in the labor force.<sup>14</sup>
- Assumes 50% in center and 50% in home-based childcare (see Child Trend citation above)

## Total Cost 3. Perceived Demand Option 2: \$366.4 million

### Infant/Toddler

- Used the total number of children in Vermont birth to five from Kids Count Data Center<sup>15</sup>
- For infant and toddler care, used the National Study of Low Income Families to estimate the demand by type of care: 24.7% for center-based care and non-relative home-based child care 25.7%. See figure 2.<sup>16</sup>



### Preschool

- Used the Census Bureau as the source of demand of 32.9% for all non-relative care; 25.2% for center-based settings and 13% for family/home-based programs. Historically, parents and families rely on preschool-aged child care more than infant, toddler care. The National Study of Low Income Families focuses on demand for child care for younger ages.

Note: The cost of school-aged care is not included in the overall cost of care calculation for any of the total cost calculations since the cost of school-aged children is not a part of the scope of the BRC. School-aged care is an important component of a sustainable, high-quality family child care program as a revenue source.

### OTHER CONSIDERATIONS:

- The center-based model is based on a full-time enrollment model
- We know center-based programs serve school-aged and vacation (summer and winter) care but this is not included in the model. There are many variations of school-aged services provided by center-based programs. The working group also did not include before and after-school time care in the center-based model.

<sup>14</sup> Stalled from the Start. Let's Grow Kids.

[http://www.letsgrowkids.org/sites/lgk/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016\\_0.pdf](http://www.letsgrowkids.org/sites/lgk/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016_0.pdf)

<sup>15</sup> Kids Count Data Center. Child Population by Single Age. <http://www.datacenter.aecf.org/data/tables/100-child-population-by-single-age?loc=47&loct=2#detailed/2/47/false/869,36,868,867,133/42,43,44,45,46,47,48,49,50,51,52,53,54,55,56,57,58,59,60,61/418>

<sup>16</sup> Administration for Children and Families. Office of Planning, Research & Evaluation. "National Study of Child Care of Low-Income Families 1997-2007." <http://www.acf.hhs.gov/opre/research/project/national-study-of-child-care-of-low-income-families-1997-2007>

**All Children Birth to Age 5  
Cost of Infant, Toddler Licensed Center-  
Based Child Care**

Center infant cost per child	# of infants	+	toddler cost per child	# of toddlers	+	preK cost per child	# of prek	=	total center cost
\$35,535	3012	#	\$35,535	6112	#	\$15,793	9180		\$469,189,278

**Cost of Infant, Toddler Licensed  
Family Child Care**

family infant cost per child	# of infants	+	toddler cost per child	# of toddlers	+	preK cost per child	# of prek	=	total family cost
\$41,639	3012	#	\$20,819	6112	#	\$13,879	9180	#	\$380,065,090

=	<b>GRAND TOTAL</b>
	\$849,254,369

CENTER-BASED MODEL					REGISTERED-HOME MODEL				
cost of operations					cost of operations				
enrollment					enrollment				
age groups	# of child ren	Cost per age group	Cost per child	total # of children	age groups	# of child ren	Cost per age group	Cost per child	total # of children
infant	8	\$284,281	\$35,535		infant	1	\$41,639	\$41,639	
toddler	8	\$284,281	\$35,535		toddler	2	\$41,639	\$20,819	
preschool	18	\$284,281	\$15,793		preschool	3	\$41,639	\$13,879	
					School- Age Children (PT)	3	\$41,639	\$13,879	
age group	total child ren	perceive d demand for center		total # of children	age group	total child ren	perceive d demand for home		total # of children
Infant = <1	6,023	50%		3,012	Infant = <1	6,023	50%		3,012
Toddler = 1 & 2	12,224	50%		6,112	Toddler = 1 & 2	12,224	50%		6,112
Preschool = 3,4,5	18,360	50%		9,180	Preschool = 3,4,5	18,360	50%		9,180



Perceived Demand Option 1 (24.7% demand for non-relative care)

Cost of Infant, Toddler Licensed Center-

Based Child Care

Center infant cost per child	# of infants	+ toddler cost per child	# of toddlers	+ preK cost per child	# of preK	= total center cost
\$35,535	148	\$35,535	3019	\$15,793	4627	\$233,229,340

Cost of Infant, Toddler Licensed

Family Child Care

family infant cost per child	# of infants	+ toddler cost per child	# of toddlers	+ preK cost per child	# of preK	= total family cost
\$41,639	119	\$20,819	2420	\$13,879	2387	133,177,056

= GRAND TOTAL
\$366,406,396

CENTER-BASED MODEL			
cost of operations		\$852,845	
enrollment			34
age groups	# of children	Cost per age group	Cost per child
infant	8	\$284,281	\$35,535
toddler	8	\$284,281	\$35,535
preschool	18	\$284,281	\$15,793

age group	total children	perceived demand for non-relative	total # of children
Infant = <1	6,023	24.7%	1,488
Toddler = 1 & 2	12,224	24.7%	3,019
Preschool = 3,4,5	18,360	25.2%	4,627

REGISTERED-HOME MODEL			
cost of operations		\$124,918	
enrollment			9
age groups	# of children	Cost per age group	Cost per child
infant	1	\$41,639	\$41,639
toddler	2	\$41,639	\$20,819
preschool	3	\$41,639	\$13,879

age group	total children	perceived demand for non-relative	total # of children
Infant = <1	6,023	19.8%	1,193
Toddler = 1 & 2	12,224	19.8%	2,420
Preschool = 3,4,5	18,360	13.0%	2,387

## Appendix C. Affordability Methodology

The Blue Ribbon Commission conducted a thorough analysis of Vermont’s current child care subsidy sliding fee scale which sets the eligibility criteria and amount of subsidy payments for Vermont families through the Child Care Financial Assistance Program (CCFAP) administered by the Child Development Division. This analysis helped to establish a foundational understanding of how the state assists families to afford child care. In addition, these findings helped to inform further analysis into, when considering the true cost of high-quality care, the proportions of families that could afford care and how far the scale could potentially stretch in order to assist the most families in need.

### Introduction to Vermont’s CCFAP Sliding Fee Scale

The Child Care and Development Block Grant (CCDBG) and Temporary Assistance for Needy Families (TANF) are two primary funding sources for state’s child care subsidy programs. Subsidies are provided for low-income families to assist in full or a partial payment of the cost of child care. Within CCDBG and TANF guidelines, all states are given the flexibility to setup and administer the child care subsidy program eligibly criteria and subsidy rates. Subsidy payments can go directly to families, to providers, or can fund pre-paid slots with contracted providers. In most states, eligibility and amount of subsidy for each family is determined on a sliding-fee scale as a function of family size and income. Vermont’s CCFAP sliding fee scale is unique compared to most states’ child care subsidy programs and approaches. In most states sliding fee scales use the family income to determine the subsidy amount. Vermont administers a sliding fee scale that uses income increments to determine *the percent of the subsidy rate* that the family will receive. Other states’ subsidy scales pay for care based on what percent of a family’s income will be devoted for child care; conversely, Vermont chooses to pay a percentage of the cost of care itself depending on a family’s income.

Additionally, Vermont CCFAP policies permit balanced billing in child care subsidy payments. If a child care provider accepts a subsidy payment that is not 100% of the provider’s published billing rate, the provider has the discretion to charge the family the remainder of the provider’s rate. Although not unheard of, many states specifically require subsidy-accepting providers to charge a family the remainder of their rate not covered by subsidy; with many further stipulating that the provider could be disqualified to accept subsidy payments if not in compliance.

Below are the current eligibility ranges for the CCFAP sliding fee scale. The scale is based on four family composition types: a family of three or less; family of four; family of five; and a family of six or more. To determine the percent of subsidy that the state will pay for a child’s care, CCFAP first looks at a family’s total size, then analyzes the total gross income the family makes from the appropriate column, then identifies the percentage of subsidy that the state will pay for child care.

**Table 1. 2016 CCFAP Sliding Fee Scale**

Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income
Family Size 3 or Less		Family Size 4		Family Size 5		Family Size 6	
100%	\$20,160	100%	\$24,300	100%	\$28,440	100%	\$32,580
99%	\$20,940	99%	\$25,224	99%	\$29,520	99%	\$33,804

Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income
Family Size 3 or Less		Family Size 4		Family Size 5		Family Size 6	
98%	\$21,456	98%	\$25,860	98%	\$30,252	98%	\$34,644
97%	\$21,996	97%	\$26,484	97%	\$30,996	97%	\$35,508
96%	\$22,512	96%	\$27,120	96%	\$31,740	96%	\$36,348
95%	\$23,208	95%	\$27,972	95%	\$32,724	95%	\$37,476
90%	\$24,168	90%	\$29,136	90%	\$34,080	90%	\$39,024
85%	\$25,140	85%	\$30,264	85%	\$35,412	85%	\$40,572
80%	\$26,172	80%	\$31,548	80%	\$36,912	80%	\$42,276
75%	\$27,240	75%	\$32,808	75%	\$38,364	75%	\$43,956
70%	\$28,272	70%	\$34,068	70%	\$39,864	70%	\$45,648
65%	\$29,328	65%	\$35,352	65%	\$41,328	65%	\$47,340
60%	\$30,372	60%	\$36,588	60%	\$42,816	60%	\$49,032
55%	\$31,428	55%	\$37,860	55%	\$44,280	55%	\$50,712
50%	\$32,472	50%	\$39,120	50%	\$45,768	50%	\$52,428
45%	\$33,516	45%	\$40,404	45%	\$47,232	45%	\$54,096
40%	\$34,572	40%	\$41,640	40%	\$48,720	40%	\$55,788
35%	\$35,640	35%	\$42,900	35%	\$50,196	35%	\$57,492
30%	\$36,660	30%	\$44,184	30%	\$51,684	30%	\$59,196
25%	\$37,704	25%	\$45,444	25%	\$53,136	25%	\$60,864
20%	\$38,760	20%	\$46,692	20%	\$54,624	20%	\$62,556
15%	\$39,816	15%	\$47,964	15%	\$56,100	15%	\$64,272
10%	\$60,480	10%	\$72,900	10%	\$85,320	10%	\$97,740

Key characteristics to note about the CCFAP sliding fee scale: for each family size category, a subsidy “floor” (the lowest income threshold listed) is set at 100% of the current Federal Poverty Level (FPL), and will pay for 100% of a family’s child care costs. Conversely, the “ceiling” of the scale (the maximum income threshold for a family to qualify to receive any subsidy funding) stops when a family makes over 300% of the FPL.

The actual increments of the Vermont scale are fairly narrow compared to several other states<sup>17</sup>: the first five levels only decrease subsidy by 1% each step, and then progress to 5% thereafter. Yet, once subsidy begins to decrease at 5%, the family receiving subsidy then begins to see a “cliff effect,” where the percent of subsidy covered quickly begins to outpace a family’s increasing wages, ultimately leading the family to dedicate a larger proportion of their income towards child care. This cliff effect, as well as the subsidy “ceilings” and “floors” were explored by the Commission throughout its affordability investigation.

<sup>17</sup> Public Consulting Group, Inc. (PCG) provided a broad scan of state scales nationally and conducted a state by state comparison of New England “peer states,” including Maine, Massachusetts, and New Hampshire

## Background Research

The Commission's investigation into affordability of child care began by conducting background research on budget instruments and tools, calculators, and other resources to prompt discussion on what, for a family, can be considered an affordable expense for child care. These tools measure the income families need in order to attain a modest yet adequate standard of living. The two most credible tools out in the market--the EPI calculator and the Vermont Basic Needs Budget--focus on two types of households; two adults and two children; and one adult and two children.

Data were collected from the Vermont Basic Needs Budget that was published in January 2015 and the calculator developed by the Economic Policy Institute (EPI). Each of these budget instruments base the calculations on a household with a four-year old in child care and a school-age child. Affordability calculations were based on the Vermont's Basic Needs Budget since it is updated annually by the state of Vermont for Vermonters. Data were also collected and analyzed on the cost of child care for an infant in a child care center as well as a four-year old based on the most current Vermont Market Rate Survey. These data were analyzed to show the current picture of what a family can afford to pay for child care without receiving any subsidies.

In order to determine how affordability might be improved in the state, it is necessary to understand what the median income and actual costs of child care in Vermont is across the state. To do so, the Commission examined the variation in median family incomes across the state as well as the costs of child care in each county to reflect the current percentage of a family's median income being paid for child care based on a single parent and two parent household with an infant and a four-year old.

### Vermont Basic Needs Budget

The Vermont Legislative Joint Fiscal Office prepares the Basic Needs Budgets and Livable Wage Report each year. This budget was presented at the June 2016 Blue Ribbon Commission meeting, and is a market-based analysis which estimates the monthly living expenses in the state. The basic needs budget includes the components of food, housing, transportation, child care, clothing and household expenses, telecommunications, health and dental care insurance and savings, as well as taxes. Although the current methodology was established in 1999, the purpose of the calculation is to provide to the public information on what it cost to live in Vermont. The child care expenses information is an estimate based on a registered home or licensed center, and assumes that none of these families qualify for a child care subsidy.<sup>18</sup>

The following table represents the Vermont Basic Needs Budget for 2015 for two adults and two children. The child care expense item for the Basic Needs Budget is based on child care for a preschooler and school-age child. The last two columns were added into the table to represent the child care cost for an infant and a preschooler based on the current average market rate and the 75<sup>th</sup> percentile market rate for a licensed child care program.

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<sup>18</sup> Basic Needs Budget data retrieved from the Vermont Legislature website:

<http://legislature.vermont.gov/assets/Documents/2016/WorkGroups/House%20General/Housing/W~Daniel%20Dickerson~2015%20Basic%20Needs%20Budget%20Report~1-21-2015.pdf>

**Table 2. Vermont Basic Needs Budget 2015 – Two Adults, Two Children/Average Market Rate**

Budget Item	VT Basic Needs Budget - 2 adults and 2 children ages preschool (4 yr old) and school-age	With current average market rate child care cost for infant and 4 yr old per month	With current 75th percentile market rate child care cost for infant and 4 yr old per month
Child Care	\$1,258	\$1,770	\$1,812
Housing	\$1,328	\$1,328	\$1,328
Food	\$1,025	\$1,025	\$1,025
Transportation	\$955	\$955	\$955
Health Care	\$559	\$559	\$559
Personal & Household Expenses	\$683	\$683	\$683
Insurance & Savings	\$357	\$357	\$357
Taxes	\$1,101	\$1,101	\$1,101
Monthly Total	\$7,265	\$7,778	\$7,820
Annual Total	\$87,181	\$93,337	\$93,840
% of Income to Child Care	17%	23%	23%

The next table represents the Vermont Basic Needs Budget for 2015 for one adult and two children. Again, the child care expense item for the Basic Needs Budget is based on child care for a preschooler and school-age child. The last two columns were added into the table to represent the child care cost for an infant and a preschooler based on the current average market rate and the 75<sup>th</sup> percentile market rate for a licensed child care program.

**Table 3. Vermont Basic Needs Budget 2015 – One Adult, Two Children/Market Rate Survey Data**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children ages preschool (4 yr old) and school-age	With current average market rate child care cost for infant and 4 yr old per month	With current 75th percentile market rate child care cost for infant and 4 yr old per month
Child Care	\$1,258	\$1,770	\$1,812
Housing	\$1,328	\$1,328	\$1,328
Food	\$739	\$739	\$739
Transportation	\$499	\$499	\$499
Health Care	\$555	\$555	\$555
Personal & Household Expenses	\$534	\$534	\$534
Insurance & Savings	\$305	\$305	\$305

Budget Item	VT Basic Needs Budget - 1 adult and 2 children ages preschool (4 yr old) and school-age	With current average market rate child care cost for infant and 4 yr old per month	With current 75th percentile market rate child care cost for infant and 4 yr old per month
Taxes	\$1,012	\$1,012	\$1,012
Monthly Total	\$6,229	\$4,972	\$6,784
Annual Total	\$74,757	\$59,664	\$81,408
% of Income to Child Care	20%	36%	27%

### Median Household Income by County

The Commission examined the variation in income across the state. The percentage of child care cost for an infant and preschooler ranges from 25 percent to 53 percent of the median income based on child care cost from the market rate survey. The median family income is the income for families with own children under age 18 living in the household. The median income is the dollar amount that divides the income distribution into two equal groups: half with income above the median and half with income below it.<sup>19</sup> Overall for the entire state, child care costs are currently 32 percent of the state median family income. The following table displays the median family income, infant care costs, preschool care costs and the percent of median income paying for childcare for each county across the state.

**Table 4. Median Income Table with infant and 4 year-old**

County	2010-2014 Median Family Income	Infant Care	Preschool Care	Total Childcare cost for an infant and 4-year-old	Percent of median income paying for childcare for an infant and 4-year-old
Orleans	\$ 47,847	\$ 14,335.88	\$ 11,068.20	\$ 25,404.08	53%
Essex	\$ 49,000	\$ 10,283.52	\$ 9,717.76	\$ 20,001.28	41%
Lamoille	\$ 58,944	\$ 11,440.00	\$ 11,091.60	\$ 22,531.60	38%
Windham	\$ 60,991	\$ 11,333.40	\$ 10,953.28	\$ 22,286.68	37%
Bennington	\$ 50,000	\$ 9,947.60	\$ 7,860.32	\$ 17,807.92	36%
Caledonia	\$ 51,639	\$ 9,679.80	\$ 8,365.24	\$ 18,045.04	35%
Orange	\$ 56,036	\$ 10,520.12	\$ 9,026.68	\$ 19,546.80	35%
Rutland	\$ 55,764	\$ 9,818.64	\$ 8,690.24	\$ 18,508.88	33%
Windsor	\$ 64,588	\$ 11,270.48	\$ 9,982.96	\$ 21,253.44	33%
Washington	\$ 69,323	\$ 11,578.32	\$ 10,164.44	\$ 21,742.76	31%
Grand Isle	\$ 64,615	\$ 9,880.00	\$ 8,775.00	\$ 18,655.00	29%

<sup>19</sup> <http://datacenter.kidscount.org/data/tables/8859-median-family-income-among-households-with-children?loc=47&loct=5%20-%20detailed/5/6798-6811/false/1485/any/17744>

County	2010-2014 Median Family Income	Infant Care	Preschool Care	Total Childcare cost for an infant and 4- year-old	Percent of median income paying for childcare for an infant and 4- year-old
Chittenden	\$ 86,916	\$ 12,345.32	\$ 10,695.36	\$ 23,040.68	27%
Franklin	\$ 70,388	\$ 9,402.64	\$ 8,739.12	\$ 18,141.76	26%
Addison	\$ 68,426	\$ 9,360.00	\$ 7,656.48	\$ 17,016.48	25%
Vermont	\$ 65,941	\$ 11,270.48	\$ 9,970.48	\$ 21,240.96	32%

### What Percent of Income Should Be Devoted to Child Care?

The Commission reviewed research on child care affordability to understand the national landscape on metrics for affordability for families. Affordability is measured as a proportion of income that should be devoted to child care; (similar to the “rule of thumb” that one-third of a family’s income should be spent on housing). As such, most resources found or noted that the best “rule of thumb” for child care costs should fall between 10-15% of family income. The Commission initially used the 10% figure in initial configurations of its revised sliding fee scale, though ultimately chose to not include it directly.

U. S. Department of Health and Human Services in 2014: 10%

The U.S. Department of Health and Human Services (DHHS) defines affordable child care as costing no more than 10 percent of a family’s income.<sup>20</sup> They recognize that child care cost can be a burden on working families’ budgets and that the need for high-quality, affordable care is especially important with most parents in the workforce.

EPI: Based on US DHHS of 10%

The Economic Policy Institute reported in May 2016 that capping child care cost at 10 percent of income would mean significant savings for families across the nation. In Vermont, the savings to median income families with an infant and 4-year old would amount to \$4,676, which is the difference between the current percentage families pay for child care and the 10 percent recommendation.<sup>21</sup>

Forbes: 15%

Child care is the largest expense, more than any other household expense, for a growing number of families. For many parents the cost is greater than housing, utilities or transportation. Child care providers care for nearly 11 million children younger than 5 every week in the United States, which includes any licensed child care program. Nationally, married families with both parents

<sup>20</sup> Executive Office of the President of the United States. (2014). The Economics of Early Childhood Investments. [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf)

<sup>21</sup> <http://www.epi.org/publication/capping-child-care-costs-at-10-percent-of-income-would-mean-significant-savings-for-families/>

employed, spend up to 15 percent of their income on child care. For single parents, the child care portion of their budget can climb as high as 65 percent nationally.<sup>22</sup>

Louisiana: Average families pay 10%

Louisiana contains, according to the Economic Policy Institute's research, the only areas/regions where child care costs are considered to be "affordable" at or around 10%<sup>23</sup>. Apart from the general low cost of living and relatively low tax burdens for businesses throughout the state, the primary driver of low child care costs in the state is likely due to the School Readiness Tax Credit (SRTC). Passed in 2007, the SRTC provides significant tax breaks to families, child care providers, child care directors and staff, and businesses that support child care—primarily to encourage providers and parents to participate in the state's QRIS (Quality Start), but has the added benefit of reducing the overall cost of operations for child care facilities.

### Sliding Fee Scale Development Methodology

One of the five Blue Ribbon Commission's goals was to inventory and review reports and recommendations issues related to high quality, affordable child care. Relatedly, this goal also asked the commission to review various family compositions and income levels, and recommend the amount that families should pay towards the costs of high quality, early care and education based on a sliding scale.

The Commission, with the support of PCG, followed an iterative process in developing its final sliding fee scale, which saw multiple revisions and redeterminations of the eligibility requirements, increments of subsidy, and several other parameters. The Commission's building principles for the sliding fee scale included:

- Raise the floor of the scale to fully cover families that cannot afford the BRC-determined cost of care for infants and preschoolers; and set the floor at a point where a family's basic needs are met except for the cost of child care
- Model the scale using cost of care for a family that has one infant and one preschooler.
- Avoid any cliff effect in the decreasing increments of the scale of the scale.
- Subsidize families so that they are not paying any more than 10% of their total income towards child care (this goal was ultimately excluded from the final sliding fee scale).
- Set a reasonable ceiling for subsidy where the families that can really use it have access.

### Sliding Fee Scale Iterations

The Commission worked with PCG to consider a series of models.

Initially, the sliding fee scale considered subsidies for all families up until the cost of care was no more than 10% of the family income. The initial assumptions used in building the scales included:

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<sup>22</sup> <http://www.forbes.com/sites/annabahney/2015/06/29/child-care-is-biggest-expense-for-a-growing-number-of-families/#10757be646a8>

<sup>23</sup> <http://www.epi.org/publication/capping-child-care-costs-at-10-percent-of-income-would-mean-significant-savings-for-families/>

- Subsidy delivered at 100% (the floor of the scale) should start at the point where a family’s basic needs are entirely met (as defined by the state-designed Basic Needs Budget) in addition to the calculated cost of high-quality child care.
- Subsidy percent should decrease up to the point where the cost of child care only take up 10% of a family’s income, and should sustain a family only paying 10% of their income on child care.
- Eliminate any kind of eligibility “cliff” where rising incomes suddenly are not outpaced by the cost of child care by quickly dropping subsidy rates. This is achieved by initially decreasing subsidy percent by 1% for approximately every 2% increase in income.

The Commission found that using the basic needs budget, the Commission’s calculated cost of high quality care, and the no more than 10% of family income parameter, **all but 2% of Vermont families would be covered by the child care subsidy program.** The Commission believes that if 98% of families in Vermont that required subsidy received it, then universal child care would be achieved. As an incremental step in the short-term, the Commission sought to create a sliding fee scale recommendation that would increase access to more families.

### Affordability of Current High Quality Care (QRIS Level 4 and 5)

To understand how the difference between the draft Commission cost of care and the current cost of care for “high quality” programs in the state would be reflected in a sliding fee scale, the Commission worked with PCG to model the cost of current high-quality care as defined by the state’s Quality Rating and Improvement System (QRIS), with level 4 or 5 star ratings. This particular draft used the same set of assumptions as the initial set of fee scales. Interestingly, when using the 10% benchmark, no family ever reached 10% of family income spent on child care when keeping with a 1% subsidy decrease per 2% income increase. In fact, after the 36% subsidy increment, families with that income threshold and higher began seeing their contribution towards child care *decrease*, which is contrary to the entire purpose of a sliding fee scale.

**Table 5. Cost of Care for Current 4 & 5 STAR Vermont Child Care Programs - Floor at 405% of FPL**

Subsidy % Bounds (by quartile)	Cost of Care (Infant & Preschooler)	Annual Income: Upper and Lower Bounds	Family’s % of Income Towards Child Care	% FPL
100% - 85%	\$21,895	\$81,648 - \$109,887	0% - 3%	405% - 545%
84% - 69%	\$21,895	\$112,085 - \$150,851	3% -4%	556% - 748%
68% - 53%	\$21,895	\$153,868 – \$207,087	5% - 5%	763% - 1,027%
52% - 36%	\$21,895	\$211,229 - \$289,972	5% -5%	1,048% - 1,438%

### Setting the Floor

The Vermont Basic Needs Budget includes a cost for child care. The Commission concluded that a modified Basic Needs Budget should be calculated as the “floor” or start of the sliding fee scale, meaning that the new sliding fee scale would provide 100% of the subsidy (100% of the true cost of care) for families whose income could cover only the basic needs. The “new basic needs budget” was calculated as follows:

Family budget care + Basic needs without child care + Commissions calculated cost of high quality care = Revised Basic Needs Budget

For a family of three, in urban Vermont (used as the baseline for analysis) it costs \$ 59,661 to maintain the family’s basic needs **without** child care. The Commission’s calculated “true cost” of high quality child care for a center-based program by age group is as follows:

**Table 6. True Cost of High Quality Child Care by Age Group**

Age Group	Annual “True Cost” of High Quality Child Care
Infant	\$ 35,535.22
Toddler	\$ 35,535.22
Preschool*	\$ 15,793.43

\*Note that these costs are calculated by dividing the total annual operational costs of a 34 child center-based programs into each age grouping proportionally (as described in Section 2. C. The Cost of High Quality Child Care), this does not factor in any funding from Act 166, universal public prekindergarten.

Considering the cost line items that were part of the VT Basic Needs Budget, the Commission decided to set a subsidy “floor” at the current Basic Needs Budget total without the its estimated child care cost line item. In other words, the eligibility “floor” for 100% subsidy (covering 100% of the cost of child care) would be provided for families with an annual income of \$59,661 or less.

**Table 7. Subsidy “Floor” – VT Basic Needs Budget without Child Care**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children – Urban
Annual Basic Needs Budget	\$ 74,757
Annual BNB-Estimated Child Care Cost	\$ 15,096
Basic Needs Budget Total Income Without Child Care (Eligibility Scale “Floor”)	\$ 59,661

The Commission concluded that the new sliding fee scale should:

- i. Set a 100% subsidy “floor” at the Vermont Basic Needs Budget without including the child care line item (\$59,661)**

*Setting the Ceiling*

When looking at the cap/ceiling to the scales, the Commission considered the following options:

- Capping subsidy eligibility where the Basic Needs Budget in addition to the BRC Cost of Care are covered in a family’s income. This would be the absolute threshold where a family’s income completely meets their basic needs including child care, and subsidy dollars would be able to be spread further.

- Capping subsidy eligibility at incomes that cross the Federal 33% Individual income tax bracket, which for individuals is \$191,950 and for Married Joint Filers/Heads of Households is \$231,450.
- Capping subsidy eligibility at triple the Basic Needs Budget income amount.

PCG also provided the Commission with research on other public assistance programs and considered several alternate methodologies to implement an eligibility cap on child care subsidy. Other programs researched include Dr. Dynasaur (Vermont’s state Children’s Health Insurance Program, or CHIP), Federal eligibility thresholds for benefit programs such as Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), and Vermont’s income tax brackets. In the case of the benefit programs mentioned, the maximum eligibility threshold is very close to the full Vermont Basic Needs Budget, making it ineffective to build a sliding fee scale that begins and ends at almost the same income level, while the Vermont’s income tax brackets closely mirror the Federal brackets.

The model that best fit the Commission’s goals was to cap the subsidy eligibility at triple the Basic Needs Budget (income amount). The Commission considered two options; one that is “dynamic” and caps the amount based on tripe the basic needs by family size or a “static ceiling” that maintains an income level for the ceiling.

The “dynamic ceiling” option subsidy percentage varies depending on the amount of members of a family. The following table displays the different bounds (floors and ceilings) for different family configurations.

**Table 8. Applying Basic Needs Budget to Sliding Fee Scale- “Dynamic Ceiling”**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children – Urban	VT Basic Needs Budget - 1 adult and 2 children - Rural	VT Basic Needs Budget - 2 adults and 2 children – Urban	VT Basic Needs Budget - 2 adults and 2 children - Rural	Adjusted BNB for Family of 5 (Using 297%/890% FPL)	Adjusted BNB for Family of 6 (Using 297%/890% FPL)
Basic Needs Budget Total Income Without Child Care (“floor”)	\$ 59,661	\$ 50,881	\$ 72,085	\$68,263	\$84,366	\$ 96,647
BRC High Quality Child Care Costs (1 PreK)	\$ 15,793	\$ 15,793	\$ 15,793	\$15,793	\$15,793	\$15,793
BRC High Quality Child Care Costs (1 Infant)	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983	\$ 152,643	\$ 216,255	\$ 204,789	\$ 253,098	\$ 289,942
% of Families eligible for subsidy (based on income- See tab 1a.)	89%	89%	95%	95%	95%	95%

Adopting a static scale, see table 9 below, sets the ceiling amount at the same level for all families.

**Table 9. Applying Basic Needs Budget to Sliding Fee Scale- “Static Ceiling”**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children – Urban	VT Basic Needs Budget - 1 adult and 2 children - Rural	VT Basic Needs Budget - 2 adults and 2 children – Urban	VT Basic Needs Budget - 2 adults and 2 children - Rural	Adjusted BNB for Family of 5 (Using 297%/890% FPL)	Adjusted BNB for Family of 6 (Using 297%/890% FPL)
Basic Needs Budget Total Income Without Child Care (“floor”)	\$ 59,661	\$ 50,881	\$ 72,085	\$68,263	\$84,366	\$ 96,647
BRC High Quality Child Care Costs (1 PreK)	\$ 15,793	\$ 15,793	\$ 15,793	\$15,793	\$15,793	\$15,793
BRC High Quality Child Care Costs (1 Infant)	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983	\$ 178,983	\$ 178,983	\$ 178,983	\$ 178,983	\$ 178,983
% of Families eligible for subsidy (based on income- See tab 1a.)	89%	89%	89%	89%	89%	89%

The Commission concluded that the new sliding fee scale should:

- ii. **Raise income eligibility and percent of subsidy gradually so that a “cliff effect” does not occur.**

The design of the current CCFAP eligibility scale, creates a “cliff effect” in two ways:

1. Cliff effect due to percent of benefit scale: Currently, at the 95 percent of benefit (subsidy) level in which CCFAP pays 95 percent of the subsidy rate, the percent of benefit drops from an incremental decrease of 1 percent to more than 5 percent when family income is \$24,168.

% of Benefit	Incremental Decrease in Benefit	Income	Incremental Increase in Income
100%	n/a	\$ 20,160.00	3.9%
99%	-1.0%	\$ 20,940.00	2.5%
98%	-1.0%	\$ 21,456.00	2.5%
97%	-1.0%	\$ 21,996.00	2.3%

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
96%	-1.0%	\$ 22,512.00	3.1%
<b>95%</b>	<b>-1.0%</b>	<b>\$ 23,208.00</b>	<b>4.1%</b>
<b>90%</b>	<b>-5.3%</b>	<b>\$ 24,168.00</b>	<b>4.0%</b>
85%	-5.6%	\$ 25,140.00	4.1%
80%	-5.9%	\$ 26,172.00	4.1%

The inconsistent incremental decrease in benefit is also seen in the current scale's increase in income. The 5.3 percent decrease in subsidy makes it difficult for families making between \$23,208 and \$24,168 because difference creates a "cliff" where a 4.1 percent increase in income means a much lower benefit amount. The "cliff effect" is known as the drop off of assistance to families. The drop off creates a disincentive for those families making \$23,207 to increase income up to \$24,168 because the small increase in income create a large loss in subsidy payment. CDD indicated that parents often report that the the decrease in subsidy is equal to or more than the increase in income.

2. The CDD also reported another "cliff" occurs around the 45% of subsidy mark in which the incremental increase in income reduces the percent of subsidy received to the point where it is not beneficial to increase income (i.e., earning more money would cause a family's child care costs to increase).

**Table 11. Current CCFAP "Cliff Effect" Part 2**

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
<b>50%</b>	-9.1%	\$ 32,472.00	3.3%
<b>45%</b>	-10.0%	\$ 33,516.00	3.2%
<b>40%</b>	-11.1%	\$ 34,572.00	3.2%
<b>35%</b>	-12.5%	\$ 35,640.00	3.1%
<b>30%</b>	-14.3%	\$ 36,660.00	2.9%
<b>25%</b>	-16.7%	\$ 37,704.00	2.8%

The Commission recommends a sliding fee scale that endeavors to avoid the "cliff effect" by more closely aligning the rates at which subsidy decreases and income eligibility increases. The recommended sliding fee scale incrementally scales down the percent of benefit at a steady rate as the income level increases at a steady rate; in the Commission's model, the subsidy payment percentage decreases by 2% while income eligibility increases incrementally by 1.8%. In other words, for every 1.8% increase in income, a family's subsidy payment only decreases by 2%.

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
<b>100%</b>	n/a	\$ 59,661.00	2.0%
<b>98%</b>	-1.8%	\$ 60,854.22	2.0%

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
96%	-1.8%	\$ 62,071.30	2.0%
95%	-1.8%	\$ 63,312.73	2.0%
93%	-1.8%	\$ 64,578.99	2.0%
91%	-1.8%	\$ 65,870.56	2.0%
89%	-1.8%	\$ 67,187.98	2.0%
87%	-1.8%	\$ 68,531.74	2.0%
86%	-1.8%	\$ 69,902.37	2.0%
84%	-1.8%	\$ 71,300.42	2.0%
82%	-1.8%	\$ 72,726.43	2.0%
80%	-1.8%	\$ 74,180.95	2.0%

### 3. Scale the cap or “ceiling” of eligibility at three times the floor

The Commission recommends a ceiling at three times the floor (the basic needs budget without childcare). \$178,983. This income accounts for approximately 89% of Vermont families. **The Commission’s recommended model reflects that high quality child care is not affordable for about 89% of Vermont families.**<sup>24</sup>

**Table 13. Calculating the Sliding Fee Scale “Ceiling”**

Basic Needs Budget without Child Care	\$ 59,661
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983
% of Families eligible for subsidy (based on income)	89%

Table 12 illustrates the final sliding fee scale agreed upon by the Commission. To avoid a cliff effect, subsidy percent decreases at a rate of 1.8% for every 2% increase in a family’s income. The lower bound or floor of the scale where a family receives 100% subsidy for child care is the total Vermont Basic Needs Budget line items minus the cost of child care (\$59,661 or less). The upper bound or ceiling is the Basic Needs Budget total multiplied by three (\$178,983). Also included here is the right-most column that shows the percent of a family’s income should theoretically be applied to child care at a given subsidy percent, using the BRC-approved total cost of high-quality care for one infant and one toddler (\$51,328).

**Table 14. Proposed CCFAP Sliding Fee Scale**

<b>Subsidy Percent</b>	<b>Income Thresholds</b>	<b>% of income towards child care</b>
100%	\$59,661	0%
98%	\$60,854	2%

<sup>24</sup> According to 2014 American Community Survey (ACS) data from the U.S. census: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Subsidy Percent	Income Thresholds	% of income towards child care
96%	\$62,071	3%
95%	\$63,313	4%
93%	\$64,579	6%
91%	\$65,871	7%
89%	\$67,188	8%
87%	\$68,532	9%
86%	\$69,902	11%
84%	\$71,300	12%
82%	\$72,726	13%
80%	\$74,181	14%
78%	\$75,665	15%
77%	\$77,178	16%
75%	\$78,721	16%
73%	\$80,296	17%
71%	\$81,902	18%
69%	\$83,540	19%
68%	\$85,211	20%
66%	\$86,915	20%
64%	\$88,653	21%
62%	\$90,426	21%
60%	\$92,235	22%
59%	\$94,079	23%
57%	\$95,961	23%
55%	\$97,880	24%
53%	\$99,838	24%
51%	\$101,835	24%
50%	\$103,871	25%
48%	\$105,949	25%
46%	\$108,068	26%
44%	\$110,229	26%
42%	\$112,434	26%
41%	\$114,682	27%
39%	\$116,976	27%
37%	\$119,315	27%
35%	\$121,702	27%
33%	\$124,136	28%
32%	\$126,618	28%
30%	\$129,151	28%
28%	\$131,734	28%

Subsidy Percent	Income Thresholds	% of income towards child care
26%	\$134,369	28%
24%	\$137,056	28%
23%	\$139,797	28%
21%	\$142,593	29%
19%	\$145,445	29%
17%	\$148,354	29%
15%	\$151,321	29%
14%	\$154,347	29%
12%	\$157,434	29%
10%	\$160,583	29%
8%	\$163,794	29%
6%	\$167,070	29%
5%	\$170,412	29%
3%	\$173,820	29%
1%	\$178,983	28%

## Conclusion

After a number of iterations and best practices research, the Commission created a model for a new sliding fee scale that the Commission believes raises the bar for the standard for what it means for families to afford high quality care. The model assumes no changes to the current system of delivery for early education and care, though as described in the cost section, is not the intent of the Commission, or the intent of the affordability modeling exercise. The new recommendation sliding fee scale would:

- i. **Set a 100% subsidy “floor” at the Vermont Basic Needs Budget without including the child care line item**
- ii. **Raise income eligibility and percent of subsidy gradually so that a “cliff effect” does not occur—where a family’s incremental increase in income will create a drop off of subsidy support**
- iii. **Scale the cap or “ceiling” of eligibility at three times the basic needs budget**

## Appendix D. Economic Impacts of Child Care, 2016 Update

This section of the report is an update to the 2002 report, “The Economic Impact of Vermont’s Child Care Industry.” Public Consulting Group, Inc. (PCG) updated this report in November 2016 as part of its contract with the Vermont Office of the Secretary of Administration of the Vermont Agency of Administration and the Blue Ribbon Commission on Financing High Quality Affordable Child Care.

The “child care crisis” has been at the forefront of many state and national policy discussions over the past 10 to 15 years. The Vermont crisis was outlined in a report produced in 2002 “Economic Impacts of Vermont’s Child Care Industry Report.” Today, 14 years after the writing of the report, Vermont still faces a child care crisis. This report, updated with today’s data, seeks to mirror the salient facts about the economic impact of child care illustrated in the 2002 report.<sup>25</sup>

The child care industry has a significant economic impact in the state of Vermont. More than 70% of Vermont children under the age of six reside in families where all parents are in the labor force (U.S. Census Bureau, 2014). The entire state of Vermont is affected by the economics of child care; not only does child care allow parents to work, but it also creates jobs, enables production, increases household earnings and impacts the future work force. This report aims to link child care resources to the economy and document the relationship between the child care system and the business community.

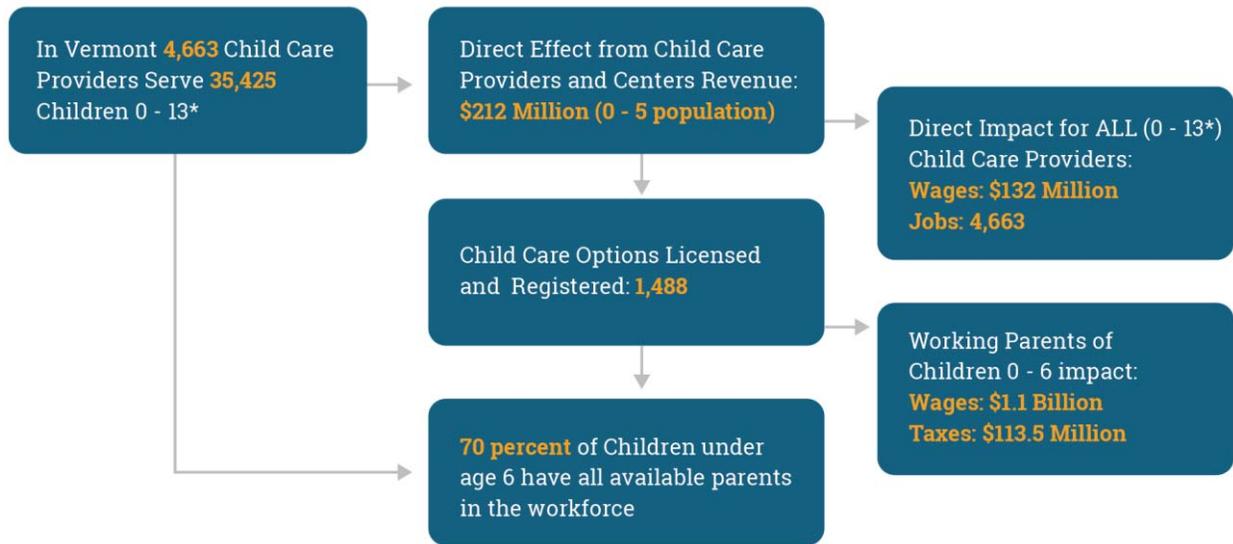
The report that follows illustrates how investments in child care infrastructure, like investments in the infrastructures of transportation, public works, affordable housing and higher education, can have direct, positive effects on the ability of Vermont’s economy to experience growth and vitality.

This report is a step toward integrating child care into local, regional and state economic development plans. It calls for economic developers, businesspeople, planners and public officials to collaborate with child care specialists so that we all make sound decisions that strengthen the State’s economy and ensure the well-being of Vermont’s children.

The below chart maps out the direct effects of early care and education in the State of Vermont analyzing the total amount of providers that serve children in the state, and highlights the amount of dollars spent on early care and the providers’ subsequent wages as well as the amount of wages earned and taxes paid that result for parents of young children because they have access to care. All of these calculations are expressed in detail throughout this report.

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<sup>25</sup> Note that not all data presented in 2002 are available today in 2016. Some data referenced in the 2002 report are drawn from sources such as longitudinal studies about the impact of child care.



\*Children 0-13, or up to age 19 for the children with qualifying medical or developmental conditions

## Child Care Contributes to The Economy

The Vermont child care industry, and the early education field (0-5) in particular, is a major contributor to the state’s economy. The industry dually supports thousands of child care jobs in the state and opportunities for parents of young children to hold full time jobs.

- There are approximately 4,663 total direct child care jobs in Vermont (all ages): according to 2014 data from the state’s Department of Labor, direct child care jobs are comprised of 3,106 child care workers; 1,257 preschool educators; and 300 educational administrators of child care or preschool programs.<sup>26</sup> (See Methodological Notes 1)
  - If you consider all child care jobs as a single employer, then they would rank the third largest private employer in the state, behind University of Vermont Medical Center in Burlington with 6,405 employees and GLOBALFOUNDRIES, who acquired IBM in July 2015, with in Essex Junction with 5,400 employees. The next largest employer would be Jay Peak, Inc. in Jay Peak and Killington Grand Resort in Killington, both with 2,000 employees. (Career One Stop, 2015)
- Tables 1 and 2 below draw from the Vermont Department of Labor and display the breakdown of early childhood educators, both child care workers and preschool teachers, who are “self-employed” or employed by “industry” type. Note that the top “industry” for child care workers, over one quarter (27.1%) are “self-employment,” while the majority of preschool teachers are employed through social assistance programming, by 58.4%.

**Table 1. Industries of Employment for Child Care Workers**

Industry	Percent of Total 2014
Self-employed workers, all industries	27.1%
Social assistance	26.4%
Private households	20.3%

<sup>26</sup> Total child care job count statistics were collected from the Vermont Department of Labor website: <http://www.vtلمي.info/oic3.cfm?occcode=39901100>

Educational services; state, local, and private	10.5%
Religious, grant making, civic, professional, and similar organizations	7.8%

**Table 2. Industries of Employment for Preschool Teachers**

Industry	Percent of Total 2014
Social Assistance	58.4%
Religious, grant making, civic, professional, and similar organizations	18.7%
Educational services; state, local, and private	18.3%
Local government, excluding education and hospitals	1.5%
Self-Employed workers, all industries	1.5%

- Most licensed child care centers and registered family child care homes are small businesses, but their aggregate employment is substantial. The VT Department of Labor, indicated that in 2014, 4,663 members of the direct child care and preschool workforce make up approximately 2% of total non-farm jobs in the state (out of 309,600 jobs) (Vermont Department of Labor, 2016).
  - In terms of Education and Health Services jobs in the state (of which there were 62,000 in 2014 on average), child care and preschool jobs make up 8% of that total.
- For every \$1 million spent on child care, 31 jobs are created. (See Methodological Notes 2)
- There are an estimated 36,607 children under the age of six in Vermont; as cited above, 70% of those children are estimated to have all available parents in the workforce. This means that the parents of approximately 24,892 children under six have to rely on some form of regular child care in order to maintain stable employment in the Vermont workforce (See Methodological Notes 3).

The economy benefits from the earnings and taxes of the child care workers and of the workers supported by the child care industry.

- The child care industry in Vermont earns an estimated \$212,683,078. Providers serving children 0-2 years old saw revenue of approximately \$111,113,067, while providers serving children 3-Prekindergarden saw \$101,570,011. (See Methodological Notes 3)
- Using ACS data, we can approximate that 7.4% of participants in the labor force have a child under six years old using child care. Together, these working parents earn just over \$1 billion annually, or 8.4% of total wages in Vermont. The parents also pay approximately \$114 million in state, local, and federal taxes in Vermont (see Methodological Notes 4).
- The total economic impact of the early education and care industry in Vermont is estimated to be within striking range of a quarter billion dollars annually. In addition, \$151 million in direct expenditures which represents approximately 0.51% of Vermont’s Gross State Product (U.S. Bureau of Economic Analysis, 2016).

The economy also realizes long-term savings from investments in high-quality child care. High quality early learning initiatives provide “benefits to society of roughly \$8.60 for every \$1.00 spent, about half of which comes from increased earnings for children when they grow up,” according to an analysis published by the White House in 2014 (The White House, 2014).

- Society realizes long-term savings in areas of crime, welfare, tax and schooling by investing in high-quality early care and learning programs.

## Child Care Enables People to Work

More and more families need two incomes to meet their basic needs. Child care is clearly an essential support mechanism for the labor market.

- According to the 2014 American Community Survey (ACS), 70% of all children 6 and under have both parents in the labor force; that number grows to 78.5% for children 6-17 years old (U.S. Census Bureau, 2014). In 2015, the labor force participation rate of mothers with children under 6 years old was lower than the rate of those whose youngest child was between 6 to 17 years old (64.2% to 74.4%) (U.S. Bureau of Labor Statistics, 2016).
- According to 2014 U.S. Census data, 15,360 households, or 6%, were headed by women with children under 18 Vermont. For the whole state, there are 256,442 total households. There are 3,543 female households (no husband or families present) with children under 6 years old in Vermont as well, or 1.4% of all Vermont households (Change the Story VT, 2016).
- As a result of welfare reform, low-income single parents must be employed making child care a necessity for receipt of financial assistance.
- For those families with two wage earners, the value of the second income is greatly diminished by child care expenses. (see Table 3)

## Insufficient Supply of Child Care Impacts Economic Growth

There are eleven million children under the age of five in some form of child care in the United States. (America, Parents and the High Cost of Child Care, 2015). An insufficient supply of reliable, affordable and accessible child care negatively impacts the economy. Parents who cannot access or afford child care are less likely to enter the workforce, be productive at work, and remain employed. In Vermont, there are potentially 26,232 children under age six needing child care (Child Care Aware of America, 2015).

**Table 3. Estimated Percentage of 2<sup>nd</sup> Wage Earner's Income Spent for Child Care**

Annual Total Family Income	\$30,000.00	\$35,000.00	\$40,000.00	\$45,000.00	\$50,000.00
Avg. Hourly Wage - Each Parent	\$7.21	\$8.41	\$9.62	\$10.82	\$12.02
Est. Net Income after Taxes <sup>27</sup>	\$27,535.00	\$31,475.00	\$35,415.00	\$39,355.00	\$43,162.00
Maximum Annual Child Care Subsidy	\$15,055.56	\$11,512.80	\$7,970.56	\$5,313.88	\$1,771.12
Out of Pocket Annual Child Care Cost	\$6,897.28	\$10,440.04	\$13,982.28	\$16,638.96	\$20,181.72
Out of Pocket % of 2nd Income	50%	66%	79%	85%	94%

<sup>27</sup> Total income taxes (Federal, FICA, State) were calculated using the SmartAsset online calculator, that can be found at: <https://smartasset.com/taxes/vermont-tax-calculator#6kOWEiDCeL>

Annual Total Family Income	\$30,000.00	\$35,000.00	\$40,000.00	\$45,000.00	\$50,000.00
Effective Hrly Wage - 2nd Income	\$3.30	\$2.55	\$1.79	\$1.46	\$0.67

The Vermont Legislative Joint Fiscal Office prepares the Basic Needs Budgets and Livable Wage Report each year. This budget is a market-based analysis which estimates the monthly living expenses in the state. The basic needs budget includes the components of food, housing, transportation, child care, clothing and household expenses, telecommunications, health and dental care insurance and savings, as well as taxes. The current methodology was established in 1999. The purpose of the calculation is to provide to the public information on what it cost to live in Vermont. The child care expense is an estimate based on a registered home or licensed center. These estimates assume that none of these families qualify for a child care subsidy. (Basic Needs Budget and the Livable Wage, 2015)

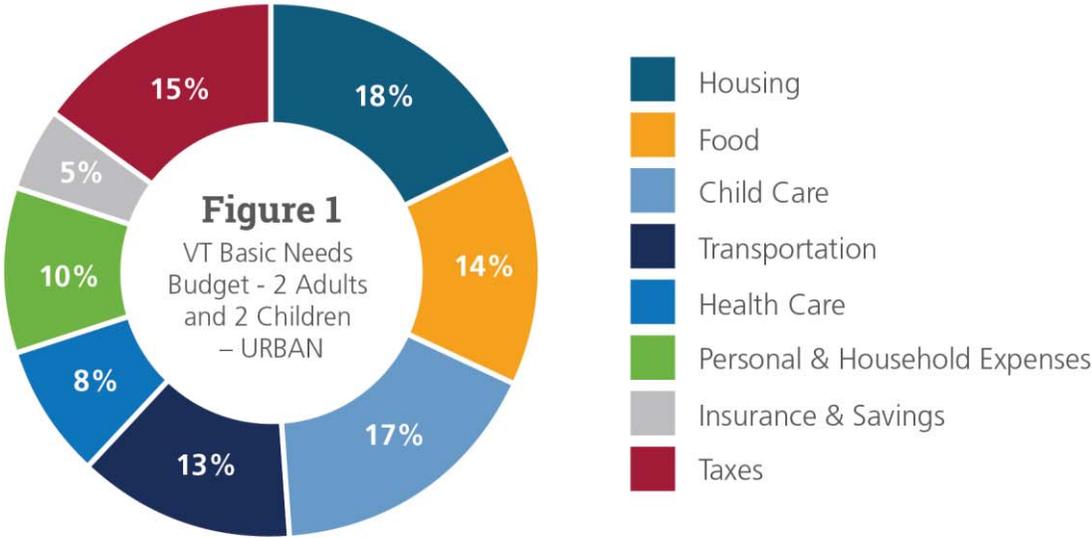
Relevant factors to be considered include:

- The basic family budget for a single parent with two children in rural Vermont is \$64,417 and in urban Vermont is \$74,757. The state median income for a single mother family is \$23,950. (Child Care Aware of America, 2014)
- For a single parent with two children, child care costs range from 21% of a family’s budget in a rural area to 20.1% in the metro area.
- For two working parents with two children family, child care costs are 15.5% of a family’s budget in rural areas compared with 17.3% in the metro area.
- The federal Agency of Health and Human Services recommended that families spend no more than 10% of their income on child care costs, and has proposed revising that affordability threshold to 7%. (Let's Grow Kids, 2016)
- Vermont’s economies would grow from a policy that capped out-of-pocket infant care expenditures at 10% of income. Vermont would see an increase of 1.3% in the state economy which amounts to \$375 million. (Economic Policy Institute, 2016)

**Table 4. Vermont Basic Needs Budget**

<i>Budget Item</i>	Monthly Costs - 2 adults and 2 children – Urban	Monthly Costs - 2 adults and 2 children - Rural	Monthly Costs – 1 adult and 2 children – Urban	Monthly Costs – 1 adult and 2 children – Rural
Housing	\$1,328	\$926	\$1,328	\$926
Food	\$1,025	\$1,025	\$739	\$502
Child Care	\$1,258	\$1,128	\$1,258	\$1,128
Transportation	\$955	\$1,174	\$499	\$477
Health Care	\$559	\$559	\$555	\$555
Personal & Household Expenses	\$683	\$683	\$534	\$534

Budget Item	Monthly Costs - 2 adults and 2 children – Urban	Monthly Costs - 2 adults and 2 children - Rural	Monthly Costs – 1 adult and 2 children – Urban	Monthly Costs – 1 adult and 2 children – Rural
Insurance & Savings	\$357	\$338	\$305	\$271
Taxes	\$1,101	\$984	\$1,012	\$738
Monthly Total	\$7,265	\$6,817	\$6,229	\$5,368
Annual Total	\$87,181	\$81,799	\$74,757	\$64,417



(Vermont Legislative Joint Fiscal Office, 2015)

- Research shows that in the U.S. at least once in a six-month period, 45% of parents are absent from work because of child care issues, averaging 4.3 days. During that same six-month period, 65 percent of parents’ work schedules are affected by child care challenges an average of 7.5 times, which cost U.S. employers more than \$3 billion annually. (Let's Grow Kids, 2016)
- A 2015 study conducted in North Carolina reported that nearly four in 10 teachers and assistant teachers, in a range of public, for-profit, and nonprofit early care and education settings, accessed some form of public assistance (e.g., Medicaid, SNAP/food stamps, TANF, child care assistance) in the past three years. (Center for the Study of Child Care Employment, 2016)
- This same study reveals that nearly three-quarters of teaching staff expressed worry about having enough money to pay monthly bills, while nearly one-half of teaching staff expressed worry about having enough food for their families.

A recent report published by Let's Grow Kids, "Stalled at the Start, Vermont's Child Care Challenge," reveals that Vermont lacks sufficient regulated child care to meet the needs of parents with infants and toddlers in the state. (Let's Grow Kids, 2016) The study found that almost half of infants and toddlers in the state who likely need care do not have access to regulated child care programs and that 79% of infants and toddlers do not have access to high-quality, regulated programs. When drilling down the data in the study at the county level, they found that in some areas, 98 percent of infants who might need care do not have access to high-quality, regulated programs. This significant finding affects Vermont's communities and economy, as parents in the workforce rely on child care to allow them to be employed.

Another factor to consider is the rate at which women in Vermont who work outside the home has climbed steadily over the past four decades. The current Vermont's labor force is comprised of 66% adult women as compared to the national average of 58%. Overall, women make up 45% of the full-time workforce in Vermont. Some interesting facts to consider regarding women in the workforce and the relationship to the economy include: (Change the Story VT, 2016)

- Four out of five women who work full-time do not earn enough to cover basic living expenses.
- The median annual income for women working full-time is \$37,000, which is \$7,000 less than the median annual salary of men. This is a wage gap of 16% or 16 cents on every dollar earned by a man.
- For a single person, 16 cents on every dollar equates to seven months of rent.
- For a family of four, the 16 percent wage gap would buy six months of childcare or groceries.

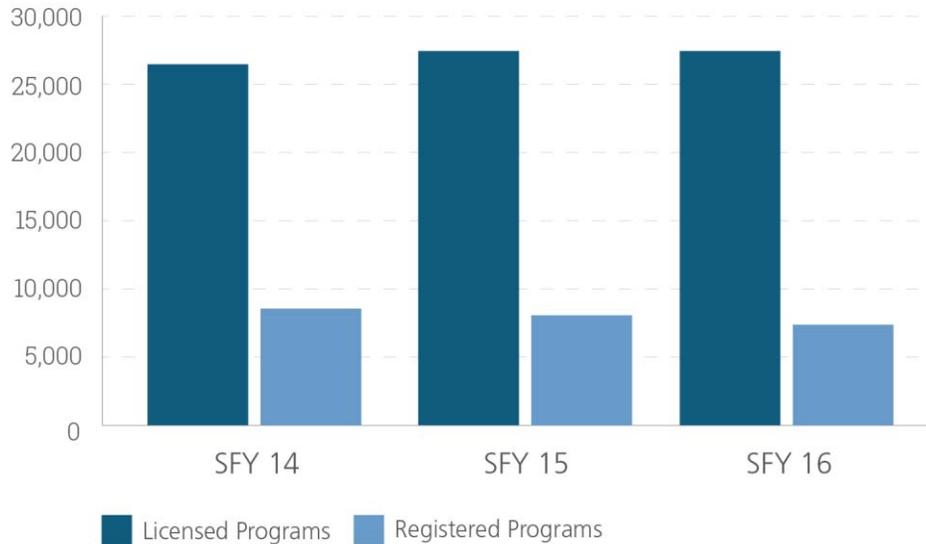
State Fiscal Year (SFY) data estimate that the total licensed and registered child care capacity for children of all ages in Vermont is 34,964; 27,194 licensed program slots and 7,771 registered program slots.<sup>28</sup> Although this is approximately equal to the estimated amount of children ages 0-15 in the state (35,425), the majority of these slots are serving school-aged children, which most likely contributes to why parents of children 0-5 find it increasingly difficult to access and afford early education options.

- Since SFY 2014, total child care slots have remained relatively stagnant, total seats hovering around 35,000. In fact, during this time, there has been an increase of approximately 870 licensed child care slots and a decrease of 850 registered program slots (see Figure 2).

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<sup>28</sup> Average licensed capacity of child care programs based on extracted data on programs from Bright Futures Information System monthly and then averaged.

**Figure 2:** The Supply of Child Care



- An insufficient supply of high-quality early education and care leads many working parents to use informal, unregulated child care which is often unreliable. Some of these families are satisfied with this type of care, but anecdotal evidence suggests that many would prefer regulated care if it were available, and if the price and quality were right.
- A recent survey with responses from parents living and/or in Addison County with children under age 6 revealed that 55% of respondents face the challenge of finding affordable child care or an early learning program. (Addison Building Bright Futures and the Permanent Fund for Vermont's Children, 2016)
  - This same survey shows that 77.55% of the respondents have difficulty finding a child care or an early learning program that has an opening for their children.
- The shortage of regulated child care is especially acute for parents working non-standard hours, mixed shifts and weekends. According to Vermont's Child Care Services Division, only 20% of the state's licensed and registered programs are open before 7:00am and only 3% are open after 6:00pm; 4% offer weekend and 2% overnight care.<sup>29</sup>
- Only 11 states have a minimum requirement for early educators working outside the pre-K system, which is at least a CDA or completion of a substantive vocational program, and only Georgia and Vermont require this for *both* center- and home-based providers. (Center for the Study of Child Care Employment, 2016)

Parents rely on many avenues of child care in order to enter and remain in the workforce. Some rely on family members to care for their children while others while others rely on a child care program in the state. Some families with two parents in the home often split work schedules or work opposite shifts in

<sup>29</sup> Data on the schedules of child care providers is extracted from the Department for Children and Families, Child Development Division's data system Bright Futures Information System (BFIS). This represents the data that is self-reported by child care providers for marketing purposes; this is a voluntary reporting system and approximately 85% of regulated programs utilize the system. In addition, programs may offer flexibility to families currently enrolled in their program which is not reported. This data was extracted as of 6/30/2016.

order to provide child care in their home. In order to for working parents to retain their jobs, there must be a sufficient supply of child care in the state.

## The Quality of Child Care Affects the Future Workforce

High quality early childhood programs have been shown to yield many benefits which contribute to workforce readiness, including: academic achievement, behavior, educational progression and attainment.

Scientific evidence on the impacts of early childhood education has informed the work conducted by the Perry Preschool and Abecedarian program studies (Heckman, 2010). Recent evaluations of 84 preschool programs provided evidence that, on average, children gain about a third of a year of additional learning across language, reading, and math skills. “At-scale preschool systems in Tulsa and Boston have produced larger gains of between a half and a full year of additional learning in reading and math” (Hirokazu, 2013).

While there is no direct evidence that measures the “distributional effects”, that is, the different impacts that early care and education have on children from disadvantaged families as compared to middle-class and upper-class families, the dollar return from obtaining a college degree is greater than the expected return or wages earned from obtaining a high school degree (Bartik, 2011). Among millennials today, ages 25 to 32, the median annual earnings for full-time working college-degree holders are \$17,500 greater than for those who have only obtained their high school diploma. This gap has steadily widened for each generation, with the gap for millennials being twice as large as it was for “the silent generation in 1965, when the gap for that cohort was just under \$7,500 (all figures are in 2012 dollars)” (Kurtzleben, 2014). See the following graph, Figure 3 for the summary.

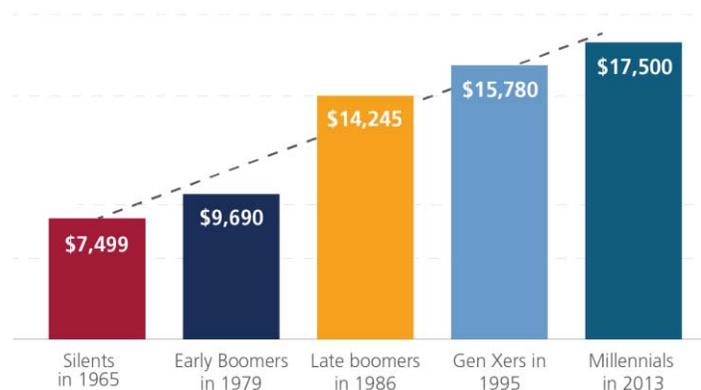
In order to help ensure that children reach their full potential, we need to ensure high-quality early care and learning experiences for our children. A critical component of high-quality care is consistency of care. Unfortunately, due to low wages and lack of or limited benefits, there is a high turnover among child care providers, reaching 30% nationally (Porter, 2012).

In Vermont, the median hourly wage for child care providers at licensed centers is \$11.25. Hourly wages typically start at \$9.37 and can range up to \$16.01 (Sokanu, 2016). This is reflective of the national median child care wages, at \$10.72 (U.S. Bureau of Labor Statistics, 2015).

This rate is competitive with the wages shown in Figure 4 below, and is less than the average wages for Maids and Housekeepers and Stock Clerks.

The key to quality early care and education is linked to the education and stability of the early childhood workforce. There is a strong body of research which shows that the people and places where children

**Figure 3:** Widening Earnings Gap by Generation



spend their day matter. To impact the future workforce requires investments in the workforce that supports and fosters the environments where children learn and grow.

**Figure 4:** Comparison of Child Care Workers Wages



### Low-Wage Working Parents Require Child Care Subsidies to Enter and Stay in the Workforce

Significant proportions of families throughout the state do not make enough to cover basic expenses let alone the basic cost of care as it stands today.

- 34.2% of families in the state make below \$50,000 per year, below the state’s Basic Needs Budget requirements for both a family of three or four (U.S. Census Bureau, 2014).

Vermont’s Child Development Division (CDD) continues to invest in child care through the Child Care Financial Assistance Program (CCFAP), the state’s child care subsidy program.

- Vermont’s CDD spent \$41,250,719 in CCFAP subsidy payments in FY13 (\$9,014,223 in the Burlington/urban area alone).
- The average subsidy per child was \$5,856<sup>30</sup> in SFY16, which was only 49% of the average market price for an infant (\$11,270), and 55% for preschool care (\$9,970).
- Current (FY16) data show that CCFAP subsidy reaches a monthly average of 4,200 children served throughout the year.
- As a comparison, the average published tuition and fee prices for in-state students at four-year higher education institutions in Vermont is \$14,990. In Vermont, using 2014 data, infant care costs as a share of full-time, in-state public college tuition is 73.9%; for preschool care, it is 73.7% (Cooke, 2015).

<sup>30</sup> The number is the state fiscal year 2016 average cost per case for child care financial assistance. It is taken by using the total Child Care Financial Assistance expenditures for state fiscal year 2016, and dividing it by the average number of children whose child care was paid for monthly.

## Conclusion

The child care industry is a growing part of the Vermont economy — pumping dollars into local communities by supporting working families, creating jobs and generating taxes through employment and the purchase of goods and services. Money spent on child care stays in Vermont communities, helping children, families and local businesses.

As the number of two-wage-earner families and women-headed households has increased, child care has become an essential social infrastructure, enabling parents to enter and remain in the workforce. Reliable, affordable child care is critical to low-income families entering the workforce as a result of welfare reform and may make the difference between climbing out of poverty and falling deeper into it.

An insufficient supply of reliable, affordable, and accessible child care negatively impacts Vermont's economy. Parents who cannot find child care, cannot afford child care, or cannot rely on child care arrangements are less likely to enter the workforce, be productive at work, and remain employed. These problems are particularly acute for parents working in the retail and services industries, which are defined by lower wages and non-traditional, mixed and weekend shifts. And it is these industries which comprise almost half of Vermont's total jobs.

**There is a steadily growing body of scientific evidence that the quality of children's social and environmental experience lays the groundwork for future success in school and life.** Consistency of care is a determinant factor in high-quality early care and learning programs. Yet, the national turnover rate among child care providers is 40% annually and is due, in large part, to low wages and poor benefits.

**For many small businesses in Vermont, publicly-funded child care is essential.** Many Vermont businesses do not pay wages that are high enough to cover the cost of child care. By helping low wage families pay for child care, Vermont is also providing financial assistance to thousands of small businesses in the state.

## Methodological Notes

**1** Total child care related jobs were estimated using 2014 Vermont Department of Labor data for three different job types using the Department’s online Employment & Labor Market Information Occupation report: <http://www.vtlni.info/oic.cfm>

- Childcare Workers (O’Net 39-9011.00): 3,106
- Preschool Teachers, Except Special Education (O’Net 25-2011.00): 1,257
- Education Administrators, Preschool and Childcare Center/Program (O’Net 11-9031.00): 300

Totaling these three job counts equal a total amount of 4,663 direct child care jobs throughout Vermont. These data account for jobs attributed licensed and registered child care programs, which includes family child care homes, most likely listed as “self-employed.” As referenced in the earlier text, 27.1% of childcare workers are listed as self-employed. These data, however, likely include few providers who are “unregulated” and providing care in different settings and formats.

**2** 4,663 total direct jobs divided by \$152 Million spent on early education equals 30.68 early education jobs created per million dollars spent.

**3** According to the most current data (2014), there are 18,360 children ages 3-5 in Vermont, and 18,247 children ages 0-2 in the state, accounting for 2.93% and 2.91% of the state’s total population, respectively. These data are retrieved from Vermont insights at: <http://vermontinsights.org/population-by-age#>.

- Child Trends reported in May 2016 that in 2011, children receiving regular non-parental care was 65.1% (children 0-1); 72% (children 1-2); and 62.9% (children 3-4). Retrieved from: [http://www.childtrends.org/wp-content/uploads/2016/05/21\\_appendix1.pdf](http://www.childtrends.org/wp-content/uploads/2016/05/21_appendix1.pdf)
- More recent estimates lump together all children 0-6, taking a different methodology saying that 70% of children at that age group have all parents in the workforce, meaning that by default those parents would need some kind of non-parental child care arrangement. See *STALLED at the START Vermont’s Child Care Challenge* published by Let’s Grow Kids in June 2016 ([http://www.letsgrowkids.org/sites/default/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016\\_0.pdf](http://www.letsgrowkids.org/sites/default/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016_0.pdf)) and The Center for American Progress’s factsheet on Early Learning in Vermont ([https://cdn.americanprogress.org/wp-content/uploads/2016/07/13123332/EC-factsheets\\_VT.pdf](https://cdn.americanprogress.org/wp-content/uploads/2016/07/13123332/EC-factsheets_VT.pdf))
- For our calculations relating to how many children 0-6 require care, PCG used an average of all of these percentages (approximately 68%) to determine that there are 12,585 children 3-Preschool and 12,508 children 0-2 who will need non-parental child care.

In order to calculate total revenues for providers serving children 0-5, PCG used the above estimates of children who need care, and multiplied those totals with average annual cost of care. Below are those calculations:

- Children 0-5 were assumed to need full time care, which was defined at 240 days or 48 weeks per year (assumes both parents work FT, each receiving 2 weeks of vacation and 10 paid holidays, resulting in the need for childcare 240 days per year).
- The average infant weekly market rate for a center based program is \$216.74 and \$153.39 for a home-based program; this averages to \$185.07 per week, or \$8,883.36 annually.
- The average preschool weekly market rate for a center based program is \$191.74 and \$144.54 for a home-based program; this averages to \$168.14 per week, or \$8,070.72 annually.

- For infant care, 12,508 children were multiplied by \$8,883.36, for an estimated total of \$111,113,067 annual revenues for all types of providers in the state.
- For preschool care, 12,585 children were multiplied by \$8,070.72, for an estimated total of \$101,570,011 annual revenues for all types of providers in the state.
- Total gross revenue for caring for children 0-5 in Vermont is estimated now to be \$212,683,078.

**4** To calculate total wages for parents in the labor force that have children 0-6, we used the following formulae:

- 25,620 parents have children 0-6 that participate in the labor force (data from ACS 2014 survey: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>)
- 25,620 divided by total labor force in state (347,486) is at least 7.4% of all individuals in the labor force have children 0-6.
- The average wage in 2014 in Vermont was \$43,017 according to VT Department of Labor (<http://www.vtlmi.info/indnaics.htm#mga>)
- \$43,017 multiplied by 25,620 is \$1.1 billion in total wages earned by parents of children 0-6.
- Total wages paid in Vermont (according to state DOL data) were \$13.1 billion in 2014, so parents of children 0-6 earned approximately 8.4% of all wages in the state in 2014.
- According to the Tax Foundation, the 2012 (most updated date available) tax burden for an individual in Vermont was 10.3% (or \$4,430.75 on average per capita). \$4,430.75 multiplied by the number of parents with children 0-6 is approximately \$113.5 million in state, local, and federal taxes paid. (<http://taxfoundation.org/article/vermonts-state-and-local-tax-burden>)

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## Appendix E. State/Territory Profile: Vermont Early Care and Learning

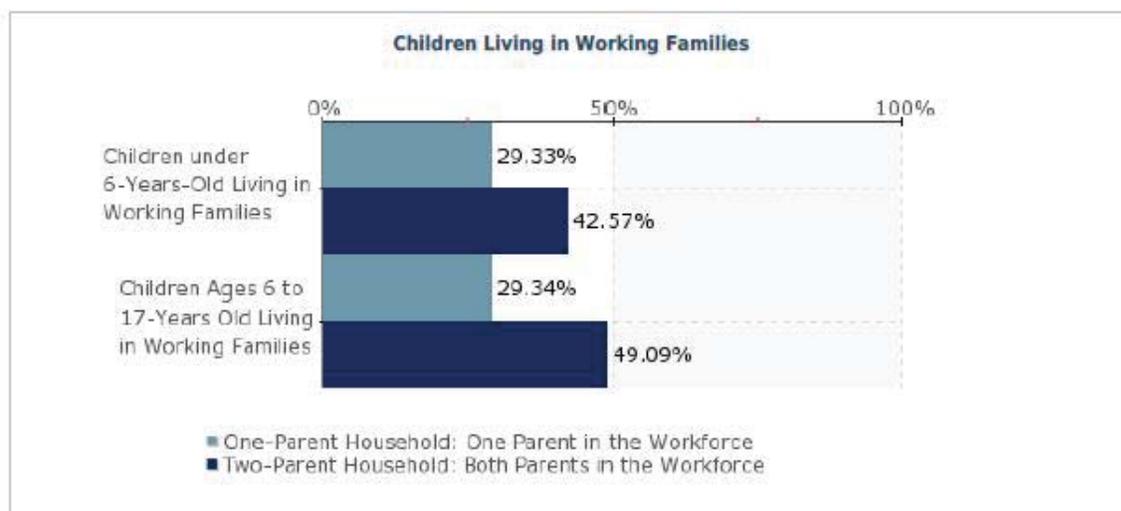
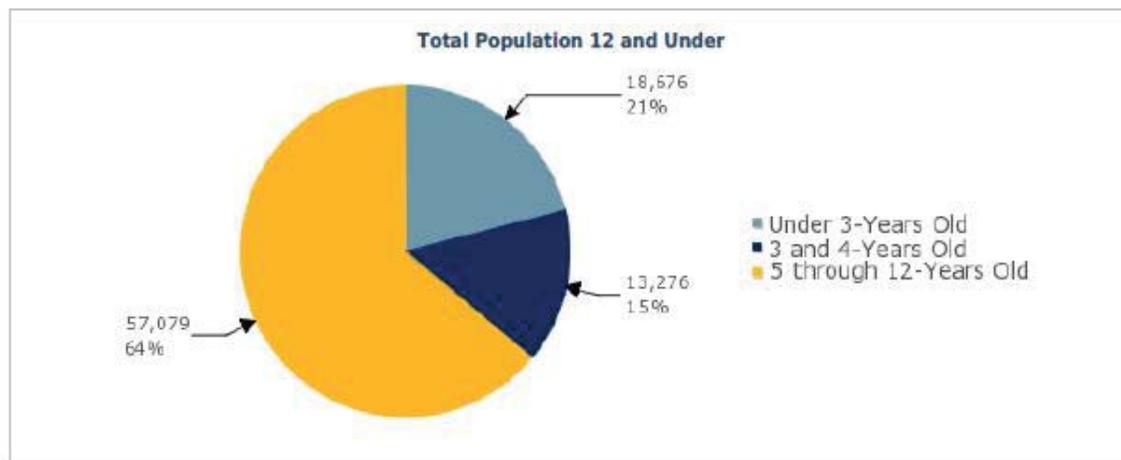
The following state/territory profile of Vermont's early care and learning program was produced by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care in October 2016.

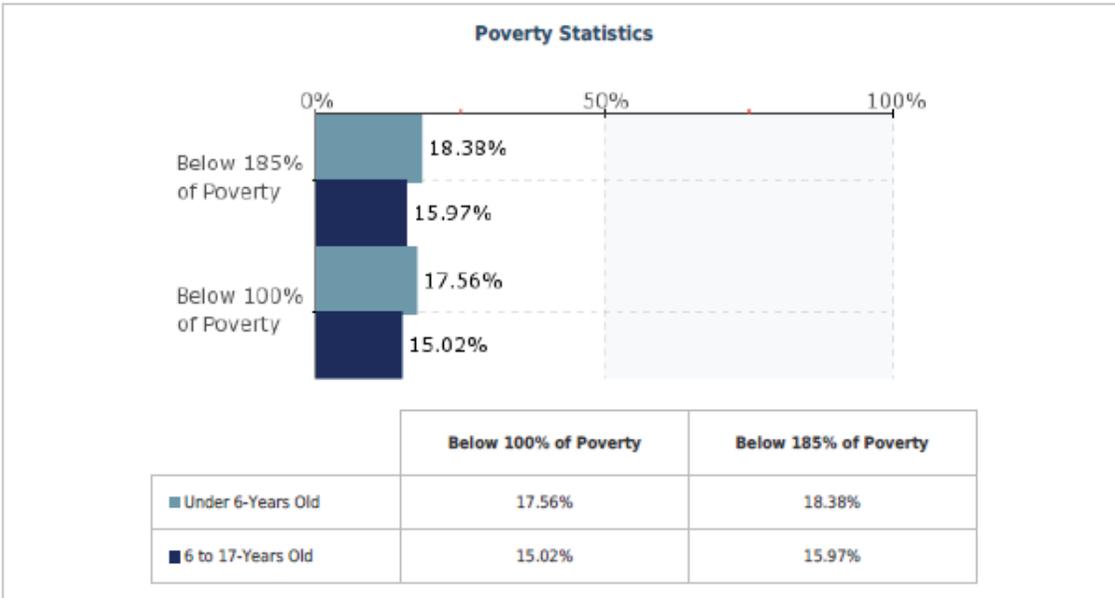


## STATE/TERRITORY PROFILE - VERMONT

This profile highlights a current innovative effort to promote a subsidy system that is child-focused, family friendly, and fair to providers. It also provides demographic information, Early Care and Education (ECE) program participation and funding, subsidy innovation and program integrity information, program quality improvement activities, and professional development and workforce initiatives. Sources and links are provided at the end of the document

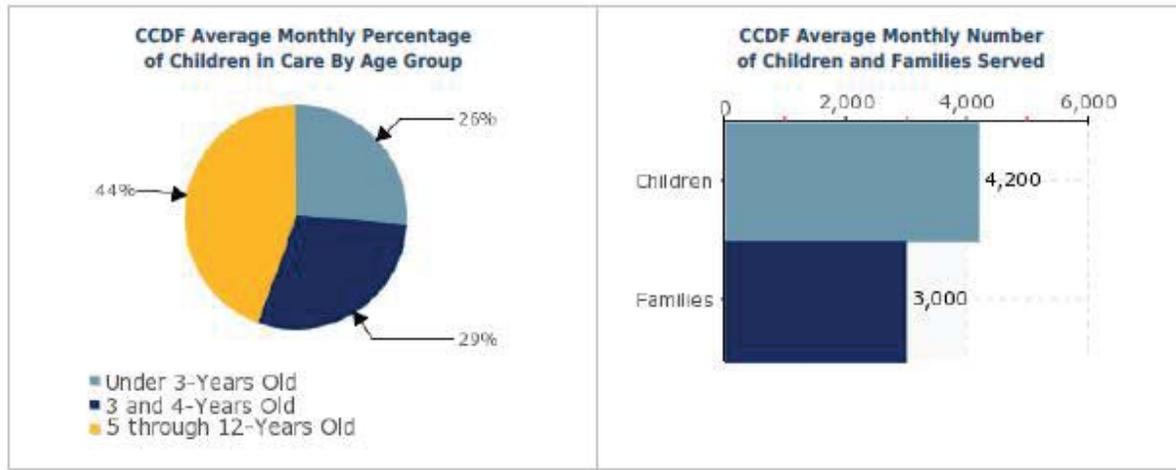
### DEMOGRAPHICS



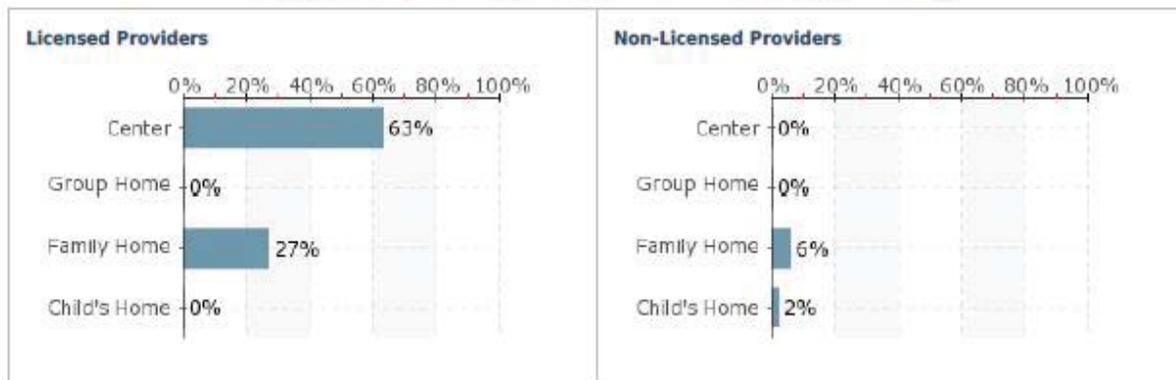


## ECE PROGRAM PARTICIPATION AND FUNDING

### Percentage and Number of Children/Families Served



### Average Monthly Percentages of Children Served in All Types of Care



**Note:** Unregulated provider data includes relative and non-relative care.

### Child Care and Development Fund (CCDF)

• Total CCDF Expenditure (Including Quality):	\$23,584,353
• CCDF Federal Expenditure:	\$19,095,356
• CCDF State/Territory Expenditure:	\$4,488,997

### CCDF Quality Expenditures

• Total Quality Expenditure:	\$2,961,348
• Quality Activities (Set Aside Funds):	\$1,743,560

### CCDF Quality Expenditures

• Infant and Toddler (Targeted Funds):	\$150,939
• Quality Expansion Funds (Targeted Funds):	\$783,452
• School-Age/Resource and Referral (Targeted Funds):	\$283,397

### Temporary Assistance for Needy Families (TANF) for Child Care

• TANF – Total Child Care Expenditure:	\$10,425,082
◦ TANF – Direct Expenditure on Child Care:	\$1,201,008
◦ TANF – Transfer to CCDF:	\$9,224,074

### Child and Adult Care Food Program (CACFP)

• CACFP Funding:	\$4,333,201
• Number of Family Child Care Homes Participating:	510
• Number of Child Care Centers (includes Head Start Programs) Participating:	157

### Head Start

• Head Start Federal Allocation:	\$10,677,079
• Head Start State/Territory Allocation:	\$0
• Number of Children Participating:	916

### IDEA Part B, Section 619

• IDEA Part B Funding:	\$776,474
• Number of Children Served (Ages 3- through 5-Years-Old):	1,819

### IDEA Part C

• IDEA Part C Funding:	\$2,148,938
• Number of Children Served (Ages Birth through 2-Years-Old):	800

### Pre-kindergarten

• Pre-kindergarten Total Expenditure:	\$30,999,300
• Enrollment (4-year-olds and under):	6,324

**Note:** Total Expenditure includes all State/Territory, Local, and Federal dollars. In addition to 3 and 4-year-olds, some Pre-kindergarten programs enroll children of other ages.

## CCDF SUBSIDY PROGRAM ADMINISTRATION

### Income Eligibility Limit as a Percent of State Median Income (SMI)

Family Size	100% of SMI (Monthly)	85% of SMI (Monthly)	Lower Than 85% of SMI, If Used to Limit Eligibility	
			Amount (Monthly)	Percent of SMI
Three	\$5,699.00	\$4,844.00	\$3,255	57%
SMI Year and Source:				

### Waiting Lists

- The Lead Agency currently does not have a waiting list and all eligible families who apply will be served under State/Territory eligibility rules.

### Re-determination Period

- The re-determination period is 12 months.

### Coordinates or Aligns Re-determination Periods With Which Programs

- No

### Prioritize Services for Eligible Children and Families

- Children with special needs receive the same priority as other CCDF-eligible families. Children receiving or within 90 days of transitioning off preventive or protective care receive guaranteed eligibility. Providers receive higher rates for caring for children with special needs requiring additional care and the State prioritizes quality funds for providers serving children with special needs.
- Children in families with very low incomes receive the same priority as other CCDF-eligibility families. The State does not impose a co-payment however, if a provider charges more than the State subsidy rate, the parent is responsible for that copayment to that provider.

### Use of Grants and Contracts

No grant or contracts used

**Payment Rates for Licensed Child Care Services -**

<b>Age</b>	<b>Center</b>	<b>Family Child Care</b>
Infant	137.14/week	114.29/week
Toddler	133.43/week	110.00/week
Preschool	129.60/week	98.86/week
School Age	125.71/week	95.14/week
<b>Effective date of payment rates:</b>		
<b>Market Rate Survey (MRS) Date:</b> October 1, 2012 <b>Payment rate ceiling in relations to the most current MRS for all rate areas and age categories:</b> Center 12th-18th percentile; FCC 1st-7th percentile		

**Differential Rates**

Differential rates are used for the following types of care:

- children with special needs
- higher quality care

**Sliding Fee Scale and Family Contribution**

<b>Minimum Family Contribution</b>	<b>Maximum Family Contribution for First Child</b>	<b>Maximum Family Contribution for Multiple Children</b>	<b>Sliding Fee Scale Effective Date</b>
No fee	90% of cost of care	90% of cost of care	

**Family Contribution Waiver**

NO families with income at or below the poverty level for a family of the same size ARE required to pay a fee.

## HEALTH AND SAFETY

### Number of Licensed Programs and Licensed Capacity

	Number of Licensed Programs	Licensed Capacity
Child Care Centers	668	26456
Family Child Care Homes	857	8570
Group Family Child Care Homes	Facility type not licensed	Facility type not licensed

### Definition of Licensed Group and Family Child Care Homes

Group Child Care Homes: Number of children allowed*	Facility type not licensed
Family Child Care Homes: Number of children allowed	3-6 (plus 4 SAC)
*Lower number is the threshold for licensing. Home-based providers caring for fewer children would be exempt from licensing.	

### Child-Staff Ratios and Group Size by Age of Children for Child Care Centers

Age of Children	Child-Staff Ratio	Group Size
Infant (11 months)	4:1	8
Toddler (35 months)	5:1	10
Preschool (59 months)	10:1	20
School-age (6 years)	13:1	Group size not regulated
School-age (10 years and older)	13:1	Group size not regulated

### Criminal Background Checks Required by Type of Program

Type	Child Care Centers	Group Child Care Homes	Family Child Care Homes
Criminal History Records	Yes	Yes	Facility type not licensed
Child Abuse and Neglect Registry	Yes	Yes	Facility type not licensed
Fingerprints	No	No	Facility type not licensed
Sex Offender Registry	No	No	Facility type not licensed

### Criminal Background Checks Required by Type of Program

Type	Child Care Centers	Group Child Care Homes	Family Child Care Homes
Signed Statement About Criminal Status	Yes	Yes	Facility type not licensed

### Minimum Preservice Qualifications and Ongoing Training Requirements

Role	Minimum Preservice Qualifications	Ongoing Training Hours
Center Teacher	Child Development Associate credential	12
Center Director	Child Development Associate credential and 2 years of experience	12
Family Child Care Home Provider	Child Development Associate credential and 2 years of experience	12
Group Child Care Home Provider	Facility type not licensed	Facility type not licensed

### Types of Routine Visits Conducted

	Announced	Unannounced	Frequency of Routine Visits
Child Care Centers	No	Yes	Once a year
Family Child Care Home Provider	No	Yes	Once every two years
Group Child Care Home Provider	Facility type not licensed	Facility type not licensed	Facility type not licensed

## QUALITY IMPROVEMENT

### Program Standards

- Standards have provisions about the care of the following groups of children:
  - Children with special needs

### Supports to Programs to Improve Quality

• TA is available for attaining and maintaining licensing compliance	Yes
• TA is available for attaining and maintaining quality standards beyond licensing	Yes
• TA is available for attaining and maintaining accreditation	Yes
• TA is linked to entering the QRIS or targeted to help programs move in QRIS	Yes

### Financial Incentives and Supports for Programs

• Grants to meet or maintain licensing	No
• Grants to meet QRIS or similar quality levels	No
• One-time awards or bonuses on completion of quality standard attainment	Yes
• Tiered reimbursement tied to quality for children receiving subsidy	Yes
• On-going, periodic grants or stipends tied to improving/maintaining quality	No
• Tax credits tied to meeting program quality standards	Yes

### Quality Assurance and Monitoring

• Environment Rating Scale (e.g., ECERS, ITERS, SACERS, FDCRS)	Yes
• Classroom Assessment Scoring System (CLASS)	Yes
• Program Assessment Scales (PAS) for child care centers or Business Administration Scale (BAS) for family child care homes	No
• State/Territory uses customized instrument, including submission of written documentation, developed for the quality improvement system	Yes

### Outreach and Consumer Education

• State/Territory uses symbols or simple icons to communicate levels of quality for child care programs	Yes
• State/Territory uses this information for resource and referral and consumer education services with parents who are seeking care	Yes
• State/Territory uses this information to educate parents who are enrolling in the subsidy system	Yes
• State/Territory uses this information in a searchable database on the web	Yes
• State/Territory promotes voluntarily posting symbols or icons visibly in programs	Yes
• State/Territory mandates posting symbols or icons visibly in programs	No
• State/Territory uses this information in marketing and public awareness campaigns	Yes
• State/Territory uses the media to reach public to parents and the communicate about levels of quality for child care programs	Yes

### Quality Rating and Improvement System (QRIS)

• State/Territory has a QRIS or similar quality improvement system that includes linked activities in all five elements	
<input checked="" type="checkbox"/> Operating state/territory-wide	Yes
<input checked="" type="checkbox"/> Operating as a pilot or in a few localities	No
• State/Territory is in the development phase of a QRIS or similar quality improvement system	No
• State/Territory has no plans for the development of a QRIS or similar quality improvement system	No
<ul style="list-style-type: none"> <li>• Types of providers eligible to participate in QRIS: <ul style="list-style-type: none"> <li>◦ Child care centers</li> <li>◦ Group child care homes</li> <li>◦ Family child care homes</li> <li>◦ Early Head Start programs</li> <li>◦ Head Start programs</li> <li>◦ Pre-kindergarten programs</li> <li>◦ School-age programs</li> </ul> </li> </ul>	

## EARLY LEARNING STANDARDS

### ELGs Developed by Age Group

- 3 to 5 years

### Incorporation of Early Learning Guidelines into Child Care Systems

- Incorporation of Early Learning Guidelines into Child Care Systems:
  - To define the content of training required for program quality improvement standards (e.g., QRIS standards)
  - To define the content of training required for the career lattice or professional credential
  - To require programs in quality improvement standards to develop curriculum/learning activities based on the voluntary ELGs
  - To develop State/Territory -approved curricula

### Alignment of Early Learning Guidelines with Other Early Care and Education Systems

- The State/Territory aligns its early learning guidelines with other parts of the child care system:
  - Cross-walked to align with Head Start Child Development and Early Learning Framework
  - Cross-walked to align with K-12 content standards
  - Cross-walked to align with State/Territory Pre-kindergarten standards

## PROFESSIONAL DEVELOPMENT SYSTEMS AND WORKFORCE INITIATIVES

### Career Pathways

• State/Territory has a career pathway or career lattice	Not available
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### Professional Development Capacity

• State/Territory has a training approval system	Not available
• State/Territory has a trainer approval system	Not available
• State/Territory has articulation agreements	No

### Access to Professional Development

• State/Territory has an online clearinghouse of training opportunities	Not available
• State/Territory has career advising	Not available
• State/Territory provides the following supports to access professional development opportunities: <ul style="list-style-type: none"> <li>◦ Reimbursement for training and education expenses</li> <li>◦ Grants</li> <li>◦ Loans</li> </ul>	
• State/Territory has technical assistance (such as mentoring and/or coaching) to help practitioners improve their skills	No

### Compensation, Benefits, and Workforce Conditions

• State/Territory has a salary or wage scale for various professional roles	Not available
• State/Territory provides financial rewards for participation in professional development (e.g., a one-time salary bonus for completing training)	Not available
• State/Territory provides sustained financial support on a periodic, predictable basis (e.g., annual wage supplement, based on the highest level of training and education achieved, etc.)	No
• State/Territory offers or facilitates benefits (e.g. health insurance coverage, retirement, etc.) to the workforce	Yes

### Workforce Data System

• State/Territory has a workforce data system (e.g., a workforce registry)	Not available
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## COORDINATION

### Coordination and Partnership Efforts to Support the Implementation of CCDF

• Formal early childhood and/or school-age coordination plans	Not available
• Designated entity responsible for coordination- state/territory-wide early childhood and/or school-age cabinet/advisory council/task force/ commission	Not available
• Designated entity responsible for coordination- state advisory council	Not available
• Designated entity responsible for coordination- local coordination/council	No

## FOOTNOTES

### Source Footnotes:

- Demographics - Total Population 12 and Under
  - U.S. Census Bureau. (n.d.). In American Community Survey, 2012. QT-P2 Single Years of Age and Sex. Retrieved from American FactFinder:  
[http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC\\_10\\_SF1\\_QTP2&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_SF1_QTP2&prodType=table)
- Demographics - Poverty Statistics
  - U.S. Census Bureau. (n.d.). In American Community Survey, 2013. B17024: Age By Ratio Of Income To Poverty Level In The Past 12 Months - Universe: Population for whom poverty status is determined.  
[http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_13\\_1YR\\_B17024&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_B17024&prodType=table)
- Demographics - Children Living in Working Families
  - U.S. Census Bureau. (n.d.). In American Community Survey, 2013. C23008 Age of own Children under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents: Universe: Own children under 18 years in families and subfamilies.  
[http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_13\\_1YR\\_C23008&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_C23008&prodType=table)
- ECE Program Participation - CCDF Average Monthly Percentage of Children In Care
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). FFY 2013 CCDF data tables [Preliminary estimates]. Table 9 Average Monthly Percentages of Children In Care By Age Group  
<http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-9>
- ECE Program Participation - CCDF Average Monthly Number of Children and Families Served
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). FFY 2013 CCDF data tables [Preliminary estimates]. Table 1 Average Monthly Adjusted Number of Families and Children Served.  
<http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-1>
- ECE Program Participation - CCDF Average Monthly Percentages of Children Served in All Types of Care
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). FFY 2013 CCDF data tables [Preliminary estimates]. Table 6 Average Monthly Percentages of Children Served in All Types of Care.

<http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-6>

- ECE Program Participation - Child and Adult Care Food Program (CACFP) Participation
  - Food Research and Action Center. (February 2015). Profile of Hunger, Poverty, and Federal Nutrition Programs. <http://frac.org/reports-and-resources/national-and-state-program-data-2/>
- ECE Program Participation - Head Start Participation
  - National Institute for Early Education Research. (2013). The 2013 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Program Participation - Pre-kindergarten Participation
  - National Institute for Early Education Research. (2014). The 2014 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Program Participation - IDEA Part C Participation
  - IDEA Data Accountability Center. (2014). Table C1-1: Number of infants and toddlers ages birth through 2 and 3 and older, and percentage of population, receiving early intervention services under IDEA, Part C, by age and state: Fall 2012
- ECE Program Participation - IDEA Part B, Section 619 Participation
  - IDEA Data Accountability Center. (2014). Table B1-1: Number of infants and toddlers ages birth through 2 and 3 and older, and percentage of population, receiving early intervention services under IDEA, Part B, by age and state: Fall 2012
- ECE Funding - Child Care and Development Fund (CCDF)
  - U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. (2014). FY 2014 CCDF Allocations (Including Reallotted Funds). <http://www.acf.hhs.gov/programs/occ/resource/fy-2014-ccdf-allocations-including-reallotted-funds>
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). Program Data and Statistics- Child Care and Development Fund Expenditure Data: 2012 CCDF Expenditure Data. Table 4a: All expenditures by State- Categorical Summary. <http://www.acf.hhs.gov/programs/occ/resource/fy-2012-ccdf-table-4a>
  - U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. (2014). Fiscal Year FY 2012 CCDF Table 3a - All Expenditures by State - Detailed Summary: State and Federal Expenditures Including MOE. <http://www.acf.hhs.gov/programs/occ/resource/fy-2012-ccdf-table-3a>
- ECE Funding - Temporary Assistance for Needy Families (TANF)
  - U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance. (2014). Fiscal Year 2012 TANF Financial Data. <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2013>
- ECE Funding - Child and Adult Care Food Program (CACFP) Funding
  - Food Research and Action Center. (September 2013). Profile of Hunger, Poverty, and Federal Nutrition Programs. [http://frac.org/wp-content/uploads/2010/07/states\\_plus\\_national\\_9-2013.pdf](http://frac.org/wp-content/uploads/2010/07/states_plus_national_9-2013.pdf)
- ECE Funding - Head Start Funding
  - National Institute for Early Education Research. (2014). The 2014 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Funding - Pre-kindergarten Funding
  - National Institute for Early Education Research. (2014). The 2014 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Funding - IDEA Part C Funding
  - U.S. Department of Education, Office of Special Education Programs. (2014). 2014 Parts B and C Formula Grant Award Application Packages. <http://www2.ed.gov/fund/grant/apply/osep/2014apps.html>

- ECE Funding - IDEA Part B Section 619 Funding
  - U.S. Department of Education, Office of Special Education Programs. (2014). 2014 Parts B and C Formula Grant Award Application Packages. <http://www2.ed.gov/fund/grant/apply/osep/2014apps.html>
- CCDF Subsidy Innovation and Program Integrity - Certificates, Grants and Contracts for Child Care Services
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Additional Eligibility Policies
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Prioritizing Services for Eligible Children and Families
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Sliding Fee Scale and Family Contribution
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Payment Rates for Child Care Services
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Health and Safety - Licensing
  - National Center for Child Care Quality Improvement analysis of the 2014 National Association for Regulatory Administration Licensing Programs and Policies Survey (Unpublished).
  - Analysis of 2014 State child care licensing regulations by the National Center on Child Care Quality Improvement (Unpublished).
- Quality Improvements - Program Standards
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Quality Improvements - Supports to Programs to Improve Quality
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Quality Improvements - Quality Assurance and Monitoring
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Quality Improvements - Quality Rating and Improvement System (QRIS)
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Early Learning Standards - Establishing Voluntary Early Learning Guidelines (ELGs)
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Career Pathways
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Professional Development Capacity

- Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.  
Council for Professional Recognition. (n.d.). National Directory of Early Childhood Educator Preparation Institutions. <http://www.cdacouncil.org/resource-center/national-training-directory>
- PD Workforce - Access to Professional Development
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Compensation, Benefits, and Workforce Conditions
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Data and Performance Measures
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- ECE Coordination - Coordination
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.

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## Appendix F. Estimates to Increase Vermont's Child Care Financial Assistance

The following estimates were prepared for the Commission to support:

### **Recommendation 1: Make Immediate Incremental Investments in High-Quality, Affordable Early Care and Learning**

The costs of the increases to the Child Care Financial Assistance Program were prepared by the Child Development Division, Department for Children and Families, of the Agency of Human Services on 27 November 2016.

Change in Child Care Financial Assistance Program (CCFAP) Benefits to:

- 200% FPL at 100% of the Child Care Financial Assistance Income Guideline
- 300% FPL at 50% of the Child Care Financial Assistance Income Guideline
- 349% FPL at 10% of the Child Care Financial Assistance Income Guideline
- Child Care Provider Rates are set at 4 STAR Rate at the 2015 Child Care Market Rate 75th Percentile

#### Cost:

The estimated cost per year for this benefit level is \$90,801,088. The current budget for Child Care Financial Assistance in State Fiscal Year 2017 is \$47,340,764

Amount needed in addition to current budget to fund CCFAP at this estimate - \$43,460,324

#### Assumptions:

Estimate was created using October 2016 Cost Projection Extract from the Vermont Bright Futures Information System (BFIS). This extracts every current Child Care Financial Assistance (CCFAP) certificate authorizing child care, and includes the setting the child is current enrolled providing an accurate assumption of type of setting and STARS level of the program to estimate costs. It was assumed that all families currently receiving CCFAP would be moved to 100% of the income guidelines as 99.9% of the families are at 200% federal poverty level or lower that are receiving CCFAP. When looking at the percent of children current receiving CCFAP to the number of children estimated to be living in Vermont at 200% and 300% federal poverty level (based on the U.S. Census – American Fact Finder AGE BY RATIO OF INCOME TO POVERTY LEVEL IN THE PAST 12 MONTHS) it was determined to estimate an additional 1000 children's families (infants through preschool) would apply and be eligible for 100% CCFAP with the incentive for more benefit available. These children were assumed to be equally split by age group, registered and licensed programs and full and part time schedules. It was also assumed that 3920 children's families (infants, toddlers and preschoolers) would apply and be eligible between 99% and 10% of the CCFAP level, and these were assumed to be equally split by age group, registered and licensed programs and full and part time schedules. In addition, it was assumed that 1344 additional school age children would become eligible for CCFAP between 99% and 10% benefit level, and that those children are split equally between registered and licensed programs. All newly added children were assumed to be attending a 3 STAR program. School age children were assumed to be attending part time during 42 weeks of school year, and full time 10 weeks during the summer time.

**CCFAP Rates set at 2015 Market Rate 75% at 4 STARS Rate**

Licensed Center		Base Rate	1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
Infant	Full Time	\$ 184.62	\$ 193.85	\$ 213.23	\$ 221.54	\$ 240.00	\$ 258.46
	Part Time	\$ 101.54	\$ 106.62	\$ 117.28	\$ 121.85	\$ 132.00	\$ 142.15
	Extended Care	\$ 251.08	\$ 263.63	\$ 289.99	\$ 301.29	\$ 326.40	\$ 351.51
Toddler	Full Time	\$ 179.23	\$ 188.19	\$ 207.01	\$ 215.08	\$ 233.00	\$ 250.92
	Part Time	\$ 98.58	\$ 103.51	\$ 113.86	\$ 118.29	\$ 128.15	\$ 138.01
	Extended Care	\$ 243.75	\$ 255.94	\$ 281.54	\$ 292.50	\$ 316.88	\$ 341.26
Preschool	Full Time	\$ 170.67	\$ 179.21	\$ 197.13	\$ 204.81	\$ 221.88	\$ 238.94
	Part Time	\$ 93.87	\$ 98.56	\$ 108.42	\$ 112.64	\$ 122.03	\$ 131.42
	Extended Care	\$ 232.12	\$ 243.72	\$ 268.09	\$ 278.54	\$ 301.75	\$ 324.96
School age	Full Time	\$ 158.41	\$ 166.33	\$ 182.97	\$ 190.10	\$ 205.94	\$ 221.78
	Part Time	\$ 87.13	\$ 91.48	\$ 100.63	\$ 104.55	\$ 113.27	\$ 121.98
	Extended Care	\$ 215.44	\$ 226.21	\$ 248.84	\$ 258.53	\$ 280.08	\$ 301.62

Registered		Base Rate	1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
Infant	Full Time	\$ 134.62	\$ 141.35	\$ 155.48	\$ 161.54	\$ 175.00	\$ 188.46
	Part Time	\$ 74.04	\$ 77.74	\$ 85.51	\$ 88.85	\$ 96.25	\$ 103.65
	Extended Care	\$ 183.08	\$ 192.23	\$ 211.45	\$ 219.69	\$ 238.00	\$ 256.31
Toddler	Full Time	\$ 126.92	\$ 133.27	\$ 146.60	\$ 152.31	\$ 165.00	\$ 177.69
	Part Time	\$ 69.81	\$ 73.30	\$ 80.63	\$ 83.77	\$ 90.75	\$ 97.73
	Extended Care	\$ 172.62	\$ 181.25	\$ 199.37	\$ 207.14	\$ 224.40	\$ 241.66
Preschool	Full Time	\$ 123.08	\$ 129.23	\$ 142.15	\$ 147.69	\$ 160.00	\$ 172.31
	Part Time	\$ 67.69	\$ 71.08	\$ 78.18	\$ 81.23	\$ 88.00	\$ 94.77
	Extended Care	\$ 167.38	\$ 175.75	\$ 193.33	\$ 200.86	\$ 217.60	\$ 234.34
School age	Full Time	\$ 115.38	\$ 121.15	\$ 133.27	\$ 138.46	\$ 150.00	\$ 161.54
	Part Time	\$ 63.46	\$ 66.63	\$ 73.30	\$ 76.15	\$ 82.50	\$ 88.85
	Extended Care	\$ 156.92	\$ 164.77	\$ 181.25	\$ 188.31	\$ 204.00	\$ 219.69

## Appendix G. Analysis of Parental Contribution

Upon completion of their time together, the Commission wanted to know more about parental contribution i.e., how much parents would be paying under the Commission's proposed sliding fee scale. The Commission viewed this analysis but did not get to discuss it prior to its inclusion in the report.

### METHODOLOGY

STEP 1. Percent of family estimates by income in the state was pulled from the U.S. Census, 2010-2014 American Community Survey 5-Year Estimates, "INCOME IN THE PAST 12 MONTHS (IN 2014 INFLATION-ADJUSTED DOLLARS)." The "families" data was used as opposed to "households, married-couple families, or nonfamily households" as the best approximation of the total population of households with children. <<http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>>

STEP 2. Estimated the number of families with children under age 6, by multiplying the percent of families by the total number of children under age 6 in the state

STEP 3. Estimated the percent of families with children under age 6 that would "demand" non-relative child care

STEP 4. Used the Commission estimated Center-based care and Home-based care, the average cost (of all age groups)

STEP 5. Used the Commission defined sliding fee scale, determined the % of subsidy received

STEP 6. Assuming that all families that are income eligible enroll in the CCFAP and receive subsidy payments, calculated the amount of family payments

STEP 7. Multiplied the individual family payment by the total amount paid by families towards child care.

Income Segments	STEP 1		STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
	Families Estimate	Total number of children 0-5						
Ranges	Estimated Number							
Less than \$10,000	160,872	36,607						
\$10,000 to \$14,999	3.4%		1,245	1,245	\$ 28,955	100%	\$ -	\$ -
\$15,000 to \$24,999	2.50%		915	915	\$ 28,955	100%	\$ -	\$ -
\$25,000 to \$34,999	6.80%		2,489	2,489	\$ 25,446	100%	\$ -	\$ -
\$35,000 to \$49,999	8.10%		2,965	2,965	\$ 25,446	100%	\$ -	\$ -
\$50,000 to \$74,999	13.40%		4,905	4,905	\$ 25,446	100%	\$ -	\$ -
\$75,000 to \$99,999	21.00%		7,687	7,687	\$ 25,446	80%	\$ 5,790.92	\$ 41,820,620.92
\$100,000 to \$149,999	16.60%		6,077	6,077	\$ 25,446	53%	\$ 13,608.67	\$ 11,959.81
\$150,000 to \$199,999	17.40%		6,370	6,370	\$ 25,446	17%	\$ 24,032.34	\$ 21,120.51
\$200,000 or more	5.90%		2,160	2,160	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40
	5.00%		1,830	1,830	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40
<b>TOTAL</b>	<b>*</b>	<b>36,607</b>	<b>36,644</b>	<b>36,644</b>				<b>\$ 371,845,063.74</b>

\* Note that due to rounding error, the total estimate is more than 100%

DEMAND: Perceived Option 1 @ 70.4%		STEP 1		STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
Total number of children 0-5		36,607							
Income Segments	Families Estimate	Estimated # of 0-5	Demand: 70.4%	Average Cost of Center-Based Care	Average Cost of Home-Based Care	% of subsidy received	Individual Family Payments	Individual Family Payments - Home	Total Family Payments
Ranges	Estimated Number		0.704 (Incorporates all Age Groups)						
Less than \$10,000	160,872	5,470	876	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$10,000 to \$14,999	3.4%	4,022	644	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$15,000 to \$24,999	2.50%	10,939	1,752	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$25,000 to \$34,999	6.80%	13,031	2,087	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$35,000 to \$49,999	8.10%	21,557	3,453	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$50,000 to \$74,999	13.40%	33,783	5,412	\$ 28,955	\$ 25,446	80%	\$ 5,790.92	\$ 5,089.28	\$ 29,441,717.13
\$75,000 to \$99,999	21.00%	26,705	4,278	\$ 28,955	\$ 25,446	53%	\$ 13,608.67	\$ 11,959.81	\$ 54,691,494.53
\$100,000 to \$149,999	16.60%	27,992	4,484	\$ 28,955	\$ 25,446	17%	\$ 24,032.34	\$ 21,120.51	\$ 101,237,447.33
\$150,000 to \$199,999	17.40%	9,491	1,521	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 41,358,602.63
\$200,000 or more	5.90%	8,044	1,289	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 35,049,663.25
<b>TOTAL</b>	<b>5.00%</b>	<b>8,044</b>	<b>1,830</b>	<b>\$ 28,955</b>	<b>\$ 25,446</b>	<b>0%</b>	<b>\$ 28,954.62</b>	<b>\$ 25,446.40</b>	<b>\$ 261,778,924.87</b>
* Note that due to rounding error, the total estimate is more than 100%									

DEMAND: Perceived Option 2 @ 24.7%		STEP 1		STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
Total number of children 0-5		36,607							
Income Segments	Families Estimate	Estimated # of 0-5	Demand: 24.7%	Average Cost of Center-Based Care	Average Cost of Home-Based Care	% of subsidy received	Individual Family Payments	Individual Family Payments - Home	Total Family Payments
Ranges	Estimated Number		0.247 (Incorporates all Age Groups)						
Less than \$10,000	160,872	5,470	307	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$10,000 to \$14,999	3.4%	4,022	226	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$15,000 to \$24,999	2.50%	10,939	615	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$25,000 to \$34,999	6.80%	13,031	732	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$35,000 to \$49,999	8.10%	21,557	1,212	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$50,000 to \$74,999	13.40%	33,783	1,899	\$ 28,955	\$ 25,446	80%	\$ 5,790.92	\$ 5,089.28	\$ 10,329,693.37
\$75,000 to \$99,999	21.00%	26,705	1,501	\$ 28,955	\$ 25,446	53%	\$ 13,608.67	\$ 11,959.81	\$ 19,188,635.16
\$100,000 to \$149,999	16.60%	27,992	1,573	\$ 28,955	\$ 25,446	17%	\$ 24,032.34	\$ 21,120.51	\$ 35,519,388.48
\$150,000 to \$199,999	17.40%	9,491	533	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 14,510,759.73
\$200,000 or more	5.90%	8,044	452	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 12,297,254.01
<b>TOTAL</b>	<b>5.00%</b>	<b>8,044</b>	<b>9,051</b>	<b>\$ 28,955</b>	<b>\$ 25,446</b>	<b>0%</b>	<b>\$ 28,954.62</b>	<b>\$ 25,446.40</b>	<b>\$ 91,845,730.74</b>
* Note that due to rounding error, the total estimate is more than 100%									