



## **Testimony on S.56**

### **House Human Services Committee**

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The Vermont Chamber of Commerce represents businesses of all sizes, from every industry, across every region of Vermont. We understand what it takes to help businesses grow and thrive to build strong and vibrant communities, and businesses have trusted us to center stewardship in our mission of advancing the Vermont economy. Because of this mission, I appreciate the opportunity to be in this committee today to talk about S.56 and Vermont's childcare system.

At the Vermont Chamber our average member has 4 employees. Like the businesses in the early childhood education industry, they are struggling with rising costs in wages, inflation, supply chain issues, and interest rates, and are worried about the worsening labor shortage and the uncertainty in the economy.

While the housing crisis is by far the most pressing issue we hear from employers about, the availability, affordability, and dependability of childcare openings is also a concern we hear about. Specifically, from a portion of our members and their employees who struggle to find dependable care near their homes or places of employment.

Some employers have responded to this by starting their own childcare centers. Additional employer strategies have included providing subsidies to employees to help with the cost, financially supporting a childcare center in their community, and increasing flexible scheduling to meet the needs of parents. Businesses that can offer employees with young children relief are doing their best to ensure dependability, availability, and affordability. When I look at S.56 I am looking to understand if this legislation will also address these issues.

To that end, one area that we need to be clear on is the expected impact that this will have on Vermont's overall workforce crisis based on the facts presented in the RAND Report that this body commissioned. What we learned from this reports is that with this investment there will be less than 1% or between 600 and 2900 more workers available to reenter the workforce. Given that it has been cited that we need 2,500 childcare workers to meet the need under the current regulatory framework, the best outlook is a net of 400 workers for the over 20,000 job openings in the state. So, while finding solutions to this fragile industry is something that we are engaged in and want to work with the legislature and advocates on, we need to be clear on expectations of outcomes for Vermont's businesses. I do not doubt that having an influx of state funds is important to the businesses in the childcare industry, but this legislation and proposed payroll tax will not lead to an influx of available workers for all Vermont businesses.

As a representative for Vermont businesses, we are looking for balanced solutions that will provide the existing workforce with relief from the issues of availability, dependability, and affordability. In your consideration of S.56, we ask that you pose critical questions about how, and if, the solutions proposed here address those three areas and if money alone can solve the problem.

We hear a lot about the struggles to recruit and retain workers in this field and in every industry we work with. Practically every committee in this building is struggling with this issue. Each is talking about the labor crisis in different sectors. Whether it's the lack of a climate workforce to do necessary efficiency work, a construction workforce to build critical housing, or a nursing workforce to handle the increased medical needs of an aging population, the workforce crisis is a statewide industry-agnostic challenge. Wages have increased in Vermont by 21% between 2019 and 2022 and each of these sectors have continued to struggle. Wages alone are not enough to impact our declining workforce numbers and affordability issues. As of this morning, on just one job website, there were 9,500 jobs available in Vermont that pay over \$45,000 a year.

Given the state's widespread workforce struggles, we need to understand a clear plan between raising wages and seeing an outcome that provides additional availability of childcare spots. Additionally, if we are considering tying these increased wages to increased requirements or qualifications of workers and new administrative costs, could that ultimately have the unintended consequence of the opposite impact on labor participation?

We appreciate not having the availability of CCFAP subsidies tied to the STAR system, so Vermont workers, especially those in rural areas, have equitable access to these subsidies even if highly rated providers are not available. As substantially increased subsidies are considered, we hope that there are guardrails to ensure that increased tuition doesn't negate savings for families.

Outside of the RAND study, a proposal in both H.208 and the original proposal in S.56 had language for full-time pre-kindergarten as part of the public school system. From the testimony given by education leaders on this, interesting arguments are being made about how this path may address dependability, availability, and affordability with lower costs from a broad-based tax. We understand there are questions about the impact this would have on the current mixed delivery system, but with the entire early childhood education system struggling under the current framework, we would ask that this proposal be given more immediate consideration.

One additional consideration I'd ask the committee to look at is a tool to support and incentivize businesses that are engaged in solutions for employees with on-site care or subsidies. Tax credit opportunities to those businesses offering solutions could help ensure employers are not placed in the position of reducing or removing those benefits to cover a tax that may not provide additional solutions for their workers.

Lastly, we ask the policy committee to seriously consider the cumulative impacts of everything under consideration this year, when looking at how much we can do. The paid family and medical leave act passed by the House would create the most robust program in the country and mandates payroll tax on businesses and employees. We need to balance the increases in our social safety nets with what our economy and small businesses can handle. We must consider ways to phase in solutions and costs to allow changes to be absorbed. We must also consider if the proposed solutions produce the required results.