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Agency of Human Services

MEMORANDUM

To: Joint Fiscal Committee
From: Sean Brown, DCF Commissioner
Sarah Truckle, DCF Financial Director
Subject: Federal Child Care Funds Reports and Excess Receipts
Date: September 2, 2021

Pursuant to Act 74, the Department for Children and Families (DCF) may obtain Excess Receipt authority for Child Care Stabilization Grant funds if further appropriation is required.

(b) ... Excess receipts authority may be granted only in the event that the appropriation in subsection (a) of this section is not sufficient to support childcare providers prior to the fiscal year 2022 budget adjustment process and the funds are used consistent with an approved plan required to be presented to the Joint Fiscal Committee on or before September 1, 2021 in legislation enacted during the 2021 legislative session.

Furthermore, Act 45 requires DCF to submit a plan on the proposed use of the Child Care Block Grant and the Child Care Stabilization Grants in excess of funds appropriated in State Fiscal Year 2022.

(a) On or before September 1, 2021, the Department for Children and Families, in consultation with stakeholders that include individuals who are Black, Indigenous, and Persons of Color, shall submit a plan on the proposed use of the Child Care Development Block Grant and the Child Care Stabilization Grants, in excess of monies specifically allocated from the Child Care Development Block Grant in fiscal year 2022 for the child care workforce support programs established in 33 V.S.A. chapter 35, subchapter 5, received by the State pursuant to the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, for review and acceptance by the Joint Fiscal Committee at their September 2021 meeting. The plan shall concurrently be provided to the Chairs of the House Committee on Human Services and of the Senate Committee on Health and Welfare for input prior to action by the Joint Fiscal Committee.

DCF must notify the Administration for Children and Families (ACF) if it is unable to fully obligate the funds by April 1, 2022. All funds must be obligated by September 30, 2022. As outlined in the report, DCF proposes awarding the stabilization funds using a formula to determine award amount. This is consistent with other states and in accordance with federal guidance. Given this method of award, DCF anticipates obligating 90%+ of the funds in the Winter, 2021 pursuant to the application cycle.



Therefore, DCF respectfully requests the Joint Fiscal Committee (JFC) to approve the proposed plan as outlined in the submitted report, and grant DCF authority to seek Excess Receipts so we can fully obligate the funds.

Additionally, DCF requests JFC approve the plan regarding the proposed spending for the Child Care Development Block Grant funds as outlined in the report, and grant DCF authority to seek Excess Receipts to obligate the remaining funds required for SFY22, including the allocation of funds for Special Accommodation Grants, Child Care Capacity, and business training.

**Report to
The Vermont Legislature**

**Proposed use of Child Care Development Block Grant and
American Rescue Plan Act Stabilization Grants**

**In Accordance with
H.171 Section 10. V.S.A §4603**

**Submitted to: Joint Fiscal Committee Senate Committee
House Committee on Human Services
Senate Committee on Health and Welfare**

Submitted by: Sean Brown, DCF Commissioner

**Prepared by: Sheila Duranleau, Director of Programs, Child
Development Division**

Report Date: September 1, 2021



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Part I: Summary

The Fiscal Year 2022 Appropriations Act provides that, on or before September 1, 2021, the Department for Children and Families (DCF) in consultation with stakeholders that include individuals who are Black, Indigenous, and Persons of Color (BIPOC), shall submit a plan on the proposed use of the Child Care Development Block Grant (CCDBG) and the Child Care Stabilization Grants, in excess of the monies specifically allocated from the funds in fiscal year 2022. This report serves as the department’s plan for review and acceptance at the Joint Fiscal Committee September 2021 meeting.

As required, the plan must be provided to the Chair of the House Committee on Human Services and of the Senate Committee on Health and Welfare for input prior to action by the Joint Fiscal Committee.

Part II: Stakeholder Input

The Child Development Division (CDD) utilized a significant number of stakeholder input strategies in gathering feedback for the use of these funds. The following table summarizes the methods and timeline of stakeholder involvement.

2021	Stakeholder Activity
March	Surveys to families and providers regarding the status of child care and the use of ARPA funds.
April 15 th	Strategic planning meeting with external partners: Building Bright Futures, Let’s Grow Kids, VT After School, VT Association for the Education of Young Children on how to reach all communities/populations.
May 24 th	Building Bright Futures (BBF) State Advisory Council meeting. BBF convened a broad range of stakeholders to understand existing state and federal investments as well as what is on the horizon for Vermont and how these can be leveraged to address needs and gaps facing families, communities, and the early childhood system.
June 16 th	CDD staff met with New American and Refugee Resettlement programs (USCRI and AALV) to discuss developing a foundational relationship, so our work is more inclusive and to share information about ARPA funding.
June 22 nd	CDD staff met with the child care advisory team (this team was established during the response to COVID-19 Pandemic) to hear their ideas for ARPA Stabilization and Discretionary program designs.
July 1 st	CDD staff reached out to the SOV Executive Director of Racial Equity for contacts in the BIPOC communities to help spread the word about the July 9 th ARPA funding opportunity webinar and anticipated survey.
July 1 st	CDD staff reached out to past advisor to the DCF commissioner for contacts in the BIPOC communities to help spread the word about the July 9 th ARPA funding webinar and anticipated survey.
July 7 th	CDD staff met with the Director of Operations for VT Professionals of Color to discuss developing a foundational relationship, so our work is more inclusive and to share information about the ARPA funding webinar and anticipated survey.
July 9 th	ARPA Child Care Stabilization Opportunity Webinar hosted by BBF with follow up survey for final input.
July 22 nd	ARPA Child Care Stabilization Opportunity Webinar hosted by Vermont After School with follow up survey for final input.
July 26 th	ARPA survey released to broad audiences for input on ARPA Stabilization and Discretionary program design and workforce challenges. Sent to all internal and external partners and AALVI, USCRI, VT Professionals of Color, Migrant Justice, NAACP, BIPOC FB page. The survey closed on August 4 th .

Part III: Child Care Development Block Grant (ARPA Discretionary)

The ARPA CCDF Discretionary Match funds (\$793k) will be used to support transportation services to and from child care programs as DCF continues to evaluate data of transportation of all children in Vermont by DCF. These funds must be obligated by September 30, 2021 and will be used to supplement our existing transportation efforts.

The American Rescue Plan Act (ARPA) Discretionary funds (\$18.3 million) will be awarded as competitive grants through a request for proposal procurement process. All funds must be obligated by September 30, 2023. Funds must be liquidated by September 20, 2024. CDD proposes the following general allocation of the discretionary funds.

State Fiscal Year (SFY) 2022 and SFY 2023 – Total \$10.86M

- a. \$2.6M for workforce supports. As appropriated, Act 45 (H.171) directs the Child Development Division (CDD) to direct ARPA Discretionary funds towards scholarships for current early childhood providers and towards scholarships for prospective early childhood workforce. Discretionary funds will be used to support two new workforce programs as established in Sec. 6 33 V.S.A. chapter 35 §3542 and §3543.
- b. \$500,000 for one-time supplemental Special Accommodation Grants to support specialized needs of children in child care settings and maintain childcare placements.
- c. \$500,000 for business training support for child care. This need was particularly highlighted by the COVID-19 pandemic and identified as part of the child care stabilization efforts.
- d. \$1.8M child care and after school capacity building activities in forms of grants and activities to support additional slots and hours for Vermont's children in regulated settings.

SFY 2024 – Total \$6.93M

- e. \$2.6M to continue workforce supports as identified above.
- f. \$2.5M to support intervention, social emotional, mental health, and staff training needs in early child care settings. Program to be designed and developed in coordination with Agency of Education, Department of Mental Health, and Vermont Department of Health and subject to change based on program evolution over the next two years.
- g. \$1.8M child care and after school capacity building activities in forms of grants and activities to support additional slots and hours for Vermont's children in regulated settings.

Additionally, CDD is proposes allocating \$500,000 for internal administrative costs associated with this program, including staff time, allocated costs as permissible, and other operational expenses necessary to run these various grant programs.

The proposed plan was created based on insights gathered from the field over numerous stakeholder input sessions. Stakeholder engagement identified that system supports are a priority in Vermont. The field highlighted the continued need for scholarships for current early childhood providers and scholarships for prospective early childhood providers. As such, continuation of the workforce programs has been included in the proposal. Additionally, the field identified the need for necessary training and supports so children can participate and remain in their program. CDD has addressed this through the one-time increases to the Special Accommodation Grants in SFY 2022 and 2023 and the \$2.5M to support intervention, social emotional, mental health, and training needs.

Other suggestions from the field included to develop a network of shared services and supports for programs; to develop/enhance the Quality Rating and Improvement System (QRIS) and to develop/enhance statewide child care resource and referral services.

Part IV: ARPA Child Care Stabilization Program Design Recommendation

The ARPA Child Care Stabilization Grants (\$29.3M) require ninety percent of funds (90%) are directly paid to child care providers who are currently regulated and serving children or to providers who were regulated but closed due to COVID or other health and safety issues and will be open and serving children within 30 days of the application deadline. The ARPA Stabilization Grants (\$29.3 million) must be used to address the financial burdens faced by child care providers during COVID-19 and the instability of the market as a whole.

The Child Development Division (CDD) was appropriated \$14.7M in funds in the SFY22 budget of the ARPA Stabilization Funds. CDD will disperse formulaic beneficiary payments through a non-competitive application process. Pursuant to this plan CDD proposes obligating all funds pursuant to the federal requirements and as such anticipates obligating 100% of funding is SFY22. CDD will use the Excess Receipts Process identified by the legislature as necessary for spending authority.

CDD will use up to 10% of these funds, as authorized to support the administration of this program, including costs associated with limited-service staff.

Key Stabilization Dates

Dec. 11, 2021- notify the Administration for Children and Families if unable to obligate 50% (\$14.7 mil).

April 1, 2022 – notify the Administration for Children and Families if any funds cannot be obligated by 9/30/2022.

September 30, 2022 – all funds must be obligated.

September 30, 2023 – all funds must be liquidated.

Program Design

The ARPA Stabilization program is modeled after the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) program. CRRSA is a 9-month program running from April – December 2021. Approximately 750 providers are receiving a monthly prospective payment as long as they are open and serving children in that month. This program infuses over \$1 million dollars into the child care and school age system each month.

The ARPA Stabilization program will follow this approach. Total awards are determined using a formula that is comprised of a base rate and various increases. The base rate prioritizes funding towards smaller programs per federal guidance. Various increases of the base rate will be added for applicants who meet any of the following criteria.

- Offers or will offer infant/toddler care.
- Offers or will offer alternative shifts.
- Agrees to direct at least some of their award to staff compensation and/or recurring monthly retention bonuses.
- Agrees to work towards pre-COVID accessibility for all families in their program.
- Operates a minimum of 5 days per week, with a minimum of 8 hours of care offered each day.
- Operates in a low-income area.
- Enrollment is racially or culturally diverse

Timeline

Once approved by Legislative committees, the Child Development Division will hold a webinar to inform eligible providers about the program design and application process. It is anticipated that applications will be open in October with initial payments made in November.

Part V: Child Care Workforce Support

Workforce development and support can be provided by the ARPA Stabilization funds if the provider who receives the grant decides to use them in that manner. Providers may use the funds for personnel costs including payroll and salaries, employee benefits, staff recruitment/retention bonuses, cost of insurance, retirement, professional development, etc. The Stabilization program design builds in an incentive for providers who certify that they will allocate some of their Stabilization grant award to their workforce in the form of monthly retention bonuses.

In the July 26th ARPA survey to collect stakeholder input on funding opportunities, 79% of the respondents said they would use their ARPA Stabilization funds to support workforce within the allowable expenses.

Scholarships for current providers will be managed through the Vermont Association for the Education of Young Children (VTAEYC) by adding to the current Teacher Education and Compensation Helps (T.E.A.C.H.) program. T.E.A.C.H. is an established comprehensive scholarship program that provides the early childhood workforce access to debt-free educational opportunities and is helping establish a well-qualified, fairly compensated and stable workforce. [T.E.A.C.H. Early Childhood® VERMONT Scholarship Program – Vermont Association for the Education of Young Children \(vtaeyc.org\)](https://www.vtaeyc.org)

The Child Development Division will issue a Request for Proposal (RFP) to award funds to an organization(s) interested in managing a program to issue scholarships for prospective early childhood workforce and the student loan repayment program.

Part VI: Additional Considerations

To the extent possible, the plan shall consider the following priorities but need not be limited to them.

Expansion of the Child Care Financial Assistance Program to families whose incomes are up to 400 percent of the current federal poverty level. CDD does not recommend using one-time funds to create base budget pressure in future years therefore we do not recommend using these funds to shift the subsidy scale. The federal government has increased the child and dependent care tax credit to help middle-class families afford child care. Consideration should be given to federal developments in this area before a change is made.

Increased access to high-quality infant care. The ARPA Stabilization grant program design provides an incentive for infant slots above the base rate to providers that qualify. CDD has proposed spending \$1.8M in ARPA Discretionary funds annually to support child care and afterschool capacity needs and further investing in new slots and coverage for Vermont's children.

Funding to ensure that co-payments for families participating in the Child Care Financial Assistance Program shall not exceed 10 percent of a family’s annual gross income. CDD does not recommend using one-time funds to create base budget pressure in future years therefore we do not recommend using these funds to shift the subsidy scale. However, the ARPA Stabilization program requires regulated provider grantees to certify that, to the extent possible, they will provide relief from co-payments and tuition payments for families enrolled in their program and prioritize relief for families struggling to make payments. The below chart demonstrates the majority of families eligible for CCFAP will pay less than 10% of their income based on the new eligibility scale appropriated in SFY22.

Child Care Financial Assistance Program Proposed Income Guidelines									
Family Size	Monthly Countable Income								
	150 FPL%	175% FPL	200% FPL	225% FPL	250% FPL	275% FPL	300% FPL	325% FPL	350% FPL
3	\$2,745	\$3,203	\$3,660	\$4,118	\$4,575	\$5,033	\$5,490	\$5,948	\$6,405
4	\$3,313	\$3,865	\$4,417	\$4,969	\$5,521	\$6,073	\$6,625	\$7,177	\$7,729
5	\$3,880	\$4,527	\$5,173	\$5,820	\$6,467	\$7,113	\$7,760	\$8,407	\$9,053
6	\$4,448	\$5,189	\$5,930	\$6,671	\$7,413	\$8,154	\$8,895	\$9,636	\$10,378
Family Weekly Co-payment	\$0	\$25	\$50	\$75	\$100	\$125	\$150	\$175	\$200
Monthly co-payment example	\$0	\$108.25	\$216.50	\$324.75	\$433.00	\$541.25	\$649.50	\$757.75	\$866.00

Access to high-quality affordable child care for culturally and racially diverse families.

The ARPA Stabilization grant program design provides an increase for providers that serve a percentage of children who identify as a race other than white, or whose language spoken at home is not English.

Support and assistance to stabilize regulated, privately operated center-based child care programs and family child care homes. The ARPA Stabilization program design provides direct support and assistance to all regulated child care and school age providers as well as Approved Relative Caregivers who are serving families receiving Child Care Financial Assistance.

Identification of any statutory or regulatory barriers to using the ARPA funds to address the immediate and future child care needs of Vermonters. The CDD has not identified any statutory or regulatory barriers at this time.

The fiscal impact of the pandemic on Head Start programs statewide.

There are currently seven (7) Head Start grantees in Vermont providing more than 1,400 at-risk children with the skills they need to be successful in school and life. In response to the COVID-19 public health crisis, Vermont Head Start programs received the following funds directly from the federal government, \$1.2M in CARES Act funding; \$423K through PL 116-260; and \$1.7M through ARPA.

Additionally, CDD has provided \$532K in Coronavirus Relief Funds to Head Start Programs. Head Start providers will continue to be eligible for stabilization funds such as CRRSA and Stabilization funding.

Part VII: Conclusion

The American Rescue Plan Act Stabilization funds totaling \$29.3 Million dollars are designed to support providers providing care for children, six weeks through twelve years old. Through our multi-faceted approach of engaging stakeholders, the Child Development Division is confident that the Stabilization program design will meet the needs of providers and that it strives to meet the needs of parents and caregivers by making care as available as it was before the COVID-19 pandemic, while also striving to increase access and affordability into the future.

The Discretionary funds, totaling \$18.3 Million dollars, has guidance that is less prescriptive, but stakeholder feedback makes it clear that the Child Development Division needs to find a balance of meeting provider and families immediate needs that are a direct result of the stressors created or exacerbated by the pandemic while also looking to strengthen the overall structure for years to come. This will be done by determining what programs are needed, what programs can be supported by one-time funds, and what programs fit within the Vermont Early Childhood Action Plan that establishes Vermont's goals and structures to support these goals.