CHILDREN'S FUNDING PROJECT

Testimony to the Vermont Senate Committee on Health and Welfare
Senate Bill 56

Submitted by
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Good morning Chair Lyons, Vice Chair Weeks, and Senators Hardy, Gulick, and Williams,

Thank you for the opportunity to speak with you today about Senate Bill 56. My name is Kate Ritter, and I am the early childhood advisor at Children's Funding Project. I am also a proud resident of Vermont; my family and I live in Cornwall in Addison County. Children's Funding Project is a Washington, DC-based nonprofit social impact organization that helps communities and states expand equitable opportunities for children and youth through strategic public financing. Through our hands-on technical assistance and collection of resources, we guide communities and states in comprehensive strategic financing strategies and help them gain a deeper understanding of their current funding landscape, collaborate to maximize use of existing funding streams, generate new revenue, and make effective investments in programs for improved outcomes. In my role as early childhood advisor, I have focused on supporting states and communities in analyzing and understanding the true cost of early care and education, which has allowed me to do extensive research on early childhood educator's compensation challenges and recommended salary scales.

I am grateful and excited to live in a state that has shown such commitment to elevating and solving the child care crisis over the past several years. I thank all the current and past legislators that have worked to make Vermont a more equitable state for children and families. I commend Senator Lyons and Senator Hardy for crafting this legislation that stands to stabilize and transform Vermont's early care and education system. The bill's language to implement a minimum compensation scale for early educators is a tremendous step towards growing and strengthening Vermont's early childhood education system. We know that high-quality early learning depends on a high-quality workforce, yet low compensation consistently undermines the ability of child care programs to recruit and retain qualified staff.

States and communities across the country are grappling with severe workforce shortages in early care and education. Early childhood educators earn wages so low that many cannot afford to remain in the field, but child care programs cannot raise wages without raising tuition, which is already unaffordable for many families. As a result, the lack of access to consistent, high-quality child care costs states billions of dollars each year through lost tax revenue and missed work days.

For decades, this seemed like a vicious cycle that plagued the early childhood field. However, the infusion of federal relief dollars to support early care and education during COVID allowed states to see how adequate public investment and state policies that appropriately support and compensate the early education workforce are essential strategies to remedy this crisis. Now that relief dollars will be going away, we've seen some states spearhead the work of maintaining public funding to support early educators.

> **Washington state** created a funding stream to support early educator wages and health benefits. Specifically, the state has identified $36 million dollars to implement a minimum compensation scale and another $30 million to provide health care coverage. This is possible because of a new, sustainable financing strategy—a portion of revenue raised by a new capital gains excise tax will provide ongoing funding for early educator wages and health care.

Washington, DC, implemented the Early Childhood Educator Pay Equity Fund, which provides compensation parity between public school teachers and early childhood educators with similar levels of education and credentials. This fund also will pay for publicly financed health insurance plans for all eligible employees of licensed early learning facilities in the District. The funds come from a modest income tax increase on the District's highest-income residents.

A compensation scale that is "comparable to compensation received by Vermont's public school educators serving children from PreK through grade 3" is an excellent step toward strengthening the field. I encourage the legislation to push further. Some states, such as Rhode Island, are requiring their compensation scales to reflect **true parity** with K-12 public school salaries. "True parity" is defined as parity for salary and benefits for equivalent levels of education and experience, adjusted to reflect differences in hours of work, and including payment for non-child contact hours (such as paid time for planning). This means that child care educators, who usually work 10+ hours per day and year round, receive a salary that reflects the additional time spent in the classroom beyond a school day, school year. Other states are looking beyond public school salaries, which can have their own inequities, and are instead working to quantify the value of early learning to society by looking at other fields and professions for comparison. I was able to provide technical assistance to Vermont's early childhood workforce in developing proposed minimum compensation standards, drawing on the work of states like Oregon and Illinois that are tying their early childhood compensation scales to be competitive with the broader workforce.

Without true parity that values and compensates early educators for the critical role they play in both nurturing young children and in supporting their families, the state will continue to lose staff in community-based child care programs. Many teachers will choose to work in public schools over community child care programs. This is a particular concern if universal preschool for 4-year-olds is only offered in public schools. Since these teaching positions offer more competitive wages and benefits than community-based programs can afford, they will draw more qualified educators away from their current roles. This is an overwhelmingly destabilizing consequence for the child care system. Furthermore, child care programs rely on the revenue from preschool classrooms to help balance the high expense of infant and toddler classrooms. Georgia, a state with the oldest universal preschool program in the nation and one that is often looked to as a national example, attributes much of its success to its mixed-delivery system. Georgia families can enroll their 4-year-olds in any qualified early childhood program that meets their needs. This ensures that families needing year-round care for their children have that option available to them. It also ensures that community-based programs, which typically operate on razor thin margins, have access to state revenue that supports early learning for all ages and do not have to further jeopardize their financial stability by converting more revenue-stable pre-K rooms into more expensive infant and toddler rooms. This type of restructuring destabilizes the child care system as a whole and also makes it harder for providers to afford the compensation scale for their teachers.

Lastly, I applaud the senators for including language to increase access to the Child Care Financial Assistance Program (CCFAP). Across the state, families of all financial backgrounds struggle to pay for child care given it is one of the largest items in the household budget. In light of this struggle, an increase to 450% FPL is not enough to ensure that child care is affordable to all Vermont families. The current reality is that families are struggling with inflation and the rising prices of necessities. Moreover, child care costs will increase once the new compensation standards go into effect. While reimbursement rates for the CCFAP are proposed to increase to cover the true cost of care, the impact of these reimbursement rates is diluted because it is only a small part of a child care program's budget. CCFAP funds are critical, but their ability to shift the larger child care market is constrained unless they are available to significantly more families. A major increase to income eligibility allows CCFAP to act as an effective policy lever for the early educator compensation scale while also nearly eliminating the cliff effect that occurs when a family's income exceeds the program's parameters.

In summary, Children's Funding Project recommends the following amendments to the legislation:

- Increase income eligibility for CCFAP to 800% federal poverty level to ensure Vermont families are able to afford the full cost of care and providers are able to meet minimum compensation scale;
- The compensation scale for early educators should, at a minimum, reflect true parity with K-12 public school salaries and benefits or reflect parity with other professions in the general workforce that account for role, experience and education.

Children's Funding Project has a team with expertise on generating public revenue to support state and local goals for children and youth. If you would like examples of how states are finding revenue options, maximizing the impact of their funds, and/or distributing the resources equitably, please reach out to us at Children's Funding Project.

Thank you for being a national leader and considering this important piece of legislation to support the success of Vermont's children and families. Children's Funding Project would be happy to be of assistance and answer any questions about early care and education policy and finance. For more information about Children's Funding Project, visit: https://www.childrensfundingproject.org/.