



Date: Friday, February 9, 2018

To: Senate Education Committee

From: Andrew Sambrook, Owner, Annette's Preschool and The Clubhouse

Testimony on Proposed Changes to Vermont's Universal, Publicly-Funded Pre-K Program (Act 166)

Good Afternoon! My name is Andrew Sambrook. I appreciate the opportunity to provide some testimony around the current legislative changes for Act 166 being considered in amendments to Section 829.

My wife Andrea and I own and operate a private early childhood program in Hinesburg. We have 23 staff and serve over 100 families with quality early care and education for children ages 6 weeks through 8 years of age.

I was asked to provide input relating to the proposed changes as a owner of a private provider of preK services. My testimony will inevitably come at this from a economic and market focused approach, since we support our family and 23 other employee families by the financial sustainability of our programs. Act 166 is a significant driver of our programs and it is important that this is operating efficiently.

First, before I make comments on the specific proposals, I would be doing a disservice if I did not address the critical issue for private providers of quality childcare in Vermont. I would ask this committee to examine this once some of the Act166 simplification is completed. It is an issue that drives quality and availability. It is the critical lack of qualified credentialed early education teachers – that is, those qualified under the new regulations and who can be employed in our programs. Act166 is a success. It has materially increased the demand for pre-K services for 3,4 and 5 year olds¹. To satisfy this demand requires 100+ professionals (at a 1:10 ratio) to be in the classroom. The Vermont pool of labor is not satisfying anywhere close to this supply of suitably credentialed professionals. As we meet today, we currently have 3 vacancies in our medium sized program that have gone unfilled for months. We are typical of other programs. We receive few if any qualified applicants. We get more applicants from overseas and other states (including the Philippines and Hawaii) than Vermont – we get applicants with little to no background in earlycare who we cannot employ even as substitute teachers. So, some programs (luckily not ours) are forced to close classrooms and teachers are moving from one program to another in a crazy game of program musical chairs, creating instability for kids and staff and significant payroll and administrative costs for programs². It is not clear to us that state legislators and AOE/AHS-CDD have taken any ownership for solving this problem. Perhaps this current legislative moment allows

¹ I've seen estimates of 1000+ additional 3-5 year olds now receiving preschool – Confirmed by April 2017 report: Preliminary Evaluation of Pre-Kindergarten Education Programs to Promote Optimum Outcomes for Children and to Collect Data that will inform Future Decisions – Vermont AOE

² This is not a matter that can be solved just by recruiting and retention strategies at the center level. The new childcare regulations – an improvement in many ways-- were adopted with little modeling of the impact on the actual supply of teachers that meet the regulations and who want to work in early childhood education. If only if were simply a matter of paying candidates more. People who meet the regulations do not exist in the kinds of numbers Vermont early-care needs.

this Committee the moment to contemplate the supply side issues in addition to improving the demand and availability of Act166 public preK.

How does this relate to today's task of reviewing the proposals? We fear that some of the proposed changes may actually make that issue more severe in the medium or long term.

For the rest of my testimony, I want to focus on three large themes – I will make only summary comments but my full remarks will be submitted today and include some additional analysis and information that I would like the committee to review. The three themes are

1. Impact of proposed changes on pre-K families
2. Impact of proposed changes on the mixed service model
3. Impact of proposed changes on early-care affordability and the taxpayer

Impact on preK families:

The definition of prekindergarten child. Changing the pre-K age eligibility – proposed s829(a)(1) -- and positioning this as a minor change seems disingenuous. This is not a minor change. The ability for a parent to choose whether their five year old continues in a program for an extra year of PreK should not be taken away without legislators weighing in. The majority of pre-K programs in other States recognize the ability to defer Kindergarten a year³. As providers, we have first hand experience of situations where the developmental maturity of the child should be the guiding factor not simply the chronological age. This is how families and teachers in the quality preschool and early care programs decide how children should move through their classrooms. Parents know best their kids ability to cope with Kindergarten⁴. In addition, in Vermont, children are not mandated to attend Kindergarten, so an extra year of pre-K means there would be no loss of “public school education”. The current proposed change means that a deferral of Kindergarten will become the prerogative of just those able to afford an additional year of PreK. It was clear in the original intent of Act 166 that this parental option should exist⁵. This is not a minor change of wording to bring the statutes in line⁶, it is a fundamental change of the principles of Act 166 being shoehorned and presented to this committee as a minor statutory change⁷. The AOE talks

³ Of the 63 publicly financed preschool programs listed by National Institute For Early Education Research (State of the Preschool 2016 at NIEER.org), 33 programs allow for some degree of freedom for 5 year olds to continue a 3rd year of pre-K either at the request of parents, the discretion of a local program, special needs, and IEP or on condition that they have not attended a 4 year old preschool.

⁴ When parents choose a third year, they are certainly not doing it for financial reasons -- they are giving up public financed Kindergarten and even with Act 166 support will pay perhaps \$200/week for fulltime program.

⁵ It was spelt out in FAQ#4 in the AOE publication “Act 166 of 2014: Access to Prekindergarten Education (Revised: August 1, 2016) describing this principle. (Found at <http://education.vermont.gov/sites/aoe/files/documents/edu-early-education-faqs-on-act-166-access-to-prekindergarten-education.pdf>)

⁶ What has precipitated this change? If it is budgetary, then there is a significant possibility that the need for increased special services needed to provide assistance to 5 year olds who enter Kindergarten when ill-prepared from a social or emotional perspective.

⁷ Indeed, the proposed change doesn't achieve parity with other definitions of preK elsewhere as the drafters claim. 16 VSA section 11 includes the following definition of prekindergarten services --“services designed to provide developmentally appropriate early development and learning experiences based on Vermont's early learning standards to children who are three to four years of age and to five year old children who are not eligible

about legislative intent, but only the legislators know their intent. **CONCLUSION: We would suggest that language is included in the proposed changes to provide an explicit but limited mechanism by which there is retained a degree of parental choice beyond needing an IEP rather than a strict chronological cutoff⁸.**

Impact on pre-K families:

Portability of Pre-K vouchers

While the concept of portability is preserved and maintained, and we welcome that, it is undermined by the lack of portability of Special Services from one school district to another. The proposals are silent on this. Since AOE is taking administrative oversight of the Act166 administration, we feel it would not be unreasonable to develop a similar funding mechanism by which pre-K special services could be planned and on a inter-District (one State school District) basis. This would allow parents with a child with an IEP or who needs other services to take advantage of portability – impacting a significant number of Vermont families⁹ **CONCLUSION: Make special service portability match Act166 voucher portability.**

Impact of proposed changes on the mixed service model

When I testified in front of the AOE and AHS last fall -- when public comments were being taken -- the overwhelming testimonial evidence described a well-intentioned public preK mechanism (Act166) that had become burdened by a complex system of administration¹⁰. At the time, it seemed that the administrative simplification should be accomplished without upsetting a desired mixed model of public and private pre-K partnerships. Removing multiple school districts from administering the program and centralizing contracts, admission and payments seemed the focus of the AOE/AHS enquiry.

However, the current proposed adjustments to the legislation, whether intended or not, seems to have gone much further than smoothing out the administrative kinks in Act 166. The proposals as written, clearly benefit the AOE and school districts by simplifying their oversight and licensing¹¹. In the short

for OR enrolled in kindergarten”(emphasis added). This definition as it exists contemplates the situation where five year old children who are eligible may still choose not to enroll in kindergarten and receive pre-K services.

⁸ This is an important issue albeit it impacts very few families at modest budget cost to the AOE. If a change is to be made, legislators should do so actively and consider the implications for families, rather than just assume that that was the intent of Act 166 all along. It certainly seems not to have been the intent when Universal Pre-K was initially passed, nor it seems, was it the intent of the AOE up through August 2016 *ibid*.

⁹ Previous analysis based on the Vermont Economic and Demographic Profile Series 2016, shows that on average 42% of each VT county residents work in a county outside their own. An estimated 1100 preK students have an IEP (16%). This suggest that 500+ pre-K children with an IEP do not for all intents and purposes enjoy Act166 portability.

¹⁰ For example, multiple contracts with multiple school districts – different contracts – different payment dates, mandated evaluation reporting, different attendance collection methodologies with different school calendars. Different insurance requirements.

¹¹ If implemented as proposed, we will have the situation where STARS only applies to private providers (829(c)(1). Where childcare licensing will no longer apply to public providers (3502(b)(6), and the asymmetric provision of public resources will continue to go to the School Districts via the ADM mechanism up to 0.46FTE s829(d)(3). And it

term, things may not change substantially, but there are serious longer term implications to the childcare market structure. The suggested changes create a bifurcated (two class) system which, on the one hand, allows and encourages the expansion of the provision of pre-K by school districts, eliminates the quality and licensing requirements for School Districts – in particular, STARS, class ratios, Director level credentialing – and on the other hand, likely narrows the number of private providers. 3STAR programs are no longer Act166 compliant, and home providers will have the additional substantial increase in costs of supporting a licensed teacher for 10 hours per week – a tripling of the previous requirement – a demand for licensed teachers that are already few and far between.

Most critically the changes as drafted, create a dysfunctional economic incentive for public pre-K providers to expand their preK programs without input of community pre-K needs assessment. The ADM for pre-K will provide a monetary incentive for School Districts to expand beyond 10 hours per week.

In addition, the proposals replace the childcare licensing regulations to be replaced by “safety and quality” rules of the AOE and Board oversight of School District pre-K programs -- 829(c)(2). It is our experience that School principals, District administrators or Board members often do not have significant early education or pre-K training or background. This is in stark contrast to the very many capable Directors of Early Education programs who have the earlycare developmental background and pre-K teaching experience. Parents will struggle to understand the choice of public and private programs without a unifying set of “guiding rules” and “quality”. Inevitably, either program type will claim they are being burdened to a greater level than the other.

CONCLUSION: We recommend that similar language to current s829(e)(2) is retained so that expansion is based on community needs rather than budgetary and ADM needs of a school district. Retain the STARS quality rating requirement for all programs. Cross-walk licensing guidelines applicable to private to those applicable to School District preK programs to provide transparency on safety/ratio/teacher credentials and Director/Principal level requirements.

Impact of proposed changes on early-care affordability and the taxpayer

If we get to use our public school facilities more efficiently, why is that a problem? We contend that there are several implications. Irrespective of the lack of pre-K experience noted above, over expansion by public providers threatens to undermine the delicate balancing act that is the public private partnership mixed model. If private and public are chasing pre-K enrollment and a pre-K endorsed licensed teacher, there will likely only be one winner¹². Previously, school districts receive the benefit of a 0.46 ADM in their school budgets even for children that they did not provide any direct in-classroom services. The promise by AOE and DHS last fall was to provide more transparency as to where the 0.46 ADM was being spent by school districts and to continue to reinforce and protect the mixed model of delivery between public and private programs. Attached is an analysis of how the 0.46ADM benefits a school district budget providing a 2-3% additional expenditure “headroom” while keeping tax rate

continues the unfair situation where private programs are not allowed to impose fees to meet the Act166 administrative requirements s829(d)(4).

¹² The economic cost of capital of public infrastructure is much lower and subsidized by the near monopoly status of K-12 education in Vermont. Inevitably private programs (who need to run at 80-90% capacity to be sustainable) will close.

stable. The economic value of Act 166 to the private and public programs is different and the proposal maintains that differential certainly for School Districts providing more than 10 hours of pre-K.

Pre-K will become the domain of the higher cost based public schools putting additional strains on the Education Fund.¹³

However, the greatest impact will be the provision of childcare in the very early years – 0 to 3. As a provider, I cannot charge (or choose not to charge) the true cost of this infant care to our families. As the Blue Ribbon Commission report concluded, the early years would be 2-3 X the cost of preschool. This means families should be prepared to pay \$600-700/week for an infant or toddler spot – if you can find one.

CONCLUSION: Either take away the ADM incentive for public programs or provide similar economics for private programs so that transparency is improved and dysfunctional incentives are taken out of pre-K provisioning in a mixed model.

Summary:

We have some serious concerns that this proposed legislation does not “do what is says on the tin”

- It takes out the safeguards that public pre-K will not expand if there are currently viable private providers with capacity in the region. Private programs should be able to stand on their own but if Public PreK programs are able to use taxpayer funded fixed assets to subsidize their preK programs this is unfair.
- Portability is not fully implemented since it does not tackle the significant barrier to portability – special services.
- Vermont childcare programs are bifurcated in terms of licensing and quality measure between public and private programs
- The proposals relax the requirements of a School District preK provider while retaining those and indeed tightening those on private providers.
- The system of ADMs pre-K is a way that the school districts have found to supplement their K-12 budgets. While the initial 10 hours will be treated alike -- the proposal currently before your committee promotes expansion and provides an economic incentive to do so. A school board will now (without the need for DOE oversight) be incented to expand their pre-K offering in order to continue to get the full ADM FTE.

¹³ \$54.6M was spent by Vermont in pre-K education in 2015-16 (Source: Vermont AOE preliminary evaluation of Act166 – April 2017). There were 7326 preK students enrolled. At the time (2015-16) the Act 166 funding was \$3000/student. That means at \$3000/child, \$22.0M was spent on implementing Act 166 to provide 10 hours of quality preK to every 3,4, or 5 year old. Thus only 40% of the actual preK expenditure was spent supporting public preK directly. Further, if we assume that 60% of pre-K enrollment is in private programs, then \$13.2M of Act166 monies went to private providers as the \$3000/child tuition contribution. The balance of \$41.4M of PreK spending went to Public programs at a cost of $(\$41.6M / (40\% \times 7326)) = \$14198/\text{preK enrolled child}$. As explained this included “special services” and “administrative overhead”. By School District figures, \$461/child went to administration. Current proposed legislation continues this inequity by specifically prohibiting private providers from charging an administration fee for the administrative burdens of public preK

- School districts have effectively been using Act 166 monies to shelter of their K-12 budgets via the ADM. Lets get rid of this dysfunction or level the playing field between public and private.
- Ultimately, if there is a shift in the mixed model a couple of things will happen:
 - PreK will become more expensive based in higher cost but tax supported School Districts
 - Private programs will close due to low enrollment and/or the lack of ability to attract teachers
 - 0-3 services will need to be self sustaining without the preK support in income. This means you should be prepared to pay \$600-700/week for an infant spot – if you can find one!

Thank you for your time – Andrea and I are very proud of our programs. We are very proud of all our teachers who work in our program – who will not get rich in early-care, but who show tremendous dedication to their kids. We invite you to visit us in Hinesburg if you are in the neighborhood.

Andy & Andrea Sambrook

Town of EXAMPLE

Homestead Education Tax Rate Calculation (Extract)

	With Act 166	Adjust due to Act166 cc	Without Act 166	Additional Act166 Contribution	Same Tax Rate
1. Expenditures	\$ 9,169,585	\$	\$ 8,946,700	\$ (259,915)	\$ 8,686,785
2. Offsetting revenues	\$ 1,347,369	(222,885)	\$ 1,347,369		\$ 1,347,369
3. Education spending	\$ 7,822,216		\$ 7,599,331		\$ 7,339,416
4. Equalized pupils	529.15	(32.66)	496.49		496.49
5. Education spending per equalized pupil	<u>\$ 14,782.61</u>		\$ 15,306.11		<u>\$ 14,782.61</u>
12. Education spending per equalized pupil plus an	\$ 14,782.61		\$ 15,306.11		\$ 14,782.61
13. Homestead property yield	\$ 9,701.00		\$ 9,701.00		\$ 9,701.00
14. Homestead equalized tax rate	\$ 1.5238		\$ 1.5778		\$ 1.5238
FY 2016 PreK Count	78				
FY 2015 PreKCount	64				
Average	71				
Weighting for ADM	0.46				
ADM Used in Model	32.66				

Source:
VT DOE

School District website BUDGET materials - CVSD

Explanation:

This schedule illustrates how the 0.46ADM for each preK student provides for additional expenditure in the school budget while maintaining a steady taxrate. The impact is to reduce the "education spending per equalized pupil" metric -- after offsets and using the statewide property tax yield, a Homestead equalized tax rate is calculated.

The higher the denominator (the number of equalized pupils) the lower the resulting Homestead equalized rate. In this example, since the actual cash outflow of Act 166 payments (to external providers of \$3192 (SY 17/18) is less than 0.46 x \$14783 (education spending /pupil) = \$6800, the resulting impact is to create the ability of the School District for additional spending of \$259915 without impacting the tax rate representing about 3% in this example.

So all other things being equal, EXAMPLE school district who holds tax rate steady could actually increase District spending by 3% through the mechanism of Act 166 ADM.

