



Date: Thursday, January 21, 2021
To: Vermont Tax Structure Commission
From: Aly Richards, CEO, Let's Grow Kids
Re: Tax Structure Commission Recommendations and Child Care

Now, more than ever, Vermonters are aware of essential role that child care (early childhood education) plays in the lives of Vermont's children, families, communities, and businesses. However, even before the pandemic, three out of five of Vermont's youngest children did not have access to the care they need. COVID-19 has only exacerbated this challenge. Without affordable, accessible early childhood education programs, Vermont cannot fully recover and grow its workforce, support young families, or set its youngest residents up for future success in school, relationships, work, and life.

Over the past several years, the Blue Ribbon Commission on Financing High Quality, Affordable Child Care and the Building Vermont's Future from the Child Up Summit and Think Tank have recommended that Vermont seek a stable, long-term funding source to provide the financial means necessary to fully implement a high-quality, affordable early childhood education system in our state that eliminates benefits cliffs and provides equitable access for all Vermont children. In the ensuing years the Vermont General Assembly has recognized the importance of child care as essential economic development infrastructure, however, no progress has been made to identify the funding necessary to achieve the necessary system transformation. This past summer, a group of Vermont business leaders gathered with Let's Grow Kids to review these recommendations and generate ideas as to what that funding source could be. Based on that work, Let's Grow Kids has asked the Vermont General Assembly to pass legislation in 2021 that would launch a feasibility study to identify a robust, sustainable source of new revenue to support investments in Vermont's child care system. As your Commission works to finalize your report, we recommend including a recommendation related to the long-term funding of early childhood education in our state.

Research based on the Nobel Prize-winning research of Dr. James Heckman has shown that Vermont stands to gain a \$3.08 return on every dollar invested in high-quality, affordable child care in our state.¹ This research also indicates that if the necessary investments were made, it would inject about \$1.9 billion into the state's economy, and that these economic benefits could extend through indirect effects on business purchases, wages, and additional tax revenue generated.² Research also shows that when children have access to culturally-

¹ Diaz, J. (February 2017). *Vermont's Early Care & Learning Dividend*. Wilder Research: Saint Paul, MN. Retrieved from http://vbr.i9e.co/wp-content/uploads/sites/31/2017/02/VermontECLDRReport_2017.pdf.

² Ibid.

linguistically-, and needs-responsive, high-quality early childhood education, it can close or eliminate achievement gaps caused by generational poverty, structural racism, and social inequity.³ This reduction in achievement gaps can translate into increased educational, health, wage, and tax contribution outcomes for not only the children who participate in these programs, but also their children.⁴

This year, we are recommending to the Vermont Legislature that the state explore tax options, such as a payroll tax, to provide the stable, long-term funding needed to provide equitable access to high-quality early childhood education. We hope that you will join us in this recommendation to ensure Vermont's youngest children have the strongest start possible, and to also ensure the financial well-being of our state's families, communities, and businesses for generations to come.

Thank you for your consideration and your commitment to all Vermonters.

³ Johnson-Staub, C. (December 2017). *Equity Starts Early: Addressing Racial Inequities in Child Care and Early Education Policy*. CLASP. Retrieved from https://www.clasp.org/sites/default/files/publications/2017/12/2017_EquityStartsEarly_0.pdf.

⁴ Heckman, J., Karapakula, G. (May 2019). *Intergenerational and Intragenerational Externalities of the Perry Preschool Project*. National Bureau of Economic Research. Retrieved from <https://www.nber.org/papers/w25889>.