

# Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

## *FISCAL NOTE*

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Prepared by: Nolan Langweil

### **H.171 An act relating to the governance and financing of Vermont's child care system**

Draft No. 5.3

<https://legislature.vermont.gov/bill/status/2022/H.171>

The bill proposes changes to and investments towards Vermont's child care system.

#### **Child Care Financial Assistant Program (CCFAP)**

##### Secs. 2 - Child Care Financial Assistance Program

The bill would make eligibility changes to the Child Care Financial Assistance Program (CCFAP) including instituting flat family co-pays based on the federal poverty level (FPL), expanding the lower limit for families who would have no co-pays from 100% FPL to 150% FPL, and expanding those who can receive subsidies to 350% FPL. According to the Department of Children and Families (DCF), these changes are included as part of the Governor's FY 2022 budget recommendation.

##### Sec. 3 – Payment to Providers

The bill would include reimbursement rate caps tiered in relation to provider ratings in the Vermont STARS program and the result of the most recent Vermont Child Care Market Rate Survey, of which the lower limit would not be less than the 50<sup>th</sup> percentile of all reported rates for the same provider setting in each rate category. These changes are included as part of the Governor's FY 2022 budget recommendation. However, according to DCF, this language would limit their flexibility and create a continuous and significant budget pressure by locking the Department into future obligations that could be as much as \$5 million per year.

##### Sec. 4 – Appropriation and Legislative Intent; CCFAP

Sec. 4 includes a FY 2022 appropriation of \$5,529,000.00 from the General Fund to DCF for the purpose of implementing the changes in Secs. 2 and 3. This amount is included as part of the Governor's FY 2022 budget recommendation. The bill also includes intent language regarding family out-of-pocket expenses for FY 2023 through 2026.

##### *Fiscal Impact (Secs. 2, 3 & 4):*

- *FY 2022 Appropriation to DCF = **\$5,529,000.00***
- *This amount is included in the Governor's FY 2022 Budget Recommendations.*

- *Sec. 3 could have significant fiscal pressures in the out years.*
- Intent Language: The bill includes intent language regarding family out-of-pocket expenses for FY 2023 through 2026 which would have fiscal impacts if enacted.

### Bright Futures Information System

#### Sec. 5 – Bright Futures Information System; Modernization Plan

The bill appropriates \$4,500,000.00 to Agency of Digital Services (ADS) for the purpose of completing implementation of the Bright Futures Information System (BFIS) modernization plan. This amount is included as part of the Governor’s FY 2022 budget recommendation.<sup>1</sup>

*Fiscal Impact: FY 2022 Appropriation to DCF = **\$4,500,000.00***

- *This amount is included in the Governor’s FY 2022 Budget Recommendations.*

### Workforce Supports

#### Secs. 6, 7 & 8– Scholarships and Loan Repayment Programs

The bill would establish need-based scholarship programs for current and prospective early childhood providers and a student loan repayment program.

*Scholarships for Current Early Childhood Providers* – for individuals employed by a regulated, privately operated center-based child care program or family child care home while acquiring credits in early childhood development or that are related directly to working with children from birth through eight years of age. The bill would appropriate \$300,000.00 in FY 2022 for this program.

*Scholarships for Prospective Early Childhood Providers* – for individuals pursuing a college degree in early childhood education or early childhood special education. Eligible individuals must attend a Vermont college or university at least part-time and meet time commitments as required by the bill. The bill would appropriate \$400,000.00 in FY 2022 for this program.

*Student Loan Repayment Assistance* – for any individual employed by a regulated, privately operated center-based child care program or family child care home in Vermont. Eligible individuals must meet criteria as required by the bill. The bill would appropriate \$1,800,000.00 in FY 2022 for this program.

The bill allows DCF to contract for the administration of these programs, although administration costs for each may not be more than 10 percent of the total appropriation for

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<sup>1</sup> The first module has already been funded. This appropriation is for subsequent modules.

the program. The programs would be distributed on a first-come, first-serve basis until any appropriated funds are depleted. Finally, sec. 8 of the bill would repeal references to these programs on July 1, 2026.

*Fiscal Impact: FY 2022 appropriations to DCF:*

- *Current Early Childhood Provider Scholarship Program = \$300,000.00*
- *Prospective Early Childhood Provider Scholarship Program = \$400,000.00*
- *Student Loan Repayment Assistance Program = \$1,800,000.00*
- Intent language: The bill includes intent language that appropriations that meet or exceed each of the amounts appropriated in FY 2022 be made in fiscal years 2023 through 2026.

### **Advisory Commission**

#### Sec. 9 – Advisory Committee

This section pertains to the Building Bright Futures’ Early Learning and Development Committee for advising the Agency of Human Services (AHS), DCF, and the Child Development Division (CDD) on services pertaining to child care and early childhood education as laid out in the bill. While the committee already exists, it would also allow per diem and expense reimbursements for public members of the committee.

*Fiscal Impact: FY 2022 appropriations to DCF = \$33,000.00*

- *Building Bright Futures = \$25,000.00*
- *Per diem compensation and reimbursements = \$8,000.00*
- Intent language: The bill includes intent language for the same appropriation to be made for FY 2023 as well.

### **Studies and Reports**

#### Sec. 10 – Child Care and Early Childhood Education Systems Analysis Study

The bill would appropriate \$200,000.00 to DCF for contracting with Building Bright Futures to undertake an analysis of Vermont’s child care and early childhood education systems, including hiring a consultant and other administrative costs associated with the study.

*Fiscal Impact: FY 2022 appropriation to DCF = \$200,000.00*

#### Sec. 12 – Child Care and Early Childhood Education Financing Study

The bill would require the Joint Fiscal Office (JFO) to contract with an economist or independent consulting entity with expertise in the field of child care and early childhood education to examine the economic impacts of and potential funding mechanisms to adjust Vermont’s

existing child care system for children from birth through 12 years of age with specific goals laid out in the bill. The consultant will report preliminary results on or before November 15, 2022. The final report is due on before January 15, 2023.

*Fiscal Impact: FY 2022 appropriation to JFO = \$500,000.00*

- The bill allows for JFO to accept philanthropic contributions to underwrite the cost of hiring the economists and analysts to provide expertise specific to early care and childhood education.

### Fiscal Summary

Sec.	Agency/Dept.	Purpose	Appropriation
2,3,4	DCF	CCFAP; payments to providers	\$5,529,000 *
5	DCF	Bright Futures Information System	\$4,500,000 *
6,7,8	DCF	Scholarships for current early childhood providers	\$300,000
		Scholarships for prospective early childhood providers	\$400,000
		Student loan repayment assistance	\$1,800,000
9	DCF	To BFF for advising the BFF Early Learning and Development Committee = \$25,000	\$33,000
		Per diem compensation and reimbursements = \$8,000	
10	Building Bright Futures	System Analysis Study	\$200,000
12	Joint Fiscal Office	Financing Study	\$500,000

\* Notes: Included in the Governor's FY 2022 Budget Recommendations

**\$13,262,000**

### A note on the federal American Rescue Plan of 2021

While the federal American Rescue Plan of 2021 has not yet passed Congress, the most recent versions of the bill suggest Vermont could receive as much as \$80 million for child care, tax credits, and other assistance. As such, there may be overlap between this federal stimulus bill and the goals of this bill.