Date: October 27, 2021
To: House Committee on Education
From: Dr. Morgan Crossman, Executive Director, Building Bright Futures
Re: American Families Plan - Overview of Child Care Vision

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## ADDENDUM

On October 26, 2021 Building Bright Future's Policy and Programs team met with several staff members from Senator Sanders, Senator Leahy, and Congressman Welch's offices to discuss the current status of the reconciliation bill, the child care and universal pre-K components of the legislation, and how Vermont can best position itself in preparation of potential federal investment. Based on that conversation, it is clear that while the bill is still very much in flux, there is strong federal support for these components. However, more remains uncertain as it pertains to the details and funding of the child care program.

The delegation's staff shared that the Congressional Budget Office is still running analysis that will help inform conversations and debate surrounding the full scope of the bill, the number of years the program will provide funding for, and the level of state match that will be required. Additionally, it seems likely that some of the details of the child care section of the legislation, such as the maximum income at which families would be eligible for the program, will be subject to adjustments based on budgeting constraints and other priorities. Our team at Building Bright Futures remains in close conversation with Vermont's federal delegation and their teams in order to monitor the reconciliation bill, and provide any necessary data or information to best support the development of this federal policy for Vermont.

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## EXECUTIVE SUMMARY

The child care section of the federal American Families Plan proposal contains many opportunities for states to continue their efforts towards strengthening early childhood systems, making child care more affordable and accessible for all families, and ensuring the early education sector pays a livable wage. Vermont is well positioned to examine the legislation, collaborate with stakeholders in the state and in our federal delegation, and ask critical questions, in order to capitalize on this potential opportunity.

A few main components of the child care section include:

- A focus on family affordability: eliminating copays for families under 75% of the state median income, and capping copays at 7% of family income for families under 200% of the state median income
- A focus on quality: funds for increasing the supply and quality of child care, with a goal of making the highest quality child care available to all families, and a commitment to mixed-delivery and supporting underserved children and families
- A focus on early educators: requires the implementation of a wage scale for early educators, that includes a living wage

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## OVERVIEW

The American Families Plan presents a vision for high-quality and affordable access to child care for all families through the proposed "Birth Through Five Child Care and Early Learning Entitlement Program". States can elect to participate in the program and document their ability to meet requirements, particularly efforts to improve access, increase quality, and improve workforce compensation in the early childhood field. A number of key changes are required of the state's child care financial assistance program in order to receive funding. As it currently stands, the state would have 3 years to implement most of these required changes. In states that do not apply for this funding opportunity, Local Birth to Five Child Care and Early Learning grants may be available.

**Draft Bill**
https://docs.house.gov/meetings/ED/ED00/20210909/114029/BILLS-117-CommitteePrint2-S000185-Amdt-1.pdf

- Child care starts on page 188

**The Child Care program Overview**

- Establishes the "Birth Through Five Child Care and Early Learning Entitlement Program";
- Goal: 6 years after implementation, all families with eligible children need to be able to choose care at the highest quality level through - Expanding access to child care assistance, increasing child care supply, increasing child care provider payments, support states to administer the programs.
- Includes a phased-in expansion of income eligibility for child care assistance through the program (*Of note, likely still in flux*);
  - Families at or below 100% of the SMI would become eligible in FY 2022
  - Families at or below 115% of the SMI would become eligible in FY 2023
  - Families at or below 130% of the SMI would become eligible in FY 2024
  - Families at or below 200% of the SMI would be eligible in FY 2025 through FY 2027
- Otherwise, family eligibility requires that parents engage in a "eligible activity" (full or part-time employment, job search activities, job training, secondary, postsecondary, or adult education, health treatment, etc.);
- Eligible children must be less than 6 years old, and not yet in kindergarten;
- By October 1, 2024, every family who applies for assistance in a participating state, and is determined eligible, must be offered assistance;
- Sliding fee scale for families based on income, with a maximum copay of 7% of a family's income for those between 150% and 200% of the SMI, and no copays for those under 75% SMI
- The funding supports a combination of providing child care assistance to eligible families, as well as a variety of qualified activities that improve the quality and supply of child care in states
- Similar to the vision for UPK, strong partnership and alignment with Head Start
- Prioritizes the needs of underserved children: low-income children, children in underserved areas, infants and toddlers, children with disabilities, infant and toddlers with disabilities, children who are dual language learners, and children who receive care during nontraditional hours

**Funding Overview:** *Starting on page 197*

- FY 2022 - $20,000,000,000
- FY 2023 - $30,000,000,000
- FY 2024 - $40,000,000,000
- Funding as necessary for FY 2025 through 2027, to "remain available for one fiscal year".
- $130,000,000 in administrative funding for the Department of Health and Human Services to carry out the program for FY 2022, 2023, and 2024
- Payments to States for Child Care (pg 213-219):
  - For FY 2022 through FY 2024 allotments to each state will be made using the same formula as CCDBG
  - For FY 2025 through 2027 states with approved applications will receive quarterly payments equal to 90% of the expenditures in the quarter for child care assistance for children considered eligible according to the

program. For these years, a state receiving assistance may not use more than 10% of their CCDBG funds to provide child care assistance to children under age 6, who are eligible for that act.
  - Quality improvement: state shall receive an amount for each quarter equal to the Federal Medicaid Assistance Percentage (FMAP) of spending for the quarter on quality and supply building activities (*Of note, likely still in flux*)
  - Administration costs: state shall receive an amount equal to 50% of the costs of administering the program incurred by the state (may include, at the option of the state, costs associated with carrying out section 658H of CCDBG)
  - Advance payment possible based on advance estimates of expenditures

**State Activities Overview and Use of Funds (Pg. 199, 219)**

- Administration: the Governor designates an agency or establishes a joint interagency office to serve as the lead agency for the program
- For FY 2022 through 2024 a state that receives a payment shall:
  - Use 50% of the payment for activities related to: expanding access to child care assistance for eligible children with priority for access to families with incomes less than 85% SMI, increasing child care provider reimbursement rates to support the cost of providing services including increasing wages
  - Use 25% of the payment for activities related to increasing the supply and quality of child care
  - The final 25% can be used on either more child care assistance, or further activities related to increasing the supply and quality of child care
- Beginning October 1, 2024 the funds dispersed from the program should be used to:
  - Provide child care assistance (on a sliding fee scale), activities to improve the quality and supply of child care services, and state administration
  - Child care assistance can be carried out either through "certificates" (a typical subsidy system) or through grants and contracts
  - Between 5% and 10% of the state's allocation between FY 2025 and 2027 reserved to increase the quality and supply of eligible child care providers and the number of available slots. Quality and supply improvement activities include: startup grants and supply expansion grants, quality grants, facilities grants, "additional activities" (training and professional development for the workforce, enhancing the QRIS, improving supply/quality of programs and services for underserved populations, improving access to child care for children experiencing homelessness and foster care, and other activities as outlined in CCDBG)
- Providing the Secretary and federal government with periodic reports and accounting information
- In states that have made it clear they will not apply for the program, the Secretary can award local Birth through Five Child Care and Early Learning Grants to eligible localities, with priority given to those seeking to serve underserved populations

**What does high quality child care mean?**

- Eligible child care providers include center-based providers, family child care providers, or other providers of child care services for compensation that meet the following criteria:
  - Are licensed providers under State law
  - Participate in the state's QRIS system
  - Satisfies State and local requirements applicable under CCDBG

- Full state plans must certify that within 3 years of receiving funds, policies and financing practices will ensure that all families can choose for their children to attend child care at the highest quality tier (of the state's QRIS) within 6 years after the enactment of the Act
- The state must develop a wage ladder and ensure that within 3 years of receiving funds a cost model is in place that ensures a minimum of a "living wage" for all child care staff at eligible programs

**Development of a State Plan (Pg 200-212):** In order to receive funding from the program a state must prepare a state plan. Depending on the level of information contained in the plan it is either a "transitional State plan" for a 1-year period or a "full State plan" covering a 3-year period. Transitional state plans only include information regarding how the funding will be used to expand access to child care assistance and increase in the supply and quality of child care programs in the state in alignment with the law. Whereas full state plans include:

- Certification that within 3 years of receiving funds, reimbursement rates under this program will be sufficient to meeting the cost of care based on a cost estimation model or cost study and correspond to quality differences based on a QRIS (*Of note, this may still be in flux*)
- Cost model requirements:
  - Demonstrate that the state has consulted with relevant stakeholders to develop a "statistically valid and reliable cost estimation model or cost study" to set reimbursement rates
    - *Note: Critical to the Finance Study articulated in H171/Act 45 and currently overseen by JFO
  - Reflect rates for providers at each of the tiers of the QRIS
  - Reflect variations in cost by: geographic area, type of provider, age of child, and additional costs associated with providing "inclusive child care services" (specialized or therapeutic providers)
  - Provide sufficient rates for providers not at the top-tier or the QRIS to increase their quality
  - Ensure adequate wages for staff
- Requires that a state has a QRIS in place within 3 years of receiving funds that:
  - Uses standards for the highest tier that at a minimum equate to the Head Start program performance standards or other equivalent evidence-based standards approved by the Secretary
  - Provide sufficient supports for child care providers at lower tiers of quality to progress
- Certification that the state's policies within 3 years will ensure that all families can access the highest quality tier of the state's QRIS within 6 years of the Act's enactment
- Certification that the state has or will develop within 3 years of receiving funds a wage ladder for staff of eligible child care providers that meet the above requirements
- States must use the following guidelines for copays:
  - No copay for families at or below 75% of the SMI
  - A copay of more than 0% but no more than 2% of family income for those above 75% of the SMI but not more than 100% of the SMI
  - A copay of more than 2% but no more than 4% of family income for those above 100% of the SMI but not more than 125% of the SMI
  - A copay of more than 4% but no more than 7% of family income for those above 125% of the SMI but not more than 150% of the SMI
  - A copay of 7% of family income for those above 150% of the SMI but not more than 200% of the SMI
  - No copays for children and families who are eligible for Head Start
- Prohibit child care providers charging an additional fee

- Priorities: access for underserved populations,quality and supply of child care for these populations. Certification that the state will apply policies and procedures to child care assistance more broadly as described in CCDBG, as required to access the funding of this act
- Consistent reporting for use of funds

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The following questions were outlined for our Federal partners based on the current policy.

<u>Programmatic questions</u>

- Workforce: Additional clarity needed on workforce compensation and whether the following 3 provisions are required: living wage, equivalence with elementary education, and COLA
- Interaction with AFM, CCDBG, and UPK: how are these funding sources aligned and supporting each other

<u>Logistical questions</u>

- Timing: What is the plan/expectations for funding after FY27? How do we address compliance by the end of year 3?

<u>Larger Considerations for Vermont</u>

- How can Vermont review all federal sources in the context of creating a continuous, comprehensive, high-quality early childhood system vs. discrete silos of work?
- How does the timeline of this bill align/compete/create challenges based on the timeline for the Systems Analysis and Finance Study identified in H171/Act45, specifically around cost modeling
- What additional administrative support is needed by CDD to execute this bill?
- How do we think strategically about the match for child care, UPK, etc?

I look forward to your partnership and am excited for this opportunity to build on Vermont's existing commitment to improving the early childhood system!

Sincerely,

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