

## Hope Campbell, Testimony

Thank you for giving me the opportunity to speak with you today about what the Vermont Community Loan Fund does and why early care and learning is important and what we see as the challenges for the industry.

My name is Hope Campbell and I have been working at the Loan Fund since 2000. I was hired to run the business lending department at the Loan Fund and at the same time we began lending on a small scale to the early care and learning market. In 2002 the early childhood lending was segregated in its own department and I have been the full time director of that department for the last 15 years. To date we have lent more than \$8.5 million and leveraged an additional \$6.4 million in other capital to support early childhood programs in every county of the state. These loans have supported the care of more than 3,500 early care and learning slots for children, 70% being occupied by low income children. Our existing portfolio totals \$4.4 million and has created or retained 521 jobs.

The Vermont Community Loan Fund is a state wide, non-profit community development financial institution. The Loan Fund strengthens Vermont by providing equitable access to capital for affordable housing, community facilities, small business and the early care and learning industry. Our goal is to enable private investor to put their money to use for social purposes right here in Vermont.

Originally the Loan Fund became involved with the early childhood industry to exam whether or not loan capital could be used by early care and learning programs to improve, viability, long term sustainability and ultimate the quality of care. Soon it was realized that lending to meet capital improvements was both a viable option and a needed tool to increase the quality of care for children. We learned that by making investments in facilities and equipment showed improved outcomes in meeting the developmental needs of children, teacher recruitment & retention, attracting new families and business stability. Additional outcomes included benefits to child behavior with fewer & easier transition, more productive child-initiated play, higher morale and job satisfaction for teachers and lower staff turnover. All of this improving the overall quality for children, staff and families.

In 2001, the Building Bright Space for Bright Futures (BBS) License Plate and Fund was created by the Legislature to assist new and existing child care and youth programs to expand the supply and improve the quality of care available to Vermont families.

The BBS fund is a grant resource designed to include a premium from the license plate, an appropriation from the Vermont Legislature and contributions from the general public. It enables programs to start, relocate, expand, or make improvements to their physical space. The state appropriation each year was to be the vehicle by which the state would support early care and learning and youth facilities, working as a trigger to leverage far greater amounts. Indeed, the **state investment has been leveraged 38.61 to 1**. In addition, without BBF funding, the majority of these of these projects likely would not have happened. To date the program has made 118 grants totaling \$1,274,362 and leveraged an additional \$49,205,198 in capital from other resources such as banks, alternative lenders, grants, private investment and equity. These grants have supported 2,775 early care and learning spots for children.

We quickly learned that this market needed extensive business development coaching, both around program administration and financial management. Most of the early care and learning programs have a clear understanding or early childhood learning, but few have the skill set necessary to run a successful business. As a result of these findings the Loan Funds established the Project Success program providing

free business development services to the community. Much of the support provided is around Stars quality rating system application and financial management.

Financial management and quality go hand in hand. Early care and learning programs need to vary their revenue sources in order to provide quality services at affordable rates for families. The Stars quality rating system being tied to higher reimbursement rates based on the quality of care provided was a step in the right direction allowing providers to serve more low income families. The Stars program pays qualified programs at rates between 10% and 40% more than the base rate depending on their Stars level (1-Star is lowest and 5-Stars is the highest). That increase could amount to an additional \$53 a week for a preschooler or \$60 a week for an infant. Still, this wasn't enough to cover the actual cost of providing care for the children and pay a staff at a minimum wage, so providers were still having to charge their low income families the difference between what the state financial assistance program paid and what it actually cost to provide the care.

Also during this time some public schools were working with quality early care and learning programs in their communities to provide preschool services that were not offered by the public schools system. Eventually, Universal Pre-K (Act 166) was passed and opened the opportunity for all qualified early care and learning programs to participate with the public school system to provide preschool services. This Act has allowed the early care and learning programs the opportunities to pay wages high enough to employ licensed teachers and assessment tools to ensure that children are meeting Vermont Early Learning Standards. Additionally, this money has made it possible for more low income families to access high quality early learning opportunities for their children. Many families have been unable to afford quality because of the gap created by the market rate being higher than the reimbursement rate for families, yet still not meeting the real cost of care.

An example is a colleague of mine who is a single mother of a 3 year old who receives state financial assistance at 65% of the benefit amount based on her salary of \$33,280 a year. Her child had been receiving early care and learning services from a one-Star home based provider, who suddenly advised families that she was closing her program with a months' notice.

This provider charged \$140 a week and the CCFAP program paid a total of \$72.81 leaving a co-pay of \$67.19 a week for care.

This parent was forced to seek a new program to meet her needs and after two weeks was able to find a slot open at a five Star center in the area that could meet her needs. This provider charged \$221.67 a week and the CCFAP program paid a total of \$121.48 leaving a co-pay of \$100.19. While this program cost the parent an additional \$33 a week, her daughter is now in one of the highest quality programs in the state and next year will qualify for the 10 free hours of care through Act 166, reducing her cost by an additional \$88 a week.

I urge this committee to keep Act 166 in place. Families need a mixed delivery system to meet their varying needs. With 70% of families with children under six and both parents in the work force many families need the flexible hours that the private sector early care and learning communities provide. Additionally, it is absolutely critical to keep Pre-K services in the community based programs. Moving this service to the public school system would financially bankrupt the early care and learning infrastructure and make infant/toddler care unaffordable for families. Without the higher adult/child ratios of preschoolers in the early care and learning programs, infant/toddler care cost would have to increase in cost between \$350 and \$450 a week to sustain viability. This would eliminate early care and learning for most Vermont families.