

Thursday, January 19, 2017

To: Senate Health & Welfare Committee  
From: Charlotte Ancel, VP, Energy Supply & General Counsel, Green Mountain Power  
Chair, Blue Ribbon Commission on Financing High Quality, Affordable Child Care

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

Good morning. Thank you for inviting me to be a part of your meeting today. My name is Charlotte Ancel and I am the Vice President of Power Supply and General Counsel for Green Mountain Power, and I was honored to serve as the Chair of the Blue Ribbon Commission on Financing High Quality, Affordable Child Care.

The Commission was created by the Vermont Legislature in 2015 to research and make recommendations on providing equal access to voluntary, high quality, affordable early care and learning to all Vermont children, ages birth through five, and financing options to support such a system, as the previous Governor and Legislature determined that access to high-quality, affordable child care was a critical issue for our state and warranted further study.

In December 2016, the Commission submitted its final report to this committee as well as the Governor's office, then Governor-elect Phil Scott, and other members of the General Assembly. This morning, I want to share highlights from our transmittal letter, the Commission's findings, and our recommendations.

#### **Overview of the work of the Commission:**

The Blue Ribbon Commission was comprised of seventeen members who represented diverse perspectives on early childhood care and learning in Vermont including representatives of state agencies, business, finance, higher education, the military, child advocacy, child and parent services, and child care providers. To achieve our goals, the Commission consulted with state early childhood experts, examined national studies, heard from Vermonters at five public forums across the state, and worked with a research consulting team. Our final report seeks to provide a clear definition of elements inherent to high-quality early care and learning programs in Vermont, information on affordability, and the need to increase public investment through various financing options to support voluntary, equal access to such as system.

#### **Overview of Vermont's Early Care & Learning System:**

Through our work, the Commission identified that early care and learning is critical to the economic and community wellbeing of Vermont. Currently, regulated child care programs for young children are offered in two primary environments, home-based programs (also referred to as Family Child Care Homes), and center-based programs (also referred to as Center-Based Child Care and Preschool Programs). National studies have found that investments in high quality early care and learning programs yield significant returns to the government and society as a whole over the course of a child's lifetime.

Unfortunately, the Commission found that there is a critical need for child care and early learning programs to support Vermont’s working families with young children. A recent Vermont report found that nearly half of the infants and toddlers likely to need care do not have access to regulated early care and learning programs and nearly 80% of infants and toddlers likely to need care do not have access to high-quality early care and learning programs.

Additionally, the Commission also found that the program that helps families afford child care, Vermont’s current Child Care Financial Assistance Program is underfunded, and many families who would benefit from financial assistance aren’t eligible for tuition assistance. This has reduced the income of providers, limiting their ability to pay themselves or staff, and support quality improvements.

These findings guided our work in the areas of quality and affordability. To make recommendations to support quality and affordability, the Commission determined the key elements of high-quality programs in Vermont and developed estimations of what it would cost to deliver high-quality child care for children birth to five in Vermont.

The Commission then used this definition to determine how much it would cost child care providers to offer this level of quality programming.

- For center-based programs, it would cost:
  - Rough \$35,000 per child for infants and toddlers (0-2); and
  - \$15,000 per child for preschoolers (3-5)
- For home-based programs, it would cost:
  - Roughly \$41,000 per infant
  - \$21,000 per toddler
  - \$14,000 per preschooler

The Commission then used these per-child costs to determine how much it would cost to offer high-quality care to Vermont’s youngest children. The Commission used three different models to estimate demand for regulated early care and learning programs to determine system-wide costs:

- 24.7%, which represents the finding of a 2007 federal report on national demand for non-relative care of young children
- 70.4%, which represents the percent of Vermont children under age 6 with all available parents in the labor force
- 100% of children birth to five.

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 final cost figures ranged from \$360 million to \$850 million before accounting for how much parents and the public currently contribute to the system. For our “Middle of the road” estimate, based on demand being young children with all available parents in the labor force, the gap between what is already invested in the system, and the projected cost of providing high-quality early care and learning to this group is only \$200 million.

In addition to modeling the costs of offering high-quality child care to Vermont’s youngest children, the Commission also identified the need to make this level of care affordable to families. The Commission used Vermont’s Basic Needs Budget to develop estimations of affordability for Vermont Families, and then modeled how the state’s current Child Care Financial Assistance Program could be adjusted to extend tuition assistance to more families by increasing eligibility, adjusting the sliding fee scale, adjusting benefit levels, and adjust tuition assistance rates paid to providers. The Commission concluded that, given the tuition rates providers would need to charge to provide a high level of quality, that the Child Care Financial Assistance Program’s benefit of 100% tuition assistance would need to be extended to families earning roughly \$60,000 and slowly tapered as family income increased up to roughly \$180,000. The slow taper approach helps to address a current challenge in Vermont’s existing system that causes there to be cliffs in the exiting sliding scale, meaning that at certain points in the program scale, if a person receives a raise, they may bump up into the next payment tier, but their raise does not allow them to absorb the increased cost without financial challenges to the families overall budget.

### **Recommendations:**

The Commission acknowledged that our work was an important step forward to address critical needs in Vermont’s early care and learning system, but that more work is needed. Long-term change will require significant shifts in funding, governance, and delivery. Therefore, the Commission developed short-term and long-term recommendations for the Legislature and Administration to realize a voluntary, equitable, high-quality, affordable early care and learning system for all Vermont children birth – 5.

### **Recommendation 1: Make Annual Incremental Investments Immediately 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:

1. To improve financial access and stability, adjust Vermont’s Child Care Financial Assistance Program (CCFAP) in the following way:
  - a. Set the 4-star rate at the 75th percentile of 2015 market rates and adjust accordingly the current tiered system methodology which incentivizes quality
  - b. Provide 100% benefit at the 200% federal poverty level (FPL)
  - c. Provide 50% benefit at the 300% FPL
  - d. Provide 0% benefit at the 350% FPL

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.

2. 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. Annual allocation should be at least \$3 million to finance grants and loans.

3. 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:
  - a. Establish a range of "Outstanding Early Childhood Professional" recognitions that are substantial enough to incentivize providers to enter and stay in the workforce;
  - b. Establish and fund a W.A.G.E.\$® program that assures private sector programs can recruit and retain highly qualified staff;
  - c. Permanently establish an early childhood leadership institute or program to foster strong, ongoing, committed leaders in the early childhood system;
  - d. Establish pathways to credentials and licensure:
    - i. Locally enhanced higher education coursework and accredited opportunities
    - ii. Portfolio development and assessment of prior learning
    - iii. Provider support through mentoring, coaching, teaching, and assisting;
  - e. Establish a scholarship fund robust enough to incentivize pursuing a degree in early childhood education. Link this to the T.E.A.C.H.® support already in place.
    - i. Scholarships for educational advancement toward degree attainment
    - ii. Incentives that promote social and emotional competence and literacy
    - iii. Supports for "relief time" for schooling and coursework
  
4. 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.

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

The Commission recommends that the state's early childhood public/private partnership, Building Bright Futures, facilitate a statewide effort to explore and develop recommendations for a comprehensive, integrated early care and learning system in partnership with early childhood stakeholders, community members, the Governor, members of the Administration, and members of the Legislature. While the Commission addressed pieces of the work, state- and district-level costs related to administration, monitoring, distribution of resources, and staffing were not explored. Further conversation and research are needed to fully explore and design a system that considers delivery, funding, governance, and achieving economies of scale. The Commission detailed five key steps to achieve this process, which can be found in the full report. To achieve this goal, the Commission recommends appropriating funding for the project, in addition to immediate direct service investment needs previously mentioned.

### **Recommendation 3: Financing Mechanisms**

The Commission discussed a range of potential mechanisms that could help to finance a future expanded high-quality, affordable early care and learning system in Vermont. The Commission recommended that the Vermont Legislature review and act on the following list of potential financing mechanisms to support Vermont's early care and learning system.

1. Reallocation of savings across all state agencies through operational efficiencies

2. Business and philanthropic community partnerships and incentives:
  - a. Public-Private Partnerships
  - b. Pay for Success
  - c. Philanthropic Investments
3. Early care and learning license plates
4. Endowment funds
5. Leveraging additional funding from Medicaid through the global commitment waiver
6. Exploring options for other revenue sources

More details on each of these items can be found in the full report.

**Conclusion:**

These recommendations lay out concrete steps to allow our state to build an equitable, efficient, and effective early care and learning system. Making Vermont affordable for young families must be a top priority for the Legislature and Administration, and child care is a key tool in this process. **Voluntary, high-quality, affordable early care and learning for all Vermont children, birth to five, presents the most significant opportunity for the state to make systemic improvements to foster economic development, advance social and community well-being, and provide a positive impact for future generations.**

I encourage you to take action on the short-term and long-term recommendations offered by our Commission, and to increase public investment in Vermont's early care and learning system.

Thank you.