



Blue Ribbon Commission on Financing High Quality, Affordable Child Care

FINAL REPORT

2016

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

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)

Final Report
November 2016

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

Prepared by the Vermont Blue Ribbon Commission on Financing High Quality, Affordable Child Care
Jess Gingras
Jessica Blackman
Public Consulting Group, Inc. (Research Consultant)

Table of Contents

| | |
|---|----|
| TRANSMITTAL LETTER..... | 1 |
| STATUTORY CHARGE..... | 2 |
| INTRODUCTION..... | 5 |
| EXECUTIVE SUMMARY..... | 6 |
| SECTION ONE: THE COMMISSION'S PROCESS..... | 9 |
| SECTION TWO: THE COMMISSION'S FINDINGS..... | 11 |
| A. Why it Matters..... | 11 |
| The Benefits to the Economy..... | 11 |
| The Benefits to Parents..... | 13 |
| The Benefits to Children..... | 13 |
| B. Defining High Quality Early Care and Learning..... | 16 |
| Definition of High Quality Early Care and Learning Program..... | 16 |
| C. The Cost of High Quality Child Care..... | 17 |
| Commission's Cost of High Quality Care Calculations..... | 17 |
| Cost of High Quality Care Statewide..... | 18 |
| Other Transitional Systematic Investment..... | 19 |
| Early Care and Learning Workforce..... | 20 |
| Shared Services..... | 21 |
| Comprehensive Services..... | 22 |
| Transportation..... | 23 |
| Act 166 Preschool..... | 23 |
| D. Affordability..... | 24 |
| Affordability in Vermont..... | 24 |
| Current Vermont Investments..... | 25 |
| Analysis of Affordability of High Quality Child Care..... | 26 |
| Affordability Calculations..... | 26 |
| SECTION THREE: THE COMMISSION'S RECOMMENDATIONS..... | 31 |
| SECTION FOUR: ENDNOTES..... | 37 |
| SECTION FIVE: APPENDICES..... | 42 |

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 CHANGE

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. |

| Gubernatorial Appointees | Statutory Position |
|---------------------------------|---|
| 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. |
| Statutory Members | Agency |
| 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,¹ the implementation of the STARS quality rating and improvement system,² the passage of Act 166, universal prekindergarten,³ and receipt and implementation of initiatives through the \$36.9 million Federal Race to the Top Early Learning Challenge Grant.⁴ 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;⁵
- 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;⁶
- Children who face significant adverse experiences (more than 7-8) have 3:1 odds of adult heart disease after adverse childhood experiences;⁷ and
- \$4-9 in returns for every dollar invested in early childhood programs.⁸

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.⁹

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.¹⁰

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 - \$9.¹¹ Currently there are over 36,000 children birth to age 5 in Vermont: 6,023 infants, 12,224 toddlers, and 18,360 preschoolers.¹² These children and families have access to approximately 1,500 licensed and registered programs (46% center-based, 54% home-based).¹³ As of July 2016, 31.9% of all early care and learning programs have a 4 or 5 STAR high quality designation.¹⁴ Nearly half (47%) of all infants and toddlers likely-to-need-care do not have access to any regulated early care program.¹⁵ Currently Vermont spends \$130 million through state and federal investments.¹⁶ 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.¹⁷ 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.¹⁸ 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 13th least affordable for center-based infant care and 3rd least affordable for center-based four-year-old care.¹⁹ 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.²⁰ 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,²¹ 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.²² 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.²³

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 care²⁴ b) 70.4%, the percent of Vermont children under 6 who have all available parents in the workforce²⁵ 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 \$180,000²⁶ 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.