



Date: February 14th, 2020

To: House Committee on Commerce & Economic Development

From: Robert Haynes, Executive Director, Green Mountain Economic Development Corporation

Testimony on Investments in Early Childhood Educators and the Workforce

Good morning and thank you for inviting me to speak today. My name is Robert Haynes, and I am the Executive Director of Green Mountain Economic Development Corporation. As you may already know, GMEDC is one of Vermont's 12 RDCs and we are entrusted with fostering economic vitality and growth in our district of 30 towns in East Central Vermont – northern Windsor and southern Orange County.

As I work with businesses throughout our region, in addition to housing, the lack of affordable, high-quality child care emerges again and again as a severely limiting factor for business viability, in general and across the board – every industry, profession and organization we deal with. This came into sharp focus with two recent Vermont Council on Rural Development community exercises. The first was in Randolph and titled Randolph Region Re-Energized aka R-3 and the second a 4-Town VCRD project with Royalton, Sharon, Tunbridge and Strafford. Both concluded unanimously that the situation with regard to child care has reached a critical level. Therefore, it is necessary to recognize that child care is a community and economic development issue which is why I am here.

Without access to high-quality child care, our businesses cannot attract or retain the workforce they need to grow. Thousands of qualified and willing Vermonters who have young children, especially more than one, are sidelined at home until their kids reach school age, because of the cost which is substantial. This is a very easy factor to confirm and understand.

As a result, the lack of high-quality, affordable child care stunts our business growth and damages our regional and statewide economies. I have several businesses of various

sizes looking to expand – many are recruiting talent from out-of-state by necessity – but when they talk to prospective employees about relocation, child care is almost always the first or second thing they ask about, housing being the other. To repeat with emphasis, employers are losing qualified workers, many of whom are already here, because they can't find child care.

I am a member of the statewide manufacturing policy group working to find and train people needed to fill the demand for 10,000+ excellent jobs currently open across the state in a variety of fields. This number will actually increase over time due to an aging workforce, a declining birth rate, and the exodus of young residents seeking greener pastures elsewhere. I'll repeat that child care is second only to housing as a barrier to recruiting employees, or enabling those who are already here and ready to go back to work.

Child care has emerged as a central issue for regional economic growth and GMEDC has made it a priority with our workforce efforts along with support for Career and Technical Education. GMEDC has been working closely with community leaders and town staff in Randolph and the Let's Grow Kids Organization to address the issue directly by increasing access to high-quality child care in our region. To do so, we are hoping to purchase property at Exit 4 of Interstate 89 and build a child care center in one of the existing buildings as a pilot program. It would immediately increase the number of child care slots available in Randolph and the surrounding region which has a long waiting list. It would also provide a choice to parents unhappy with their current situation. The center would be open from 7 AM until 6 or 6:30 PM year-round and be a "difference maker" in our market. We have met with several challenges in this effort, most of which are financial, but we are encouraged. Our intention is to keep the operating costs as low as possible, especially for lower and moderate-income residents.

An additional constraining factor is the lack of early childhood educators required to staff a new facility, here and elsewhere. In response, we hope to improve this by establishing a stand-alone early educational training program at this location.

Throughout this process I have become disheartened to discover the pitifully low wages paid to these essential educators in most cases. This clearly leads to an unstable workforce in the field throughout the state, and beyond. As a result, our commitment to

improve this situation is stimulated by the recognition that our early childhood educators are *the* workforce working parents rely on in order to get to work. It goes without saying that the strength of our early childhood education workforce has an immediate and direct impact on our overall economic viability. Estimates show that Vermont needs at least 2,090 additional early childhood educators to meet the *current* demand and if they aren't paid well, the results will continue to be unsatisfactory, much like any other profession.

Many are concerned about what Vermont is doing to sustain and grow this workforce of early educators and we believe the long-term success of our vision for Randolph and similar efforts across the state, rely on them. That conclusion was beautifully stated by Damian DiNicola, the Chair of the R3 Downtown Economic Development and Tourism Committee. He testified last week at House Appropriations and a copy of his remarks is attached for your interest; I encourage you to read it. In addition, numerous individuals and organizations in the Randolph region are working together to solve this puzzle including motivated local citizens, Gifford Hospital, Vermont Technical College, numerous business managers and HR Directors as well as the town staff. Randolph received a Municipal Planning Grant from ACCD to evaluate and quantify the market conditions and retained Reeva Murphy, a well-regarded expert in this field. A similar, early-stage process is underway in the 4-Town Region.

I will close by saying my regional development peers across the state are working hard to promote business growth and a strong economic future for Vermont. We need the legislature to partner with us to ensure that we have a vibrant and well-trained early childhood education workforce to accomplish this task. I hope you will consider proposed solutions and funding to encourage and enable high-quality early educators to enter and remain in the field as well as proposals that subsidize operational costs. These efforts should include investing in Vermont's T.E.A.C.H Early Childhood program, creating a student loan repayment support program, and establishing a temporary wage supplement program. We also hope you will fund innovations that support employer and community efforts, like Randolph's and its 4-Town neighbors, which offer solutions and new hope to our families and businesses.

Thank you for allowing me to join the conversation today.

Budget Hearing Testimony of Damian DiNicola 2/10/2020

- **INTRODUCTION:** Good evening. My name is Damian DiNicola. I am an attorney in Randolph and an active volunteer in the community. I currently co-chair the "R3" downtown economic development and tourism committee, an initiative originally sponsored by the Vermont Council on Rural Development. I also lead a committee that has been working for two years to expand high-quality childcare and early education centers in the region.
- **ISSUE:** I am here tonight to ask that we invest in solving the challenge of expanding sustainable, high-quality child care programs to meet the needs of our region by making this a priority in the Governor's State Budget. Specifically, I ask that we address head on the significant "Cost" vs. "Affordability" gap that makes the current system unsustainable, by developing additional funding sources and business models that will attract high quality childcare centers and educators to our region and permit them to succeed.
- In Summary my testimony will be as follows:
 - A lack of high-quality early childhood care and education programs in our region and throughout the state creates a significant barrier to economic development.
 - However, the current system does not offer people an attractive or sustainable business model or employment opportunity.
 - That is because the programs cost significantly more to run than people can afford to pay and even with current state subsidization, programs can not afford to pay qualified educators enough to attract and retain people to the field.
 - Current programs will not survive and we will not be able to attract people to start new programs to meet our needs unless we invest in addressing the "cost" vs. "affordability" gap and pay disparity head on and develop a sustainable model that will work in our region.
 - Resolving these problem will stimulate and drive economic and community development.
- **THE CHALLENGE:**
 1. **As many people may be aware from recent media attention, there is a shortage, and in many communities a complete absence of, high quality affordable childcare programs. Our economic development group has identified this as one of our most significant barriers to economic development. For our community it is approaching a crisis.**
 - For background, research has found that 3 out of 5 of Vermont infants likely to need child care don't have access to any regulated child care program.
 - When families do find a spot, they are spending up to 30% of their income on child care even with financial assistance from the state. Vermont's Child Care Financial Assistance Program (CCFAP) is an important resource, but it reimburses families at levels that are lower than the rates that programs currently need to charge to make ends meet.
 - Yet those current rates have proven to be insufficient to pay the salaries needed to attract qualified employees, or in many cases to sustain the childcare programs. As a consequence, programs that have been a fixtures in our community for over 40 years have recently closed and there is little to no incentive to start new programs in the region or to enter the field.
 - Indeed, of all college graduates, early childhood educators earn the least, nationwide.
 - The median hourly wage for a child care worker in Vermont is \$13.27 an hour, this translates to a median annual wage of approximately \$29,430.

- That's about half of the median annual wage for a kindergarten teacher in Vermont. This pay disparity makes it extremely difficult for early childhood educators to stay in the field and provides little incentive for new students to train in the field. As a consequence, existing centers are struggling to hire and retain the qualified employees they need to staff those centers. At the same time we need more centers to meet current demand, and that will require more educators and staff.
- Both the "cost" vs. "affordability" gap and the pay disparity gap need to be resolved together in order to support both new and existing centers and remove this crucial barrier to economic development.
- The impact of the childcare shortage on economic development in our region cannot be overstated. Local businesses and community leaders have repeatedly identified the shortage of childcare as one of the key challenges facing our region that must be resolved before other economic and community development initiatives can be successfully implemented.
- That is because families have come to rely on the availability of high quality affordable childcare options. They both require and demand them of the communities where they choose to live and work.
- Our local hospital, town government, school district, Vermont Technical college and a wide variety of other businesses have all reported being unable to hire or retain qualified workers directly due to a lack of childcare options in our region.
- Simply put, the availability of high-quality childcare, or lack thereof, is either a deal maker or deal breaker when it comes to recruiting and retaining the young working families we need to sustain our rural communities and businesses into the future.
- Yet, even with current subsidies, Child Care Centers are not attractive or sustainable businesses.
- As noted earlier, in Randolph we have seen centers that have been fixtures in the community for 40 years close, even as subsidies have increased. That is because the subsidies are simply not enough to bridge the gap between what is required to meet the standards we expect (and should expect) of our centers and what it takes to pay people an attractive wage and operate a viable business.
- After nearly two years working on this issue with a group that involves some of our best and brightest community business leaders and educators, we have found that even the availability of significant grant money to assist with start-up costs is not enough to attract people willing to start and run a center. That is because the current system does not offer them a sustainable business model (or at least not any that is easily identifiable). Media reports and outreach to childcare providers throughout the state have confirmed this is a widespread issue not isolated to our community.
- To put the cost vs affordability gap into perspective, one local business that runs and subsidizes a high-quality center for its own employees essentially contributes two to three times (or more) what its employees pay in order to bridge the gap between what it actually costs to run the center and what employees can reasonable be asked to pay. This is not a viable option for most businesses.
- That center still is unable to pay its employees a wage necessary to maintain a qualified workforce, and they regularly lose qualified employees to higher paying jobs in the public school system or elsewhere.
- In summary, expanding affordable access to high quality early childhood education centers is a key economic development issue for our region, but without a sustainable business model, our communities cannot attract and retain people to open and run centers. Without being able to pay a reasonable, competitive salary, both new and existing centers will be unable to maintain

a pipeline of students and employees willing to enter the field. Accordingly we need to actively and aggressively invest in solving these core issues to turn this barrier to our regions long term success into a driving force behind our economic development.

- **SO WHAT AM I ASKING FOR ON BEHALF OF OUR COMMUNITY GROUP:**

- The value of high-quality early childhood education is well recognized. But like many things with indirect, long-term benefits, the issue that we continue to dance around is “how” do we pay to do the right thing in the right way and “who” should pay for it.
- After two years our group has found that if we had someone qualified and willing to start a center, we could probably find grant money to get them started with equipment, building costs and salaries. But there are not folks interested in starting or investing in a center without a viable, sustainable business model and we are not interested in taking in grant money to start something that is not sustainable. Yet there currently is a dearth of public resources dedicated to helping with the crucial initial questions: evaluating the specific needs and resources of a specific community and region, understanding and solving the “cost gap” as it applies within that specific community and developing business models and sustainable funding sources that will allow the center to succeed in that community. We cannot recruit those willing to run and work for the centers until we first solve those issues:
- Accordingly, I ask that we increase investments in early childhood education in the following ways:
 1. Create funding opportunities dedicated to helping communities evaluate need, resources, locations and viable business models for their community. Specifically, to hire those with expertise to help communities identify the needs and costs specific to their communities, so that they can address the gap between what people can pay and what it actually will cost to sustain a high-quality program that pays an attractive wage.
 2. After identifying the regions cost vs affordability gap we need funding to investigate and pursue sustainable solutions for bridging the gap via coalitions of businesses, educators, families and government. For example: we might establish a pilot to engage employers, early childhood educators, and other community and government partners in specific regions to find new sustainable funding sources to bridge the gap in that region. In addition, we need to invest in ways to make it easier for centers to form coalitions and share resources and employees with each other and the public school system in order to reduce costs and best meet the specific needs of the region.
 3. At the same time we need to continue to support and pursue the following measures to help slow the trend of closing programs and shortage of educators until more sustainable long-term funding solutions and business models can be developed: Including,
 - Aligning all CCFAP reimbursement rates with the most current rate information and requiring that this adjustment happen automatically in the future;
 - Exploring ways to simplify the reimbursement program and process to make it easier for centers and families to understand and make full use of the program;
 - Investing in Vermont’s T.E.A.C.H. scholarship program;
 - Facilitating partnerships between childcare centers and early childhood teacher training programs to create a pipeline for training and placing qualified educators with programs that need them.
 - Launching a student loan repayment support program for early childhood educators; and
 - Creating a temporary wage support program for early childhood educators.
- Thank you.