

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.171 An act relating to the governance and financing of Vermont's child care system

As passed the House

<https://legislature.vermont.gov/bill/status/2022/H.171>

The bill proposes changes to and investments towards Vermont's child care system.

Child Care Financial Assistant Program (CCFAP)

Secs. 2 - Child Care Financial Assistance Program

The bill would make eligibility changes to the Child Care Financial Assistance Program (CCFAP) including instituting flat family co-pays based on the federal poverty level (FPL), expanding the lower limit for families who would have no co-pays from 100% FPL to 150 FPL, and expanding those who can receive subsidies to 350% FPL. According to the Department of Children and Families (DCF), these changes are included as part of the Governor's FY 2022 budget recommendation.

Sec. 3 – Payment to Providers

The bill would include reimbursement rate caps tiered in relation to provider ratings in the Vermont STARS program of which the lower limit would not be less than the 50th percentile of all reported rates for the same provider setting in each rate category. These changes are included as part of the Governor's FY 2022 budget recommendation.

Sec. 4 – Appropriation and Legislative Intent; CCFAP

Sec. 4 includes a FY 2022 appropriation of \$5,529,000.00 from the General Fund to DCF for the purpose of implementing the changes in Secs. 2 and 3. This amount is included as part of the Governor's FY 2022 budget recommendation. The bill also includes intent language regarding consideration of family out-of-pocket limits.

Fiscal Impact (Secs. 2, 3 & 4):

- *FY 2022 Appropriation to DCF = **\$5,529,000.00***
 - *This amount was included in the Governor's FY 2022 Budget Recommendations.*
- Intent Language: The bill includes intent language regarding consideration of future family out-of-pocket limits which would have fiscal impacts if acted upon.

Workforce Supports

Secs. 6, 7 & 8– Scholarships and Loan Repayment Programs

The bill would establish need-based scholarship programs for current and prospective early childhood providers and a student loan repayment program.

- Scholarships for Current Early Childhood Providers – for individuals employed by a regulated, privately operated center-based child care program or family child care home while acquiring credits in early childhood development or that are related directly to working with children from birth through eight years of age. The bill would appropriate \$300,000.00 in FY 2022 for this program.
- Scholarships for Prospective Early Childhood Providers – for individuals pursuing a college degree in early childhood education or early childhood special education. Eligible individuals must attend a Vermont college or university at least part-time and meet time commitments as required by the bill. The bill would appropriate \$400,000.00 in FY 2022 for this program.
- Student Loan Repayment Assistance – for any individual employed by a regulated, privately operated center-based child care program or family child care home in Vermont. Eligible individuals must meet criteria as required by the bill.
- Program Administration - The bill allows DCF to contract for the administration of these programs, although administration costs for each may not be more than 10 percent of the total appropriation for the program. The programs would be distributed on a first-come, first-serve basis until any appropriated funds are depleted. The bill would appropriate \$1,800,000.00 in FY 2022 for this program.
- Repeal - Sec. 8 of the bill would repeal references to these programs on July 1, 2026.
- The funding sources for these program appropriations are addressed in Sec. 15 of the bill.

Fiscal Impact: FY 2022 appropriations to DCF (source of funds TBD)

- *Current Early Childhood Provider Scholarship Program = **\$300,000.00***
- *Prospective Early Childhood Provider Scholarship Program = **\$400,000.00***
- *Student Loan Repayment Assistance Program = **\$1,800,000.00***

Recommendations on American Rescue Plan Act of 2021

Sec. 10 would require DCF in coordination with Building Bright Futures (BBF) to convene a child care working group to make recommendations for most effectively utilizing Child Care Development Block Grant (CCDBG) funding received by the state pursuant to the American Rescue Plan Act of 2021 (ARPA). This working group would cease to exist on December 1, 2021.

Sec. 11 would require DCF in coordination with BBF to convene a child care working group to make recommendations for most effectively utilizing Child Care Stabilization Grant funding received by the state pursuant to ARPA. The working group shall make recommendations to

ensure that the use of the ARPA Child Care Stabilization Grants funding is fully utilized in a timely manner.

- On or before September 1, 2021, DCF shall submit a report to the Joint Fiscal Committee (JFC) containing the working groups recommendations.
- Upon receipt, JFC shall have 5 days to approve or reject the recommendations.
- If JFC does not act within 5 days, the recommendations shall be deemed approved and DCF shall distribute the funds according to the recommendations.
- If JFC rejects the recommendations within the 5 day window, it shall hold a meeting as soon as possible to receive testimony from DCF.

The working group shall cease to exist on January 1, 2022.

Fiscal Impact:

- *While this section does not require an appropriation, it lays out a process for how federal ARPA funds may be allocated.*

Studies and Reports

Sec. 13 – Child Care and Early Childhood Education Systems Analysis Study

The bill would require Building Bright Futures to undertake an analysis and provide recommendations regarding Vermont’s child care and early childhood education system. BBF had testified they would need funding to hire a consultant and other administrative costs associated with the study.

Fiscal Impact: There is no appropriation in this bill.

- *Funding for this study will be one of the listed priority considerations of the CCDBG working group in Sec. 10. Previous versions of the bill included an appropriation of \$200,000.00.*

Sec. 14 – Child Care and Early Childhood Education Financing Study

The bill would require the Joint Fiscal Office (JFO) to contract with an economist or independent consulting entity with expertise in the field of child care and early childhood education to examine the economic impacts of and potential funding mechanisms to adjust Vermont’s existing child care system for children from birth through 5 years of age with consideration to the intersection of and impacts on child care for children from ages 6 to 12 in alignment with the recommendations of the Universal Afterschool Task Force. The bill also lays out specific goals. The consultant will report preliminary results on or before November 15, 2023. The final report is due on before January 15, 2024.

Fiscal Impact: There is no appropriation in this bill.

- *Funding for this study will be one of the listed priority considerations of the CCDBG working group in Sec. 10. Previous versions of the bill included an appropriation of \$500,000.00.*

Federal Funds ; Anticipated Receipts

Sec. 15 states that to the extent appropriations in this bill are made from federal funds provided by ARPA, including State holding funds that are established as a result of ARPA, the Commissioner of Finance and Management is authorized to make expenditures in anticipation of receipts as necessary. In the event monies received by the State under ARPA cannot be used for their designated purpose, appropriations shall instead be made from the General Fund.

Fiscal Summary

Sec.	Agency/Dept.	Purpose	Included in FY2022 Gov. Rec.	New Initiatives in H.171	Funding Source
2,3,4	DCF	CCFAP; payments to providers	\$5,529,000		General Funds
6,7,8	DCF	Scholarships for current early childhood providers		\$300,000	General Funds or ARPA Funds.
		Scholarships for prospective early childhood providers		\$400,000	To be determined based on Sec. 10
		Student loan repayment assistance		\$1,800,000	
13	Building Bright Futures	System Analysis Study		N/A ¹	To be determined based on Sec. 10
14	Joint Fiscal Office	Financing Study		N/A ²	To be determined based on Sec. 10
			\$5,529,000	\$2,500,000	

TOTAL APPROPRIATIONS IN H.171 \$8,029,000

¹ The bill does not include an appropriation for this study. This work could cost as much as \$200,000.00

² The bill does not include an appropriation for this study. The work could cost as much as \$500,000.00