Date: Wednesday, April 23, 2025

To: House Human Services Committee, Representative Theresa Wood, Chair

From: Sarah Kenney, Chief Policy Officer, Let's Grow Kids

Re: H.248

Good morning. My name is Sarah Kenney, and I am the Chief Policy Officer for Let's Grow Kids. Thank you for inviting me to speak with you about H. 248 and Vermont's Child Care System.

Let's Grow Kids fully supports H. 248. We believe that it makes important technical changes that build on the success of Act 76 of 2023 and continue to strengthen Vermont's child care system. Thanks to the leadership of this committee and the hard work of the Legislature, Act 76—and the public investment in our child care system it created—is making Vermont more affordable for families, improving access to child care, and better supporting early childhood educators. It's changing lives by bringing down the cost of child care for thousands, bringing more parents into the workforce, and making it easier for businesses to hire and retain staff. We've made real progress towards solving our child care crisis:

- Family enrollment in Vermont's Child Care Financial Assistance Program (CCFAP) has increased by 40% since Act 76 changes went into effect.
- Public investment has helped to open over 100 new child care programs and create 600 net additional child care spaces for infants, toddlers, and preschoolers.
- These program openings and expansions have created over 230 new jobs in the field of early childhood education.

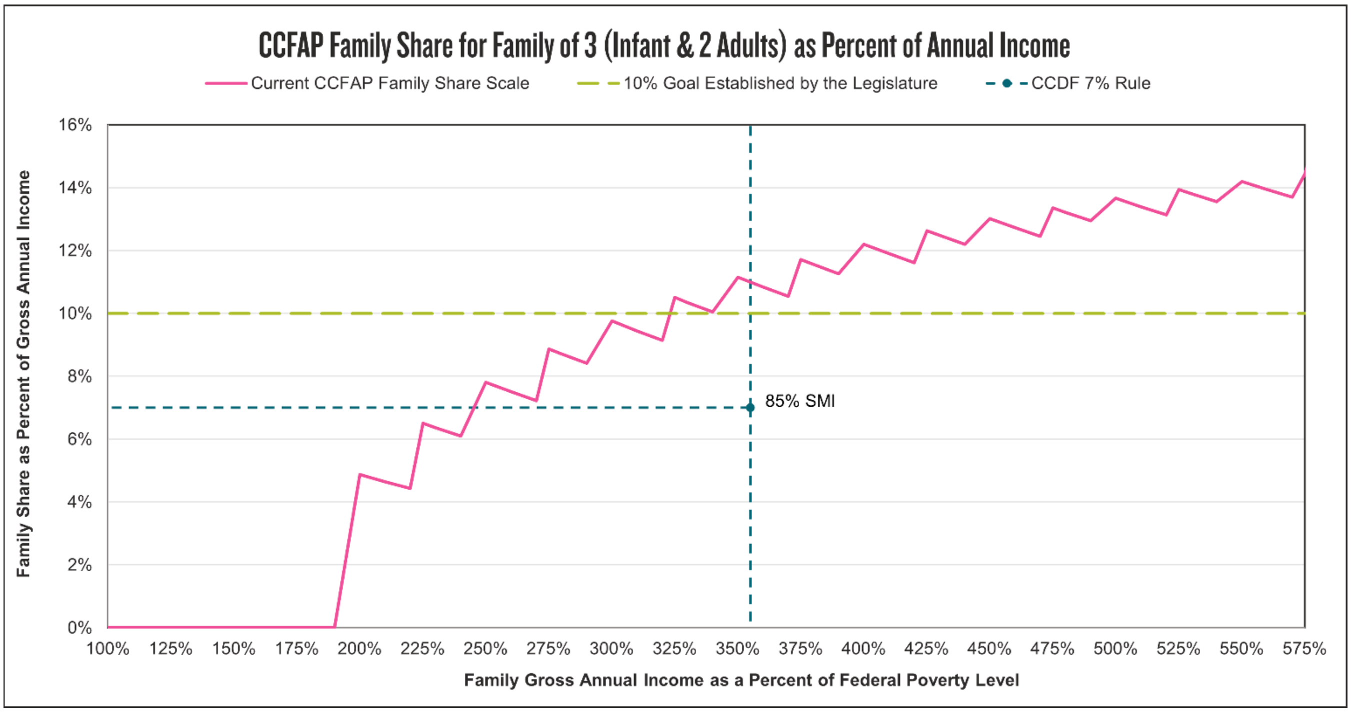
But gaps remain in our child care system, and we know the work is not yet done. Many families continue to be ineligible for CCFAP because they don't meet the service need or income eligibility requirements. Even with the promising increase in child care spaces to date, we still need thousands of additional spaces to meet the likely demand. Many programs are still facing staffing shortages, and many early childhood educators are still not professionally compensated.

A key part of the funding and infrastructure for the state's Child Care Financial Assistance Program comes from federal funds, including the federal Child Care Development Fund. As you heard from Deputy Commissioner McLaughlin, in 2024 the federal government issued a new rule (45 CFR 98) for the Child Care Development Fund (CCDF). Vermont, like many other states, needs to take corrective action to come into full compliance within the next two years. If Vermont fails to come into compliance by the end of the state's two-year waiver in August of 2026, the state risks losing CCDF funding.

H.248 makes some key changes required under the final rule; Let's Grow Kids fully supports these changes—not just because of the risk to crucial federal funding, but because they're good policy changes that support child care programs' sustainability and families' access to affordable care. **We would also request that you add one more provision to the bill, also related to compliance with the federal rule, that would continue progress toward the goals the Legislature laid out for Vermont's child care system in Act 45 of 2021.**

In addition to the provisions in H.248, the final rule requires states to ensure that families who qualify for child care financial assistance under federal guidelines (families with incomes up to 85% of the State Median Income along with other criteria) spend no more than 7% of their annual income on child care. However, CCFAP's current tier-based family share determination scale exceeds this limit. In Acts 45 and 76, the Legislature established the goal of ensuring that no Vermont family spends more than 10% of their annual income on child care.

The figure below demonstrates that Vermont is currently not in compliance with this federal rule. The figure also demonstrates that families with incomes at the lower end of each of the current flat-fee payment tiers are spending a higher percent of their income on child care than families with incomes at the top of each flat-fee tier.



In order to more easily comply with the federal rule and move toward the goal the Legislature established for family affordability, in FY27 CDD should reconfigure the sliding scale for determining family share co-payments to shift from a flat-tier scale to a progressive sliding scale based on the percent of income that a family is spending for child care. H.248 should direct CDD to analyze what would be required to make this change, as well as how much it would cost to adjust family share payments to ensure no family under 85% of SMI spends more than 7% of their income on child care, and how much funding would be needed to ensure that no family receiving CCFAP spends more than 10% of their income on child care.

We recommend amending H.248 to direct CDD to report to the General Assembly by December 2025 on funding needed to comply with this part of the federal rule and make the necessary IT changes, as well as the funding needed to ensure that no family receiving CCFAP spends more than 10% of their income on child care.