



STATE OF VERMONT
HOUSE OF REPRESENTATIVES

Enclosure 3.2.

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MEMORANDUM

To: Joint Fiscal Committee
From: Representative Ann Pugh, Chair, House Committee on Human Services
Date: September 10, 2009
Subject: Proposal to change child care financial assistance program

Background

Section E.318 of No. 1 of the Acts of the 2009 Special Session (the "Big Bill") directs the Department for Children and Families (DCF) to "create a detailed proposal to reconstruct the current child care provider rate structure" and specifies that the proposal must increase the income eligibility to reflect 2009 federal poverty guideline (FPL) income levels while setting the floor for the upper income limit at no less than 200% FPL. Currently, the floor for the upper income limit used by DCF is 82.5% of the state median income (SMI) for the year 2000. The act requires DCF to provide a summary of its proposed changes to the child care subsidy to the House Committee on Human Services and the Senate Committee on Health and Welfare and allows the chairs of those two committees to comment on the proposal to the Joint Fiscal Committee.

In order for the House Committee on Human Services to be knowledgeable about the proposed changes to the child care subsidy, Representatives Mike Fisher, Bill Frank, Patsy French, and Sandy Haas attended a meeting on August 13, 2009 with DCF Commissioner Steve Dale, child care providers, and stakeholders to discuss the proposal. Other committee members, including Representative Mike Mrowicki, who supervises a licensed after-school program that receives some of its funding through the child care subsidy, attended informational meetings in their home communities. Senator Doug Racine and I met with Commissioner Dale and Deputy Commissioner for Child Development Reeva Murphy on August 19, 2009 for a briefing on the final rule. On August 20, 2009, Commissioner Dale and Deputy Commissioner Murphy sent the DCF proposal to the chairs of the House Committee on Human Services and the Senate Committee on Health and Welfare for distribution to their respective committees. Members of the Human Services Committee received the proposal the next day, along with my request to provide feedback. This memo reflects the comments received from seven committee members.

Committee Response to Proposal

Overall, the House Committee on Human Services believes that the proposal developed by DCF represents better policy than the current practice and supports the proposal. At the same time, however, the committee has some concerns about the unintended consequences of the proposed changes in the subsidy structure. The committee is concerned that the

discontinuance of reserved space agreements and infant-toddler grants in favor of new Strengthening Families Grants might result in the neediest and most vulnerable families not receiving the services they need. The committee is not confident that the criteria are flexible enough to meet the needs of these children's child care providers. In addition, the committee is concerned that the details of the Strengthening Families Grants are not yet known to the committee or to the provider community. In order to assess the potential impacts of the funding change, we need to evaluate these details.

Members also expressed concerns about the transition process and the potential for children and families to lose their continuity of care or for providers to be unable to continue offering their services. We understand from DCF, however, that this shift will not take place until January 2010 and that DCF has a plan for informing families and providers and transitioning children appropriately.

Recommendations

The House Committee on Human Services recommends that the Joint Fiscal Committee accept the DCF proposal to reconstruct the child care provider rate structure with three changes. The committee believes that the relevant legislative committees should be involved in the oversight of the new child care subsidy system and would request the Joint Fiscal Committee to include in their approval of the DCF proposal requirements that:

1. DCF report to the House Committee on Human Services and the Senate Committee on Health and Welfare by March 15, 2010 and March 15, 2011 regarding the transition to the new provider rate structure; the impact on the number of children served and the quality of the services provided under both the former structure and the new system; whether the new system has had an impact on providers' ability to serve families with special or greater needs; and whether under the new system any providers have ceased offering infant-toddler care, have had to raise rates, or are at financial risk.
2. In calculating eligibility each year, DCF use the current year's FPL and budget accordingly so that the maximum eligibility threshold increases with increases in the FPL and Vermont will continue to meet federal requirements.
3. DCF provide the Joint Fiscal Committee, the House Committee on Human Services, and the Senate Committee on Health and Welfare with a copy of its transition plan and be prepared to report on it during the first week of the 2010 legislative session.

Thank you for the opportunity to comment on the DCF proposal and for your consideration of the recommendations and concerns of the House Committee on Human Services.