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*Agency of Human Services*

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**Report to  
The Vermont Legislature**

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**Annual Report on  
CDD Extraordinary Relief Funding**

**In Accordance with Act 162 Sec E.318(a) of the Acts of 2012:  
AN ACT RELATING TO FISCAL YEAR 2013 BUDGET**

**Submitted to:** Joint Fiscal Committee

**Submitted by:** Dave Yacovone   
Commissioner

**Prepared by:** Reeva Sullivan Murphy  
Deputy Commissioner

**Report Date:** November 5, 2012



**AGENCY OF HUMAN SERVICES  
Department for Children and Families**



### **Enabling legislation**

*"The commissioner for children and families shall reserve up to one-half of one percent of the child care family assistance program funds to assist child care facilities that are at risk of closing due to financial hardship. The commissioner shall develop guidelines for providing assistance and shall prioritize relief to child care programs in areas of the state with high poverty and low access to high quality child care. If the commissioner determines that the child care center is at risk of closure because operations of a child care program are not fiscally sustainable, he or she may provide assistance to transition children served by the child care operator in an orderly fashion to help secure other child care opportunities for children served by the program in an effort to minimize a disruption of services. The commissioner has the authority to request tax returns and other financial documents to verify the financial hardship and ability to sustain operations."*

### **Establishing a process and informing child care providers**

On June 16, 2012, the Department for Children and Families (DCF) released guidelines and a two page application to establish a process to implement this legislation. The guidelines specifically describe the funding objectives, the nature of the available relief, criteria considered by the Department, the application procedure, and the appropriate contact in the Child Development Division (CDD). These documents are attached. The guidelines and application were posted on the DCF website. Commissioner Yacovone sent a letter via e-mail describing the availability of this extraordinary relief to all regulated child care providers with a link to the new materials.

### **Application and review process**

DCF set up an internal review process for extraordinary relief applications. The process includes:

- immediate and careful fiscal analysis of the full application packet from the business office staff in the Agency of Human Services (AHS);
- communication with applicants to assure all supplemental and necessary information is submitted;
- an invitation to applicants to participate in conference calls with CDD program staff and AHS fiscal staff to ask and respond to questions; and
- a recommendation to Commissioner Yacovone and Secretary Racine for a final funding decision.

The final response to the applicant depends on the full analysis of the information provided. Applicants may receive an advance or enhancement of anticipated subsidy payments, a cash grant, other relief appropriate to the circumstances of the applicant, or no relief. A written response is received from AHS within 10 days of receipt of a complete application and all required materials.

### **Available funds in SFY13**

As directed in the legislation, one half of one percent of the funds budgeted for Vermont's Child Care Financial Assistance Program (CCFAP) for SFY13 is available for extraordinary relief. The total amount available is in the current fiscal year is **\$217,616**. Four applications have been received and reviewed. **\$101,741** has been awarded through the program since July 2012.



### **Applications and awards**

On July 1, 2012, **RTW Children's Plaza in Richford** submitted an application for \$112,000. RTW was a four STARS program with a licensed capacity of 59 children. 31 subsidized children were enrolled at the time of the application. After working with the program to gather all required information and considerable discussion with the owner, CDD and AHS staff determined that the provider did not have a business model and plan that could be sustained without regular infusions of relief funding. The financial stability of the center beyond SFY13 was dependent on significant new public investment in CCFAP and local partnerships that the provider has not been able to arrange over several years of dialogue. The for-profit provider was not willing to create an alternative plan that could be sustained with identifiable public and private resources. The AHS offered RTW Children's Plaza interim relief funding to support families in transitioning to alternative care. The owners made a decision to close the program on September 14, 2012. They were awarded \$28,000 in transition funds. CDD staff worked with families to transition to alternative care arrangements. All families were enrolled in alternative care before the program closed.

On July 2, 2012, **Creative Minds Children's Center in Newport Center** submitted a preliminary application for \$45,000. Creative Minds is a five STARS program with a licensed capacity of 59 children. 35 subsidized children were enrolled at the time of the application. The for-profit provider submitted a clear plan to sustain the program after January 2013 by reorganizing and accessing other available funding sources. The AHS awarded a grant of \$45,000 to sustain the program.

On August 15, 2012, **World of Discovery in Hartford** submitted an application for \$21,000. This for-profit provider operates two programs and had attempted to expand into a third program – a plan they were unable to sustain. One World of Discovery site (Springfield) is a three STARS program; the one in Hartford has two STARS. The Hartford program is licensed for 49 children. 22 subsidized children were enrolled at the time of application. The provider had accumulated a significant level of uncollected fees from parents resulting in unpaid bills that threatened the financial stability of the business and potential closure of the Hartford site. The owner consolidated resources in the two more successful programs and submitted a plan to sustain financial stability in the future. AHS awarded a grant of \$21,921 to clear specific debts related to program investments. The provider signed an agreement to increase the STARS level in the Hartford program and to work with the Child Care Business Center at Vermont Community Loan Fund to strengthen its fiscal management.

On September 15, 2012, **Take Five in Manchester Center** submitted an application for \$6,820. This for-profit program is licensed for 24 children and was serving five subsidized children before it was closed. The program had invested significant resources in a location in Manchester that was closed by the Department of Health because a nearby dry cleaning establishment created air quality conditions deemed unhealthy for young children. The program was originally licensed as a non-recurring program focused on drop in care for Manchester shoppers but over time had established a regular clientele of regularly enrolled children and families. It had not yet submitted a STARS application. CDD CC and Licensing staff helped the program to find temporary care for enrolled children and identify a new location to resume services. The AHS awarded a cash grant of \$6,820 to help Take Five open in this new location. As a condition of receiving funding, the provider agreed to upgrade their license to an Early Childhood Program and apply for STARS.



## EXTRAORDINARY FINANCIAL RELIEF FOR CHILD CARE CENTERS State of Vermont Fiscal Year 2013 PROGRAM GUIDANCE

### Objective

In order to protect Vermont families in areas of the state with high poverty rates from the closing of child care center providing full time or part time care for their children, these guidelines establish a process by which child care centers that are at imminent risk of failure (closure) may seek extraordinary financial relief. This process does not create any entitlement to rates in excess of those established in the child care financial assistance program subsidy rate schedule, or to any other form of relief.

### The enabling legislation reads as follows:

*“The commissioner for children and families shall reserve up to one-half of one percent of the child care family assistance program funds to assist child care facilities that are at risk of closing due to financial hardship. The commissioner shall develop guidelines for providing assistance and shall prioritize relief to child care programs in areas of the state with high poverty and low access to high quality child care. If the commissioner determines that the child care center is at risk of closure because operations of a child care program are not fiscally sustainable, he or she may provide assistance to transition children served by the child care operator in an orderly fashion to help secure other child care opportunities for children served by the program in an effort to minimize a disruption of services. The commissioner has the authority to request tax returns and other financial documents to verify the financial hardship and ability to sustain operations.”*

### Nature of the relief

The DCF Commissioner may consider, and make stipulations regarding, the center’s financial, managerial, quality, and/or operational conditions in his or her decision. Following careful analysis of the information, the Commissioner may recommend one or more of the following as she or he finds appropriate:

- additional information to complete an application,
- an advance or enhancement of anticipated subsidy payments,
- a cash grant,
- other relief appropriate to the circumstances of the applicant, or
- no relief.

The Commissioner’s recommendation shall be in writing and shall state the reasons for the recommendation, and shall be a public record. The recommendation shall be reviewed by the Agency Secretary who shall make a final decision, which shall not be subject to administrative or judicial review.



### **Criteria to be considered by the Department**

Before a provider may apply for extraordinary financial relief, its financial condition must be such that there is a substantial likelihood that it will be unable to continue in existence in the immediate future. The following factors will be considered by the Commissioner in making the recommendation to the Secretary:

1. the likelihood of the center closing within 90 days without financial assistance;
2. the potential availability of funds from related parties, parent corporations, or any other source, and the willingness of applicants to exhaust all other possible funding sources, including the inability to borrow funds on reasonable terms, as demonstrated by documentation of loan/financing denials from a financial institution (denial must be in writing and include the basis for the institution's decision);
3. the extent to which the applicant can demonstrate that assistance would prevent, and not merely postpone, the closing of the facility – the expectation is that the funding will assure the facility will be operating in a sustainable way within 12 months;
4. the quality of care provided at the center, as demonstrated by participation in the STARS program (priority will be given to programs at the 3, 4 or 5 STAR levels),
5. the continuing need for the child care slots in a geographic region with high poverty; and
6. other factors found by the Commissioner to be material to the particular circumstances of the center.

### **Procedure for application**

A written application for Extraordinary Financial Relief (using DCF approved form) shall be filed with the Department. The burden of proof is at all times on the provider. If the materials filed by the provider are inadequate to serve as a basis for a reasoned recommendation, the Department shall deny the Application, unless additional proofs are submitted. The Commissioner (or designee) shall decide how to respond to the application within 10 business days after receipt of the completed application, and all requested documentation.

**Please answer all questions completely, and include all the requested supporting documents, so the Department has the information necessary to make an informed decision in a timely manner. An incomplete application will not be considered until all requested information is provided. Complete applications must include the signed cover page.**

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