



# Child Care

## 2008 Legislative Report

from the Vermont Child Care Advisory Board



# Vermont's Child Care Advisory Board

c/o Trinity Children's Center  
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Administration for  
Children and Families/  
Child Care Bureau

December 7, 2008

William P. Russell, Chief Counsel  
Legislative Council  
115 State Street, Drawer 33  
Montpelier, VT 05633

Dear Mr. Russell,

Enclosed is the 2008 Legislative Report from the Child Care Advisory Board. This Governor-appointed board is charged with advising and assisting the Department for Children and Families (DCF) and the Child Development Division within DCF. As required by statute, our duties also include submission of an annual report to the Legislature on the status of and need for improvement to Vermont's child care system.

We note this year we are also sending our annual report to 1,722 state-regulated child care providers in Vermont, so they can share with parents that their increasing desperation about child care is not going unnoticed. Thank you for your attention to this report.

Sincerely,

**Maureen Danielczyk**, Co-Chair  
Child Care Advisory Board  
Executive Director,  
Trinity Children's Center

**Jackie Sprague**, Co-Chair  
Child Care Advisory Board  
President, Vermont Association for  
the Education of Young Children

CC: Governor James Douglas; Cynthia LaWare, Secretary, AHS; Steve Dale, Commissioner, DCF; Kim Keiser, Deputy Commissioner, DCF; Child Care Advisory Board Members; 1,114 registered home child care providers; 608 licensed child care centers.

## Vermont's Future...

If Vermont is to prosper in the future, we need to make sure that all our children have the opportunity to succeed. Children's brains develop rapidly when they are young and we now know that a child's environment affects that crucial early brain development. Children learn to be cooperative, to be problem solvers and to understand language in stimulating, nurturing environments. Children who receive sensitive and responsive care from their parents and other caregivers enjoy an important head start toward success in their lives. Child care is second only to the immediate family as the environment in which early development unfolds, starting in infancy and continuing through school entry for the vast majority of young children.<sup>1</sup>

It costs money to create and sustain a child care environment that promotes healthy brain development. When communities make quality child care services available to families, they help to lay a solid foundation for a child's social, emotional, communication, physical and intellectual development. Good environments and positive interactions help create optimal brain development. A child with this solid foundation will be an engaged and contributing member of their community and economy.

Denying Vermont's working families affordable access to quality child care is undermining the future of too many of our children. Vermont's future is at risk.

<sup>1</sup> From Neurons to Neighborhoods: The Science of Early Childhood Development. Jack P. Shonkoff, M.D. and Deborah A. Phillips, Editors. Board on Children, Youth, and Families, National Research Council and Institute of Medicine. National Academy Press, Washington, D.C.

**Child care is second only to the immediate family as the environment in which early development unfolds...**

# The Child Care Dilemma

## An Unaffordable Necessity

There's a child care dilemma for parents trying to mix two full-time jobs with raising two children. Paying for two children in full-time child care has become more than a stretch for most families, it's beyond reach. Desperate, stressful thoughts swirl in parents' heads:

*I can't afford to work! Maybe one of us should quit work? Maybe we should become tag team parents who take turns taking care of the kids while one of us works day shift and one works the night shift? Maybe my neighbor could watch the kids for a few hours every day after school? Or even: Our nine-year-old Susie is an exceptionally responsible child—maybe she can watch her little brother after school every day until we get home.*

To hear Vermont parents tell their stories, visit [www.VermontCCAB.org](http://www.VermontCCAB.org)

From day shifts to night shifts, working overtime and at home, moms and dads are struggling to juggle jobs and parenting and checkbooks.

## Basic Need

For the past six years, Vermont has developed and published its Basic Needs Budgets. For a Vermont family of four with two working parents and two preschool age children (one age 3 and one age 4<sup>1/2</sup>), with a median household income, the cost of child care equals \$16,120<sup>†</sup> and represents 22% of the family household budget. When child care, transportation, food, housing and health care are added together, more than three-quarters (78%) of the household budget for this Vermont family of four is committed—before taxes are paid.

## Increasingly Desperate Need

What is a stretch for a family at the Vermont median household income becomes a desperate need for families in the lower half of income groups. A single parent who is working full-time and who has two children in full-time child care is likely to be eligible for the Vermont Child Care Subsidy Program. Yet despite the program's objective of ensuring that lower income families have equal access to child care and pay no more than 10% of their income for the required co-pay, there are clear indications these goals are not being met.

For a single parent earning \$13,500 a year in the hospitality industry, with two preschool age children (one age 3 and one age 4<sup>1/2</sup>), the cost of child care with a registered home provider is \$13,000, which before reimbursement could represent 96% of the household budget. Child care costs after

being reduced by the maximum child care subsidy payment still leaves a co-pay of \$3,713 or 27.5% of this single parent's budget.

If such a single parent of two children earns \$15,080 a year by working full time and earning the Vermont minimum wage—which puts them above the state's eligibility scale based on the 1999 federal poverty guidelines—the child care subsidy is reduced on a sliding scale, which has the effect of increasing their co-pay even higher.

Families determined to be ineligible for the subsidy program, or who feel their subsidy level is inadequate, may file a variance. Variance requests and other indicators of the desperate need for child care continue to escalate. Between fiscal year 2005 and fiscal year 2007, Vermont experienced a 143% increase in the number of variances requested.

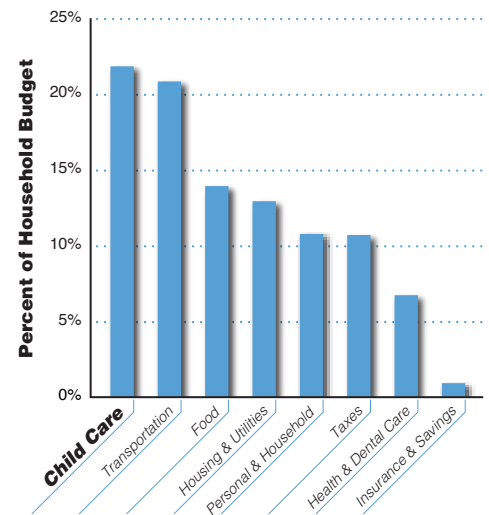
Costs for child care should not exceed what families can afford. Even when quality child care is available, most families face the question of whether they can afford it. Child care expenses have become an unaffordable necessity for families in a wide range of income levels.

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## Relative Impact of Household Budget Categories

Based on median gross income for 4-person household



Source: Vermont Basic Needs Budgets, 2007.  
Vermont 2006 Child Care Market Rates.

<sup>†</sup> Child Development Division, statewide weekly market rate for 2 preschoolers enrolled full time at a licensed center-based program at 75th percentile, as of November 2006. For a registered home provider, the cost of child care would be \$13,000 for 2 preschoolers enrolled full time. Costs for one preschooler and one school age child would be less; Costs for an infant and a preschooler would be more.

# Vermont's Failure to Meet Families' Needs

## Using Outdated Guidelines for State Child Care Subsidy Denies Families Access

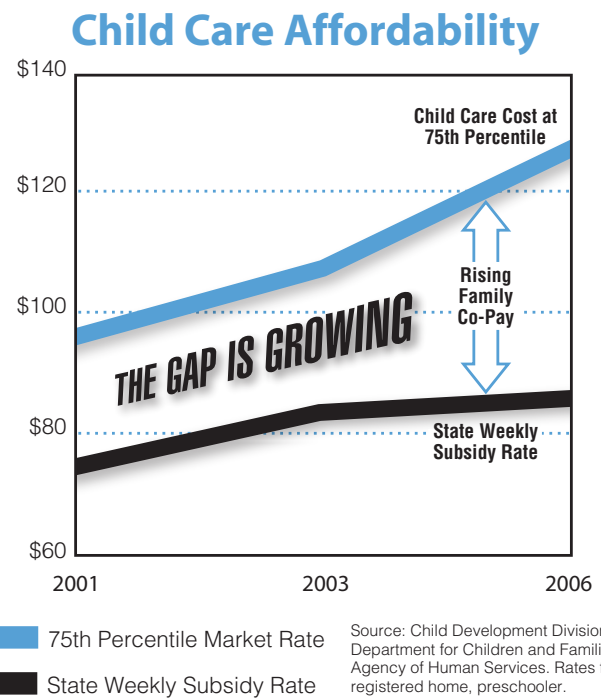
Too many struggling families are not eligible for a child care subsidy because Vermont continues to use the outdated 1999 federal poverty guidelines. For example, in 1999 a two-parent family with two children and an annual income no greater than \$37,380 was eligible for a child care subsidy. In 1999, \$37,380 was approximately 225% of the federal poverty level. In 2007, a similar family at 225% of the updated federal poverty level has an income of \$46,463. Today such a family would not be eligible for a child care subsidy because its income exceeds \$37,380. Today, this same family, earning \$37,380 or 181% of the 2007 federal poverty guideline is not eligible for any child care subsidy reimbursement, but is eligible financially for both Dr. Dynasaur and the Women, Infants and Children program. Each year Vermont does not update its child care subsidy eligibility criteria means more families are denied access to the program designed to serve them.

## The Gap is Growing Between the State Subsidy Rates and Child Care Market Rates

For the children of working parents to be in a safe learning place, lower income families and child care providers must make up the difference—or gap—between the state subsidy reimbursement rate and the market rate. Parents are financially responsible for this difference, generally termed a co-pay. The State of Vermont is losing ground. In many areas, the state subsidy child care reimbursement rates for specific types of child care are lower than the rates charged by more than half of providers in that region, that is, below the 50th percentile. The federal standard is a state subsidy reimbursement rate set at the 75th percentile.

The 75th percentile is the standard established by the federal government to assure subsidized families have access to the child care market. It means families receiving a full subsidy have financial access to at least 75% of the care in their community.

***The greater the gap between the 75th percentile and the subsidy rate, the less access families have to child care.***



## A Legal and Moral Obligation

- **The State of Vermont has a legal and moral obligation to ensure our children can be in a safe learning place so their parents can work.**
- **The State of Vermont is failing in its legal and moral responsibility to families in need.**
- **The State's failure hurts children, families, child care providers, our communities, and our economy.**
- **The State's lack of commitment to resolving this failure is unacceptable.**

# Child Care Stories

“ Since I re-entered the workforce...we're no longer eligible for child care subsidy and they [the provider] just bumped their tuition up to like \$910 a month, and that's a huge amount of money out of our pockets monthly...we're paying out over \$10,000 a year on one child in child care. ”

— **Ginger Potwin**  
Mother of three, Randolph



“ I don't make much money and child care is very expensive. Although I do have wonderful child care, it is a struggle at times to travel the distance to get good child care in rural Vermont. ”

— **Jerry Farrington**  
Mother of two, Sheffield

“ As a taxpayer, I am glad to support and to make this public investment in [child care for] my children and the children that will grow up to be our future leaders in Vermont. ”

— **Danielle Thompson**  
Parent, Wolcott



“ I think that everyone, not just people who are wealthy enough to afford a really good child care or people who are low income enough to get subsidized child care, but everyone, every one of our children deserves the opportunity at least to the choice to be with other children and to have opportunities that their parents can't provide them. ”

— **Denise Foote**  
Mother of five, Burlington

The Child Care Advisory Board is a Governor-appointed board charged with advising and assisting the Child Development Division of the Vermont Agency of Human Services. As required by statute, our duties also include submission of an annual report to the Legislature on the status of and needs for improvement to Vermont's child care system. The Child Development Division (CDD) is the state agency charged with improving the well being of Vermont's children by ensuring safe, accessible and quality services are available for every child. When federal funds are provided to states for these purposes, CDD administers such funds.

# Vermont Child Care Affordability: What We Need to Do

## Advisory Board Recommendations

If Vermont is to meet the changing needs of its families and communities, child care needs to be viewed as an integral piece of Vermont's economic infrastructure with the same level of fiscal commitment as transportation, housing and education.

This is what needs to be done:

Action	Accountability
<b>1 Close the Gap for the Most Vulnerable</b>	
<i>Immediately bring into compliance the Vermont child care subsidy eligibility criteria from 1999 to the current federal poverty guidelines.</i>	By not adjusting its guidelines, Vermont is out of compliance with federal requirements for the Child Care and Development block grants.
<i>Annually adjust the Vermont child care eligibility criteria to the current federal poverty guidelines.</i>	Too many struggling families are deemed ineligible for a child care subsidy because Vermont continues to use outdated federal poverty guidelines. Making an automatic annual adjustment to the child care eligibility criteria to match current federal poverty guidelines is in alignment with other Vermont programs, and will provide a measure of reason and predictability for working families.
<i>Adjust the child care reimbursement rate to the 75th percentile of Vermont's market rates to comply with the federal standard.</i>	By setting and sustaining Vermont's eligibility criteria and child care reimbursement rates to current federal guidelines, CDD will support both families and providers in their struggle to survive and move towards self-sufficiency.
<b>2 Reduce Child Care Costs for All Vermont Families</b>	
<i>Adjust the child care reimbursement rate to the 75th percentile of Vermont's market rates.</i>	In an attempt to help the neediest families, many child care providers accept the state's below market rate subsidy payments. To make ends meet, this creates a cost shift where private pay families are paying more. The state's adjustment to reimburse child care payments at the 75th percentile will moderate this cost shift for all families.
<i>Expand VHAP and Catamount Health to include small businesses so every regulated child care provider and their employees are immediately eligible.</i>	Health care is the second largest expense item for child care providers, following only salaries. Reducing this major cost driver for the child care industry will help to moderate the escalating cost of child care for Vermont families.
<i>Enable the establishment of a mechanism such as a captive insurance entity to provide access to affordable business insurances, e.g., liability and property, for Vermont child care providers.</i>	Access to affordable business insurance will reduce a cost driver for the child care industry.

**Vermont wants more young families to remain here or move to our state. The child care affordability, accountability, and action steps shown here are essential to achieve this widely-accepted goal. The Child Care Advisory Board believes that the children of working parents should not be penalized because of the high cost of child care—the stimulating, nurturing environment that builds a solid foundation should be available to every Vermont child.**