

To: House Appropriations Committee
Representative Kitty Toll, Chair

From: Let's Grow Kids, Sarah Kenney, Senior Director of Policy
Vermont Early Childhood Advocacy Alliance, Matt Levin, Executive Director

Date: January 22, 2019

Re: CCFAP Underutilization in Budget Adjustment Act

We are writing to express our concern about the Administration's proposal in the Budget Adjustment Act to reallocate \$2.5 million from the Child Care Financial Assistance Program (CCFAP) for other purposes in the budget. We know that Vermont has a crisis in terms of child care, and we believe that those funds should remain in the program and be invested in the early education system.

The \$2.5 million is being reallocated because of program underutilization. We hear from parents, child care providers, and child care referral specialists (and Deputy Commissioner Murphy underscored this point in testimony last year) that the likely explanation is that, ironically, the program is underutilized because it provides low levels of financial assistance to many families and low reimbursement rates to child care programs. The level of support provided by CCFAP is insufficient for many families to be able to afford child care:

- For a family making more than the federal poverty level, CCFAP provides only a portion of the cost of care. Economic analysis by Deb Brighton from the Joint Fiscal Office indicates that the families most impacted by the slope of the sliding scale are those with incomes between 100% and 230% of the federal poverty level. Even a small increase in the benefit will be a big boost for these families.
- Additionally, families earning between 200% and 300% of the federal poverty guidelines (between \$50,200 and \$75,300 for a 4-person family) only receive 10% financial assistance from the program. For these families, the tiny benefit means that they still can't afford child care, even with CCFAP support.

Reimbursement rates paid to child care providers by the program are also an issue. Rates have fallen behind the actual costs of providing child care, especially for preschool-age and afterschool-age children. The reimbursement rates for these age groups are more than 8 years out-of-date, meaning that families may not only have to pay their share of the CCFAP reimbursement rate, but also make up the difference between the CCFAP reimbursement rate and the actual tuition rate charged by their child care provider.

As long as insufficient program funding limits benefits, utilization will be lower.

There are urgent needs within CCFAP that could be supported with these funds. Underspent funds could be allocated toward uses such as:

- professional development,
- temporary replacement of STARS maintenance incentives,

- scholarships for early educators through the T.E.A.C.H. program,
- launching a loan repayment program for early educators,
- grants for child care providers to improve facilities and pay for other one-time costs, or
- providing extra funds through the grant program for regulated child care providers serving infants and toddlers receiving CCFAP.

We also understand that, in order to increase eligibility for CCFAP in coming years, the Child Development Division may need a significant one-time IT upgrade. Funds could be dedicated to this project to prepare for additional investment in coming years.

We realize that there are significant needs within the DCF budget and that the Administration is generally supportive of early care and learning. This Budget Adjustment Act presents another opportunity to demonstrate that support by creatively applying the available funds to support early educators, children and families while the uptake rate catches up to recent investments in the CCFAP reimbursement rates.