

Memorandum

To: Senator Richard Westman, Senate Appropriations
From: Ken Schatz, DCF Commissioner
Re: CCFAP Questions
Date: February 14, 2020

This memo is in response to questions you posed regarding the FY21 budget, Child Care Financial Assistance Program (CCFAP), capacity grants, workforce development and an update on the five-year plan.

Please see the attached document “**New Investments in Early Care and Learning – FY2020**” in response to your questions about changes in CCFAP and how funding was appropriated. This document also has information related to Capacity Building Grants, workforce supports, and more.

We are also attaching two documents related specifically to CCFAP challenges and redesign that you may find helpful. These are the “**Child Care Financial Assistance Program Proposed Redesign**” document and the “**CCFAP Proposed Redesign 5 Year Plan**” power point presentation.

With regard to child care closures and the effect this has on CCFAP slots, we are working to provide 2019 data on capacity and closures. We are hoping to do a deeper dig into this data when it is published, which will include a survey of closed or closing programs. This deeper dig will take some time; however, we are hoping to have this information collated by spring.

The Heartworks/Loveworks Centers that are closing three of their ten locations has garnered the most attention. We have applicants for all three spaces. Our licensing unit is expediting these applications to ensure a seamless transition. Our staff have also been working with families who are searching for alternative care.

The current program details are as follows:

- impacts 90 children (including 19 CCFAP children and 1 Specialized Child Care child);
 - Williston Road, has an approved capacity of 35 children and current enrollment of 23
 - Milton, has an approved capacity of 59 children and current enrollment of 38
 - Montpelier, has an approved capacity of 44 children and current enrollment of 29
- None of these locations are prequalified prekindergarten programs

Please let us know if you have further questions.



New Investments in Early Care and Learning – FY2020

The Vermont Department for Children and Families, Child Development Division's goal is to increase access to high-quality, sustainable services that are developmentally beneficial for children, strengthen families, and meet their needs. We do this in partnership with families, communities, schools, providers and state and federal agencies.

Child Care Investment Changes

\$5.8 million in Child Care Financial Assistance Program (CCFAP) Changes

Approximately \$5.8 million of additional funding was appropriated for the Child Care Financial Assistance Program (CCFAP) to:



- Adjust the income guidelines to align with the 2019 Federal Poverty Levels (FPL)
- Changes in the income guidelines to provide a more gradual decrease in benefits to families as they earn more income.
- Align the preschool and school age Child Care Financial Assistance (CCFAP) rates with the 2014 Vermont Market Rate Survey
- Maintain the rates of reimbursement for infants and toddlers aligned with the 2017 Vermont Market Rate Survey.

Status

- These changes were implemented on July 21, 2019
- Families already in the program: their cost-sharing went significantly down.
- More families eligible
- Families received a copy of their new Child Care Financial Assistance Program certificate by the beginning of August. Their eligibility was automatically determined using the new income guidelines.

\$1 million in Stabilization Grants

One million dollars in ongoing funding was allocated for two purposes:



- A Stabilization Grant program to support full-day/full-year child care and early learning programs that serve infants and toddlers and maintain the enrollment of children receiving support through the Child Care Financial Assistance Program (CCFAP) at a level of at least 50% of total enrollment.
- A grant program to support expanding infant and toddler child care capacity

Status:

- \$200,000 in Stabilization Grants will be managed by the Child Development Division and will be distributed on a formulaic basis in January and May 2020. <https://dcf.vermont.gov/cdd/providers/grants/infant-toddler>
- \$800,000 in a competitive grant program to support expanding infant and toddler child care capacity is being finalized.

Additional Child Development Division 2020 Budget Updates

Capacity Building Grants



One-time child care funds reallocated from the FY2019 budget \$1.4 million to support one-time grants to new or existing regulated child care programs to build child care capacity in areas of the state where the need is greatest with a focus on serving infants and toddlers and vulnerable populations of children.

Status

- Partnering with Let's Grow Kids and using the established structure and process of their Make Way for Kids Program to administer the grants.
- The first round of grant applications was received in December 2019.

Additional Funds for Information Technology

The legislature appropriated \$1,000,000 to implement upgrades to the child care information system, currently called Bright Futures Information System, to support future changes to the Child Care Financial Assistance Program.



Status

- Completed Technical and Business Architecture with a focus on the areas directly impacted by current BFIS system
- Requested and received Level of Effort estimates from two vendors

Workforce Supports

\$300,000 in workforce supports for individuals employed in a regulated privately-operated center-based child care program or family child care home.

Status



- The Early Learning and Development Committee of Building Bright Futures recommended funds be allocated to T.E.A.C.H. Early Childhood Vermont, a project of the Vermont Association of the Education of Young Children.
- Funding for Scholarships supporting professionals who are either seeking an early childhood associate's degree or a teaching license with an endorsement in early childhood or early childhood special education.

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\$300,000 of funding was appropriated to facilitate the implementation of a nationally accredited Child Development Associate Credential (CDA) curriculum in career technical centers throughout the State, and to provide stipends and other incentives to tech center students preparing to enter early childhood professions.



Status

- Partnering with Community College of Vermont to develop the curriculum based on the CDA requirements and
- Partnering with Let's Grow Kids to promote the CDA curriculum.

For more information please contact:

Melissa Riegel-Garrett, CDD Policy Director, DCF, Agency of Human Services
Melissa.riegel-garrett@vermont.gov

Child Care Financial Assistance Program Proposed Redesign

The Child Care Financial Assistance Program (CCFAP) goal is to improve access to affordable, high quality early care and afterschool programs.

The program has a two generational impact:

- *Strengthen Families by helping eligible families pay for child care supports so they can participate in the workforce, increase education and training, and have financial stability.*
- *Support optimal child development by providing children opportunities at high quality early care and learning and afterschool programs that advance their healthy development and success in learning and life.*

Current Program

The Child Care Financial Assistance Program helps eligible families with the cost of child care. Payments are made directly to child care providers on behalf of the family.

- Based on income and family size, families are determined eligible to have a percentage of established provider rates paid directly to their child care provider. For example, a family of three with a monthly income of \$2050 is eligible for 96% of the state's provider rate.
- The rates paid to providers are set based on a Market Rate Survey (MRS) conducted every two years. The rate for a 4 STAR program is set at the 75th percentile of the Market Rate Survey.
- The amount the parent is responsible for is the difference between the provider's rate and the Child Care Financial Assistance Rate. This amount is determined for each child individually.

Challenges with the Current Program

- The amount families pay for co-payments typically increases when they have more than one child, regardless of financial resources.
- The co-payment varies based on child care program choices, leading families to make child care decisions based on financial resources.
- Families whose household income is between 101% and 300% of the federal poverty level do not often apply for the program.
- Vermont need to make adjustments to meet federal Child Care & Development Block Grant requirements specific to affordable access.
- The system of how co-payments are assigned is complicated for families to understand.



Need more information?

Contact Melissa Riegel-Garrett at melissa.riegel-garrett@vermont.gov or 802-989-9685

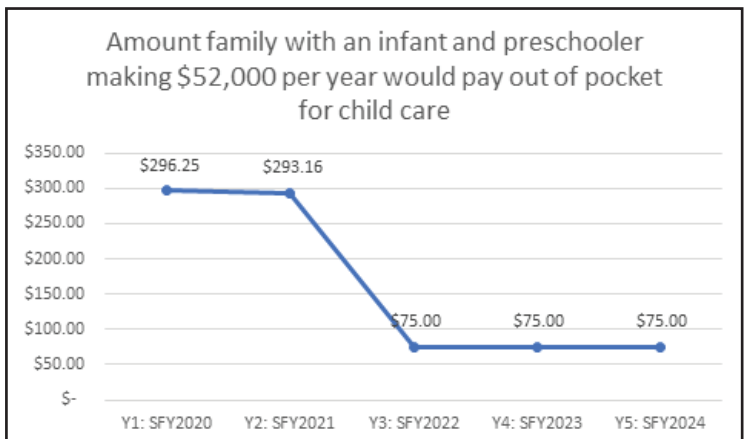
Child Care Financial Assistance Program Proposed Redesign

Steps in Proposed Redesign

Year	Change	Amount of Increase
Year 1: State Fiscal Year 2020	Change income guidelines to 200% of Federal Poverty Level (FPL) to 50% benefit, increase preschool and school age rates to 2014 Market Rate Survey.	\$5,800,000
Year 2: State Fiscal Year 2021	Increase preschool and school age rates to 2015 Market Rate Survey. No increase in income guidelines	\$1,440,000
Year 3: State Fiscal Year 2022	Implement redesign of program to set co-payment amount. Proposed to go into effect 9/25/2022	\$2,600,000
Year 4: State Fiscal Year 2023	No additional changes; however, projection of additional children accessing the program	\$2,000,000
Year 5: State Fiscal Year 2024	No additional changes; however, projection of additional families accessing the program	\$4,000,000

Redesign Details

- Set a flat co-payment amount for a family, based on family size and income.
- Family co-payment assessed at the youngest child first – no additional amount for more than one child.
- Expand eligibility by increasing income guidelines.
- Stop using a benefit level based on a percent of the state rate.
- Pay the provider's reported rate based on age of child and schedule after the co-payment is assessed, up to a capped rate.
- Maintain a tiered rate structure based on program quality using Vermont STARS assessed quality and current Market Rate Survey.



Story of a Family

A family of 6 with 3 school age children and an infant. John and Jane have an income of \$5,460 per month. They qualify for 55% of the CCFAP benefit, and only use child care for their infant. They pay \$473 out of pocket for their co-payment. Their school age children go home afterschool every day, because it would cost the family another \$580 out of pocket for the school age children to go to afterschool care.

After the redesign this family can afford to send all of their children to safe options during the day and afterschool as their out of pocket cost will be \$50 per week, or \$215 per month.

Child Care Financial Assistance (CCFAP) Proposed Redesign 5 year plan



Spring 2020

State and Federal CCFAP Program Goals

Improving access to affordable, high quality early care and afterschool programs

Two generation impacts:

- **Strengthen families:** Helping eligible families pay for child care supports participation in the workforce, increased education and training, and financial stability.
- **Optimal child development:** Access to high quality early care and learning and afterschool programs advances children's healthy development and success in learning and life.

CCFAP Today: Eligibility

- The Child Care Financial Assistance Program helps eligible families with the cost of child care. Payments are made directly to child care providers on behalf of the family.
- To be eligible a family must have a reason for child care services, meet the income guidelines, live in Vermont, and the child must be a legal resident of the US.
- Based on income and family size families are determined eligible to have a percentage of established provider rate paid directly to their child care provider. For example a family of three with a monthly income of \$2050 is eligible for 96% of the state's provider rate.

CCFAP Today: Provider Rates

- Provider rates are set based on a Market Rate Survey conducted every two years. The rate for a 4 star program is set at the 75th percentile of the Market Rate Survey (MRS).
- The provider rates include an additional amount based on the STARS achievement of the provider. The rate paid on behalf of families to providers that have achieved 4 STARS is 30% higher than the base rate.
- The amount the parent is responsible for is the difference between the provider's rate and the Child Care Financial Assistance Rate. This amount is determined for each child individually.

CCFAP Today: Challenges with the program

- Underutilization of CCFAP tied to low payment rates
- Federal compliance on equal access & co-payment assignment

What is Stimulating Change?

- Many champions for change
- Recommendations for reform
 - Blue Ribbon Commission → Building Vermont's Children from the Ground Up → Think Tank
- Governor's priorities

Critical Strategies in a 5 Year Plan

- **Make immediate investments in CCFAP**
- **Redesign the CCFAP**
- **Modernize the Bright Futures Information System (BFIS).**



SFY22 CCFAP Redesign

- **Flat family co-payment, based on family size and income.**
 - Stop using benefit level based on percent of the state rate.
 - Family co-payment assessed at the youngest child first – no additional amount for more children.
- **Pay the provider's reported rate**
 - after the co-payment is assessed,
 - up to a capped rate or the provider's rate whichever is lower.
- **Maintain a tiered quality rate structure**
 - using current Market Rate Survey (MRS),
 - Vermont STARS assessed quality

5 Year Plan: Time and Money based on the 2017 Market Rate Survey

	CCFAP Investments	Increased Investment for Year	Cumulative Increase to SFY19 Base
Y1: SFY20	Increase benefits PS & SA Rates to 2014 MRS	\$5,800,000	\$5,800,000
Y2: SFY21	Increase PS & SA rates to 2015 MRS	\$1,440,000	\$7,240,000
Y3: SFY22	Proposed implementation of CCFAP Redesign: September 30, 2021	\$2,600,000	\$9,840,000
Y4: SFY23	Additional children access CCFAP	\$2,000,000	\$11,840,000
Y5:SFY24	Additional families access CCFAP	\$4,000,000	\$15,840,000

** Annual update to Federal Poverty Level is not included.*

Redesign Estimate Assumptions

- In the first year that CCFAP redesign is implemented for part of the year (FY2022), estimate that approximately **200 more children** will enroll and receive benefits.



- In FY2023 and FY2024, 2 full years of CCFAP Redesign, estimate **500 additional families in total** with an average of 2 children will enroll and receive benefits.

SFY22 CCFAP Proposed Income Guidelines

Family Size	Monthly Countable Income									
	150 FPL%	175% FPL	200% FPL	225% FPL	250% FPL	275% FPL	300% FPL	325% FPL	350% FPL	
3	\$2,666	\$3,111	\$3,555	\$3,999	\$4,444	\$4,888	\$5,333	\$5,777	\$6,221	
4	\$3,219	\$3,755	\$4,292	\$4,828	\$5,365	\$5,901	\$6,438	\$6,974	\$7,510	
5	\$3,771	\$4,400	\$5,028	\$5,657	\$6,285	\$6,914	\$7,543	\$8,171	\$8,800	
6	\$4,324	\$5,044	\$5,765	\$6,486	\$7,206	\$7,927	\$8,648	\$9,368	\$10,089	
Family Weekly Co-payment	\$ -	\$ 25	\$ 50	\$ 75	\$ 100	\$ 125	\$ 150	\$ 175	\$ 200	
Monthly copayment example		\$108.25	\$216.50	\$ 324.75	\$433.00	\$541.25	\$649.50	\$757.75	\$866.00	

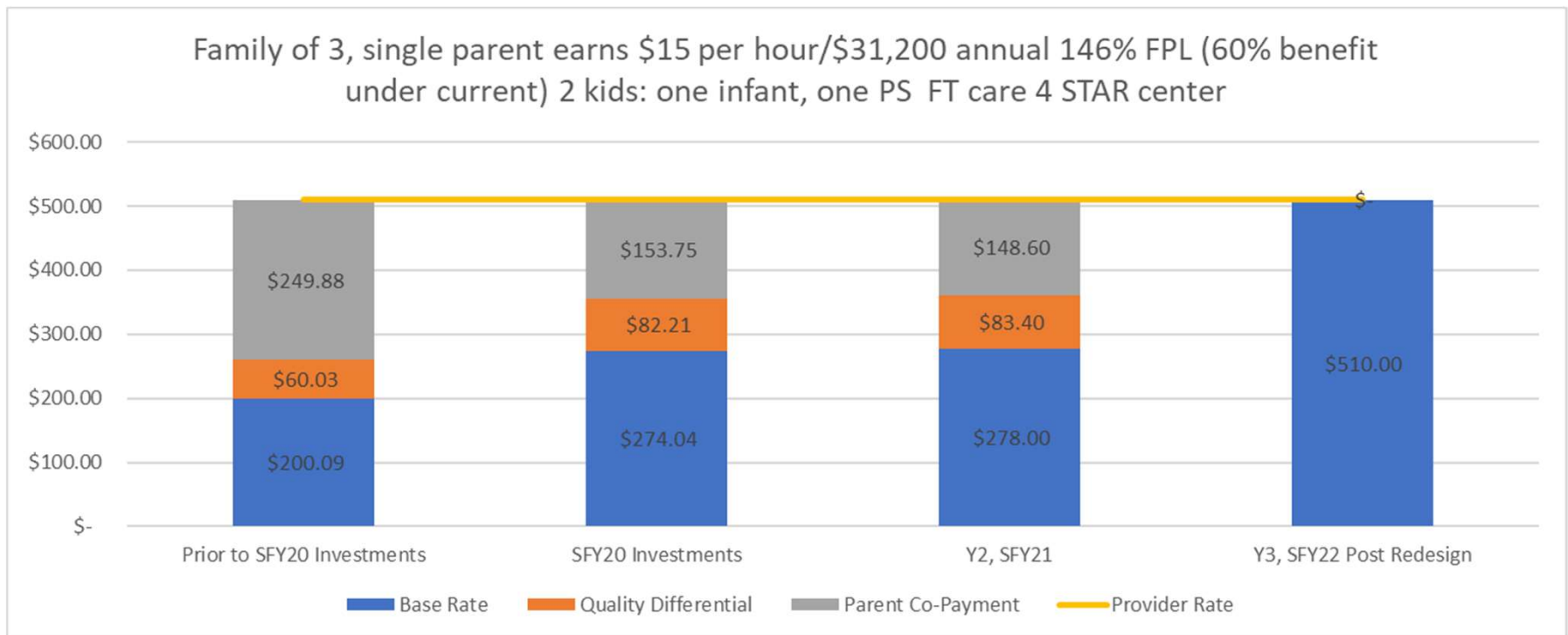


CCFAP Rate Caps – Proposed Full Time Rates (aligned with 2017 Market Rate Survey (MRS))

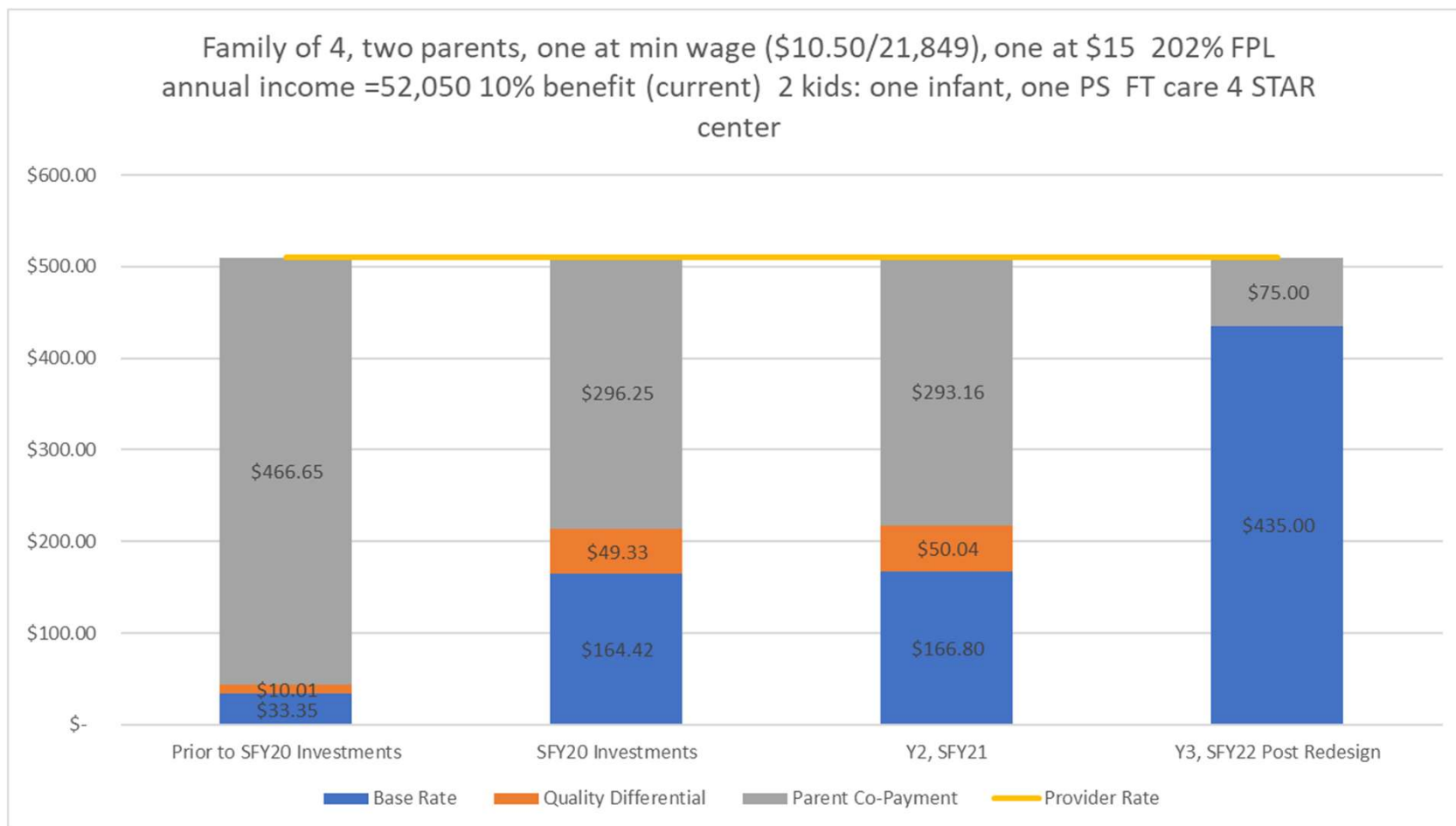
Licensed Center	Base Rate	1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
Infant	\$ 230.00	\$ 235.30	\$ 243.00	\$ 255.00	\$ 269.40	\$ 283.50
Toddler	\$ 225.00	\$ 230.70	\$ 236.65	\$ 246.56	\$ 260.00	\$ 280.00
Preschool	\$ 210.00	\$ 215.00	\$ 221.53	\$ 238.10	\$ 253.80	\$ 300.00
School age	\$ 175.00	\$ 180.00	\$ 190.00	\$ 200.00	\$ 212.50	\$ 247.58

Registered	Base Rate	1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
Infant	\$ 160.00	\$ 162.50	\$ 170.00	\$ 175.00	\$ 191.00	\$ 200.00
Toddler	\$ 145.00	\$ 150.00	\$ 155.00	\$ 173.50	\$ 180.00	\$ 200.00
Preschool	\$ 145.00	\$ 150.00	\$ 155.00	\$ 170.00	\$ 179.00	\$ 200.00
School age	\$ 140.00	\$ 150.00	\$ 155.00	\$ 165.00	\$ 175.00	\$ 200.00
	50th Percentile	55th Percentile	60th Percentile	70th Percentile	80th Percentile	90th Percentile

Family One Moving Through Changes



Family Two Moving Through Changes



Impacts on Families:

- Families that are already at 100% CCFAP will have little to no impact.
- The majority of CCFAP eligible families will have a positive impact, paying less out of pocket.
- Families that have higher incomes may have an assigned co-payment that is higher than the provider's rate.

Other System Impacts

- Upgrade of data system
 - Estimated one-time development costs
 - Estimated annual on-going costs
- Anticipated increase in caseload in FY2023 (July 2022 – June 2023)
- Additional funds for eligibility determination agencies to support increased caseload
- Current investment estimates are the minimum required.
 - Market Rate Survey to be conducted: Fall 2019, Fall 2021
 - Caseload increase is difficult to predict
 - Annual adjustment to current Federal Poverty Level (FPL)