Report to The Vermont Legislature

REPORT ON ACT 76 MONITORING

In Accordance with No. 76, Section 19

Submitted to: House Committee on Human Services House Committee on Education Senate Committee on Health and Welfare Senate Committee on Education House Committee on Ways and Means

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Legislative Language

No. 76

Sec. 19. § 4605. TECHNICAL ASSISTANCE; ACCOUNTABILITY In order to ensure the successful implementation of expanded child care, prekindergarten, and afterschool and summer care, Building Bright Futures shall be responsible for monitoring accountability, supporting stakeholders in collectively defining and measuring success, maximizing stakeholder engagement, and providing technical assistance to build capacity for the Department for Children and Families' Child Development Division and the Agency of Education. Specifically, Building Bright Futures shall:

(1) ensure accountability through monitoring transitions over time and submitting a report with the results of this work on January 15 of each year to the House Committee on Human Services and to the Senate Committee on Health and Welfare; and

(2) define and measure success of expanded child care, prekindergarten, and afterschool and summer care related to process, implementation, and outcomes using a continuous quality improvement framework and engage public, private, legislative, and family partners to develop benchmarks pertaining to:

(A) equitable access to high-quality child care;

(B) equitable access to high-quality prekindergarten;

(C) equitable access to high-quality afterschool and summer care;

(D) stability of the early child care education workforce; No. 76 Page 32 of 74 2023 VT LEG #371318 v.1

(E) workforce capacity and needs of the child care, prekindergarten, afterschool and summer care systems; and

(F) the impact of expanded child care, prekindergarten, and afterschool and summer care on a mixed-delivery system.

Executive Summary: Monitoring Act 76 in Vermont

This legislative report details the implementation and impact of Vermont's Act 76, a law focused on making historic investments in and policy changes to Vermont's child care and early education system. The report provides insights into notable successes and challenges related to implementation, highlights work related to the Prekindergarten Education Implementation Committee, elevates information about currently available data (including data from key early childhood partners' efforts), and offers information about efforts to strengthen data systems to support future monitoring efforts.

<u>Building Bright Futures (BBF) and Legislative Role:</u> Building Bright Futures, Vermont's early childhood State Advisory Council, is charged with monitoring Act 76 and is tracking both implementation and impacts related to the law's significant changes to and investments in Vermont's child care system. In order to do this well, BBF collaborates with a wide range of partners including state agencies, Vermont's federal delegation, community partners, early childhood educators, and families.

<u>Implementation Progress:</u> Since our previous annual report on Act 76 monitoring, many key elements of Act 76 were implemented. Some of these include:

- Expansion of the Child Care Financial Assistance Program (CCFAP), increasing income eligibility to 575% of the Federal Poverty Level (now the highest threshold for child care assistance in the country) and eliminating copayments for families up to 175% FPL
- Implementation of the primary funding mechanism of Act 76, a 0.44% payroll tax and 0.11% self-employment tax
- Launch of the Child Care Quality and Capacity Incentive Program

<u>Notable Success and Challenges in 2024:</u> Implementation of Act 76 brought a number of notable successes related to program development and administration in 2024:

- CDD's intentional review and update of policies related to CCFAP
- Progress towards improving technical and data infrastructure
- CDD's strong commitment to community and partner feedback.

Notable challenges include:

- Ongoing workforce shortages
- Concerns over the transition to enrollment-based reimbursement
- Limited outreach among vulnerable populations
- Continued uncertainty regarding the rate cap, and
- The expansive charge of the Prekindergarten Education Implementation Committee.

<u>Prekindergarten Education Implementation Committee:</u> The Prekindergarten Education Implementation Committee (PEIC) was formed to support the potential expansion of the universal pre-K program by 2026. Over 16 months, the committee engaged partners, compiled data, and issued a final report with four recommendations, including:

- Maintaining benefits for 3-year-olds
- Expanding access for 4-year-olds
- Commissioning a report on pupil weighting, and
- Reviewing the methodology for updating the rate for non-school-based programs.

Strengths of the PEIC included strong facilitation, data-driven decision-making, and committed members. However, challenges such as an unrealistic timeline, insufficient data systems, leadership transitions, and evolving political priorities hindered progress. The PEIC's challenges highlight the need for strengthened data systems to inform pre-K policy and accountability.

Partnerships Supporting Act 76 Monitoring: The early childhood system in Vermont is collectively supporting a variety of efforts that aid in our understanding of the impact of Act 76. Building Bright Futures is partnering with a variety of organizations to support and learn from their efforts, in addition to partnering closely with the Child Development Division to monitor implementation, support dissemination of information, and aid in goals related to continuous quality improvement. Other partners, including Child Trends and First Children's Finance (FCF), are examples of organizations that are supporting our ability to successfully monitor Act 76's impacts. A team from Child Trends is conducting a five-year research initiative, supported by a federal grant, that is analyzing administrative data, hosting focus groups, and conducting surveys to assess the impact of child care policies. FCF provides technical assistance, business resources, and grants to child care providers, helping to stabilize and grow capacity. Since Act 76's enactment, FCF has found that closures of regulated child care programs have declined, with modest increases in new openings and licensed capacity, though workforce shortages remain a critical challenge.

<u>Ongoing Advisement on Act 76:</u> During the 2024 legislative session, Building Bright Futures (BBF) provided formal testimony three times to key legislative committees, outlining its role in monitoring Act 76 and assessing its impacts. Additionally, BBF presented insights on Act 76 to various groups, including the Vermont Commission on Women and the Advisory Council on Child Poverty and Strengthening Families.

<u>Increasingly Publicly Available Data:</u> In the past year, efforts to improve data transparency to support Act 76 implementation have seen progress. The forthcoming Act 76 Data Portal will enhance local-level insights, while the Child Development Division Information System (CDDIS) has already expanded public access to data. Challenges remain, including the measurement of desired or "real" child care capacity over time.

<u>Strengthening Data Systems in Support of Act 76 Monitoring:</u> Early childhood partners are focused on strengthening Vermont's early childhood data systems to monitor Act 76 effectively and promote equitable access to early education. Efforts include aligning data collection practices across agencies, addressing data gaps, and supporting decision-making through comprehensive data analysis. Key initiatives involve documenting baseline data on child care, afterschool programs, and pre-K systems and advancing a monitoring protocol for universal pre-K. Interagency collaborations, supported by projects such as the Preschool Development Grant Birth through Five, aim to improve data integration and ensure that Vermont's early education policies are informed by high-quality, actionable insights.

<u>Indicators to Watch:</u> While it is early to expect significant changes in indicators related to child care access and affordability, there are notable indicators this year that illustrate promising progress. These include an increase of 170 infant slots in 2024, 550 families at 175% FPL who no longer have a copay, 1,500 CCFAP applications submitted online in two months, 1,256 families above 400% now enrolled in CCFAP, and 480 career ladder bonuses awarded October 2023 to September 2024.

<u>Closing Reflection:</u> 2024 was a significant year for implementing the historic investments and policy changes of Act 76. Early data and sentiment from families and the early childhood field suggests that the law is beginning to have the types of impacts that were intended; more families in Vermont are receiving assistance paying for child care, programs are receiving higher rates to care for children, more child care programs are opening than at this time last year, and families are applying for child care via the new online application in droves. The Child Development Division administered a volume of program changes previously unimaginable and did so with very few reported challenges and delays. While monitoring the law's impacts and addressing a number of continued challenges remain critical, overall the success of Vermont's progress towards increasing access to and affordability of early education should be celebrated.

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Building Bright Futures' Role in Vermont's Early Childhood System

Building Bright Futures (BBF) is Vermont's early childhood public-private partnership charged under Title 33, Chapter 46 and the federal Head Start Act to serve as Vermont's Early Childhood State Advisory Council, the mechanism used to advise the Governor and Legislature on the status of children in the prenatal period through age 8 and their families. State statute charges BBF with maintaining and monitoring the vision and strategic plan for Vermont's early childhood system. BBF's mission is to improve the well-being of children and families in Vermont by using evidence to inform policy and bringing voices together across sectors and within regions to discuss critical challenges and problem-solve.

The Building Bright Futures State Advisory Council (SAC) does not directly support or oppose any specific proposal or bill. BBF's role is to serve as an independent, quasi-governmental entity to convene key stakeholders; elevate the voices of families and communities; monitor the system by identifying and providing high-quality, up-to-date data to inform policy and decision-making; and advise the Governor and Legislature by making recommendations that move the early childhood system toward the four goals identified in Vermont's Early Childhood Action Plan (VECAP).

Act 76 charges Building Bright Futures with monitoring the implementation and impact of the policy changes and investments contained in the law.

Current Status of Implementation

Act 76 (H.217) became law on June 20, 2023; however, the law and its investments became and continue to become effective in phases, with policy changes and required reporting occurring between July 2023 and January 2026. The most notable changes that occurred in 2023 included the distribution of \$21 million to about 800 child care programs in Readiness payments, CCFAP rates being increased by 35%, and CCFAP reimbursement rates being decoupled from STARS. In 2024, most of the law's notable changes related to changes to Vermont's Child Care Financial Assistance Program (CCFAP) went into effect.

Between our report last year on <u>monitoring the implementation of Act 76</u> and this report's publication, the following notable components of Act 76 have been implemented to date:

- Significant changes were implemented to increase income eligibility as outlined in the law:
 - On April 7, 2024, CCFAP income guidelines increased to 400% FPL and updated to the 2024 Federal Poverty Levels.

- On June 30, 2024, CCFAP benefits were extended to families with children previously excluded from the program due to documentation or citizenship status.
- On October 7, 2024, CCFAP income guidelines increased to 575% FPL, making Vermont the state with the highest income eligibility limit for child care assistance in the country.
- CDD developed and implemented a new definition of enrollment that changed attendance reporting practices by minimizing absence categories. This change was effective for programs in June 2024 and is described further on page 11.
- CCFAP rates increased by 50% of the difference between registered family child care rates and licensed program rates for Family Child Care Programs.
- In April 2024, a weekly family share of \$0 was extended to families up to 175% FPL.
- CDD continued to disburse "Readiness" payments as outlined in Act 76. This funding was non-competitive and distributed \$21 million dollars to roughly 800 child care programs between September 2023 and April 2024.
- CDD launched the Child Care Quality and Capacity Incentive Program in October 2024 to support programs and providers with one-time recognition bonuses related to quality and to provide quality coaching and technical assistance to sustain and build capacity.
- CDD submitted a report to the Legislature on its efforts to streamline and improve the efficacy of Special Accomodations Grants, and made changes to the application process and administration of the program.
- Beginning July 1, 2024, the payroll tax established by Act 76 to support investments in Vermont's early childhood system went into effect.
 - This payroll tax, or <u>"Child Care Contribution" (CCC)</u>, was implemented and administered by the Department of Taxes and is composed of a 0.44% payroll tax and a 0.11% self-employment tax.

Notable Implementation Successes in 2024

This year, the Child Development Division (CDD) team had a significant number of components of Act 76 to implement. In addition to Act 76, the CDD team also had to maintain many other scopes and workflows, including drafting, collecting public feedback on, and submitting the Child Care and Development Fund State Plan for 2025–2027. Despite a demanding timeline, Building Bright Futures and other state partners have noted that the CDD team accomplished a notable amount of work and kept pace with the required timeline, including on-time delivery of all of the eligibility changes, which was not an insignificant undertaking.

For the purpose of this report, notable successes fall into three categories: policy updates to clarify and support increased family eligibility, technical infrastructure and data availability progress, and opportunities for partner feedback on key programs.

<u>Policy updates to clarify and support increased family eligibility:</u> Beyond the required changes associated with the Child Care Financial Assistance Program (CCFAP) indicated in Act 76, CDD has leveraged the expertise and capacity of their staff and ongoing changes in the program to examine the more technical policies and rules associated with eligibility for the program.

CDD has examined, in some areas clarified (for both Eligibility Specialists and families), and in some areas updated policies related to program eligibility. To inform this work, they've shared that they are completing "case studies" to determine how various policies related to eligibility may impact real Vermont families accessing or looking to access the program. Some of the areas in which they have focused on improving or clarifying "small p" policies related to CCFAP include:

- Accepted <u>service need</u> related to education and training: When reviewing policies this year, CDD expanded their definition of the education and training service need, outlining which qualifying activities make caretakers eligible for CCFAP. The definition was expanded to include all post-secondary education or training opportunities (at an accredited or recognized institution of higher education offering certification, associate, bachelor, master, or doctoral course work). This expanded definition will support more families in qualifying for the program while returning to school or training opportunities.
- <u>Asset limit clarification</u>: A policy released in April 2024 from CDD clarifies that the CCFAP eligibility requirement related to assets requires that families have less than a million dollars in liquid assets, and that non-liquid assets such as land, real estate, and retirement assets do not disqualify families. This was seen by many partners as a significant and important clarification, especially for Vermonters who may have equipment or property that is work-related.
- Self-employment policy (changes expected in early 2025): CDD's CCFAP administration team has been reviewing and seeking to update a policy related to self-employment eligibility for over a year, recognizing that the policy can be confusing and can make accessing the program challenging for some who are self-employed. They took several steps towards this update in the past year and a half, including <u>holding several listening</u> <u>sessions</u> for self-employed caretakers, fielding a survey to inform their policy change related to self-employment eligibility, researching how other states determine eligibility for self-employment, and conducting case reviews. The team has indicated they hope to launch the changed policy in early 2025.

<u>Technical infrastructure and data availability progress:</u> 2024 also held a number of successes related to Vermont's technical infrastructure and the availability of data on the child care system and on families' access to the Child Care Financial Assistance Program. While some challenges remain, significant milestones mark progress in areas where CDD and Vermont's systems have historically lagged behind.

• Online application: Act 76 required that CDD make both accessible paper and electronic versions of the CCFAP application. In 2024, CDD successfully launched an online

application available through the <u>CDDIS family portal</u>. This launch was a notable success given the volume of changes to CDDIS required by Act 76 overall and the continued development of CDDIS. The application was delayed, launching on September 9, 2024, rather than July 1, 2024, as intended. While just recently launched, initial reports on the online application experience are generally positive, and 1,500 applications were submitted online as of November 14, 2024, about two months after the launch.

• CCFAP Data Portal: In addition to notable successes related to launching an online application for CCFAP for the first time, the CDD team has made notable progress this year in making data on the program more publicly accessible, including improving visualizations that have the potential to increase understanding and data literacy related to the program and its impact. More about this success can be found below in "Increasing Publicly Available Data."

<u>Opportunities for partner feedback on key programs:</u> A final notable theme related to success is the Child Development Division's commitment to providing opportunities for input and community feedback, not just when finalizing a program but during the development and design of a program. Some examples of this in 2023 and 2024 include:

- <u>Listening sessions and a survey</u> for changes related to the self-employment eligibility policy
- Feedback opportunities that informed the enrollment-based reimbursement payments and the "C" codes prior to implementation
- Several presentations and opportunities for feedback within the Early Learning and Development Committee, including an <u>April 2024 feedback session</u> that informed the design of the Quality and Capacity Incentive Program (launched in October 2024)
- Information gathering efforts to inform the application and program administration changes to Special Accommodation Grants

Building Bright Futures and partners have noted that the Child Development Division is particularly successful when community and family partners are consulted in program and policy design and implementation. BBF looks forward to continuing to support CDD and other partners with elevating family and community voice to inform decision-making, and sees increased opportunities for this work related to some of the challenges outlined in the following section.

Challenges and Unintended Consequences Related to Implementation in 2024

While there are many successes in 2024 to elevate related to the implementation and impact of Act 76, there are also several challenges and unintended consequences to make note of. These challenges are wide ranging in scope, with some relating to economic and workforce challenges somewhat out of the state's control, some more directly related to implementation and

opportunities to strengthen outreach, and others related to the language and intent of Act 76 itself.

For the purpose of this report, notable challenges fall into four categories: challenges associated with the shift from attendance-based to enrollment-based CCFAP payments, continued challenges associated with Vermont's workforce shortage, opportunities for increased communication and outreach, and the charge of the Preschool Education Implementation Committee (PEIC).

<u>Shift from attendance-based reimbursement to enrollment-based reimbursement:</u> One challenge in 2024 was the implementation of reimbursing programs through CCFAP based on a child's enrollment in the program rather than their attendance.

- The change and its implementation: Act 76 charged CDD with working to define enrollment in consultation with the Office of Racial Equity and other partners. This consultation resulted in new attendance reporting categories in Bright Futures Information System (BFIS) that were implemented in June 2024. This change shifted families from an allowable 20 days of vacation and unlimited sick days to a total of 30 combined days, in an effort to streamline as required by the law, which directed CDD to "minimize itemization of absence categories." CDD offered a webinar and instructions on this attendance reporting system in advance of its implementation.
- The reported challenge: Anecdotally, programs reported challenges with the new system and were concerned that the newly structured attendance categories would be burdensome and result in many families exceeding the limit on absences due to illnesses, vacations, disruptions in transportation, etc. Additionally, programs have noted that they cannot see how many absence days a family has used or has remaining, and may have particular challenges if a child enters their program having already accrued absences that year in another program.
- Data monitoring this challenge: CDD reports that the newly structured attendance categories allow CDD to better monitor for accurate attendance submission and that less than 1% of families have exceeded allowed absences at this point. As of December 9, 2024, 100 children had been granted more than 30 absence days and an additional 70 children had exceeded their absence days. These children have exceeded the limit in the first six months of the State Fiscal Year, the time frame in which allowable absences are tracked. For children who have exceeded the allowable limit, Eligibility Specialists review their certificates and reach out to families to offer support and determine the appropriate next steps. In some cases, it is determined that child care programs require additional technical assistance to use the attendance codes correctly.

<u>Continued challenges associated with Vermont's workforce:</u> Recruiting and retaining qualified staff continues to be a challenge reportedly fairly universally by child care programs. Without

consistent or sufficient staff, some programs report being unable to support the number of classrooms or the level of capacity they would like to, even if they have the physical infrastructure, enrolled children, and additional CCFAP support that would otherwise make that possible. This challenge is mirrored in reported staff vacancies in Head Start programs, a subset of child care programs. In program year 2024, there were 587 staff in Head Start and Early Head Start programs. Of all staff, 14.5% (85) left during the program year, with 19 vacancies remaining unfilled for a period of three months or longer.

<u>Opportunities for increased communication and outreach</u>: While CDD has prioritized providing opportunities to gather feedback from the field throughout implementation in 2024, there are areas where there is continued room for improvement to ensure the families, child care programs, and early educators are as up-to-date as possible on changes most pertinent to them.

- Lack of capacity/resources for communication: One potential contributing factor to CDD's room for improvement related to communications was the turnover of their Communications Coordinator in 2024 and the need to run a hiring process. As is the experience for many human services operations in Vermont, CDD has historically had very limited communications staffers and is newly able to have a full-time role in communications thanks to Act 76 investments. Additionally, given the scale of changes to CCFAP and related programs, it is unclear if the Division has sufficient resources allocated for promoting the program to families. A communications campaign, including television advertisements, is planned for early 2025.
- Lack of awareness of program, particularly among vulnerable populations, immigrants and New Americans: As described in more depth in a section below highlighting findings from Child Trends' focus groups (on page 17), one finding of conversations with families likely eligible for CCFAP is that there is not strong permeation of awareness, particularly among New American and non-English speaking communities. While Act 76 importantly expanded eligibility to families regardless of documentation status, without more resources, skilled community outreach, and trust building among these communities, eligibility might not translate into access. CDD has indicated they have worked with entities serving refugees and asylees to support their understanding of the changes, have developed accessible CCFAP handouts in English and Spanish, and have a "Google Translate" feature embedded for multiple languages on the CCFAP webpage. CDD has also reported that future "phases of work will include efforts to evaluate eligibility pathways and requirements for participation and developing more robust outreach and access supports." Based on Building Bright Futures' and others' observations, handouts in languages other than English and promotion via tools such as WhatsApp are worth exploration.
- Lack of promotion of important "small p" policy changes that may impact families' ability to qualify: As outlined above, the CDD team has not only been diligently working to implement the new elements of Act 76, but has also leveraged implementation as an

opportunity to examine and update rulemaking-level policies associated with the program. These changes, like the clarification of the asset limit applying only to liquid assets, are potentially critical for expanding eligibility and access to families previously ineligible or assumed to be ineligible. Ensuring that these changes are communicated in a timely and clear manner, and that community partners are well-versed on these changes, is key to realizing their full impact.

<u>Act 76's Initial Rate Cap:</u> As outlined in our <u>Report on Act 76 Monitoring</u> submitted in January 2024, one component of Act 76 that raises concerns is the rate cap. Initially, the law established a cap on the increase allowed for child care programs' private pay tuition (in 2023, this rate was set to 7.2%). However, fairly quickly, the Child Development Division indicated that they would not be enforcing this element of the law. Soon after, the Legislature passed a temporary repeal on the rate cap enacted by Act 76 (in Act 113 of 2024) that is effective through June 30, 2025. Anecdotally, early childhood partners and programs remain skeptical that the rate cap is the best mechanism for preventing price gouging in the system. Conversations in the Legislature during the 2025–2026 biennium are likely to continue to include the rate cap and other policy levers to support all Vermont families in accessing affordable child care while ensuring programs have the flexibility they need to set appropriate rates.

<u>The Prekindergarten Education Implementation Committee (PEIC)</u>: The work of the PEIC is identified as a challenge in the implementation of Act 76 by many partners in 2024. The main challenges associated with the committee this year can be categorized in the following two themes: an unrealistic charge and timeline, including a lack of data; and an evolving political landscape. An in-depth description of the committee's work, including its charge, makeup, successes, and challenges, is outlined in the next section.

Considerations Related to Future Implementation and Policy Changes

A number of factors related to the implementation of Act 76 and broader child care policy are important to note when considering what upcoming decision-making and program administration might hold.

Updated Child Care and Development Fund (CCDF) Final Rule: On the federal level, significant changes to rulemaking for the administration of child care subsidy programs were made in 2024. CCDF is the federal funding source for Vermont's Child Care Financial Assistance Program. In Vermont, CCDF supports less than 10% of what the state spends on CCFAP. While Vermont is generally ahead of the curve nationally on implementing a program aligned with best practices and federal expectations, Vermont did submit a waiver, which will expire August 1, 2026, in order to receive more time to comply with a handful of these new requirements. Some of the elements of the new federal rules that Vermont will need to make some adjustments to comply with include: capping co-payments at 7% of a family's income (for families eligible for CCDF

funding, up to 85% SMI or about 300% FPL), paying programs prospectively, paying based on a federal definition of enrollment, and using some grants or contracts for direct services for infants and toddlers, children with disabilities, and children in underserved geographic areas.

<u>Upcoming Cost of Care Methodology</u>: Another important upcoming development to note is that CDD has contracted with a national partner to develop a cost of care methodology that can be used to inform future updates to reimbursement rates, moving the state away from a Market Rate Survey methodology. This work will build on, and provide a more up-to-date and fine tuned version of, the <u>previous study</u> commissioned by the Legislature and performed by RAND to look at "systems-level" costs. An initial update will be delivered by the contractor, First Children's Finance, in January, with a more in-depth update expected the following year. This will support CDD's ability to provide the most data-informed recommendations possible to the Legislature for future reimbursement rate adjustments for CCFAP, as outlined in Act 76.

The Prekindergarten Education Implementation Committee (PEIC)

The Prekindergarten Education Implementation Committee (PEIC), composed of 18 members representing different organizations and constituencies, was created to assist the Agency of Education in improving and expanding accessible, affordable, and high-quality prekindergarten education for all 4-year-old children on a full-day basis on or before July 1, 2026. The PEIC met monthly over the course of 16 months through virtual committee and subcommittee meetings, in addition to one in-person meeting, resulting in a report delivered to the Legislature on December 6, 2024, issuing four key recommendations, alongside a compilation of documentation and data on the current status of universal prekindergarten education in Vermont's mixed delivery system. Given the challenges outlined below, the committee produced a report that is a valuable contribution to the discussion on the future of prekindergarten education in Vermont and was unable to produce an implementation plan. The following strengths and opportunities are of note.

Strengths of the PEIC

<u>Strong facilitation</u>: Molly Loomis was hired as an expert facilitator to support the co-chairs, the Interim Secretaries of Education (first Heather Bouchey, then Zoie Saunders), and DCF Deputy Commissioner Janet McLaughlin in fulfilling the charge of the PEIC. Molly Loomis executed her role as an expert facilitator by supporting AOE and CDD in the following: convening the committee and subcommittees; conducting surveys and presenting emerging themes; consistently communicating with committee members; developing a strong and adaptable project plan; coordinating presentations and data collection efforts; identifying areas of agreement and tension points; facilitating challenging discussions about vision, strategy, and recommendations; and summarizing the committee's work in a final report.

<u>Commitment to data-driven decision-making:</u> The PEIC worked to ground discussions in existing state and national data as well as national best practice by bringing in content experts to present and participate in discussions with the committee. Further, committee members helped compile and document existing data, data gaps, and ongoing data efforts; field an online survey to public prekindergarten teachers, principals, school board members, and superintendents; facilitate a group interview protocol; and compile existing constituent feedback (found in the Appendix of the <u>PEIC report</u>).

<u>Commitment of committee members:</u> PEIC members demonstrated passion and commitment to the process, child outcomes, and improving access to pre-K statewide.

Challenges of the PEIC

<u>Unrealistic charge and timeline</u>: While the Legislature was well-intentioned in charging the PEIC with identifying next steps in expanding Vermont's universal prekindergarten program, the committee was not set up for success given a number of factors that made its charge, scope, and timeline unfeasible:

- Lack of aligned vision: It is important to name the lack of a unified vision for pre-K policy statewide. The majority of the committee was not in agreement with the vision or philosophy behind pre-K as articulated by the Legislature. Some of the areas of biggest disagreement with that vision and charge related to removing access to pre-K for 3-year-olds, concerns about the capacity of public schools and the potential financial impacts on private child care programs, the impact on afterschool and out-of-school-time care, and the financial impact on the state as a whole if the program were to expand as initially intended, given the lack of data on cost, infrastructure needs, and workforce needs.
- Lack of existing data and systems: During the previous legislative session, many partners testified to the current lack of infrastructure and systems in place to capture data needed to inform decision-making. These partners made recommendations for capturing data prior to forming a committee. In particular, the lack of data on costs associated with changing or expanding the system was raised as a significant concern among many partners. Without adequate resources being committed (funding, staff capacity, mechanisms in place), collecting all of the new data on the current system required to inform decision-making was not feasible. The committee compiled existing data and collected basic information from key education partners to inform decisions to the best of their ability with the resources at hand. As anticipated, not all of the data required by Act 76 was available, but a list of ongoing data gaps was compiled, and next steps were articulated.

Evolving political landscape: Since the passing of Act 76, several initiatives and events have evolved that have impacted the work of the PEIC.

- School budget crisis: In 2024, Vermont experienced a statewide trend of school budgets being voted down, indicating significant community concern about the rising cost of property taxes and education spending.
- The Commission on the Future of Public Education: The Commission on the Future of Public Education was launched under H.887 to study Vermont's public education system and make recommendations to ensure all students are afforded quality educational opportunities in an efficient, sustainable, and equitable education system that will enable students to achieve the highest academic outcomes. While not focused on pre-K, this work happening in parallel should be considered when making decisions about the future of the pre-K program, and the vision for expanding pre-K should ideally be a shared one across conversations related to the future of our education system in Vermont.
- Containment of Education Spending: Governor Scott issued a call to school leaders and school boards to contain education costs and suggested the importance of collaboration among public, private, and community education system partners to solve the challenge of continuously increasing property taxes.
- Leadership transitions: Since the committee was created, the Agency of Education has seen a series of leadership transitions, including the Secretary and Deputy Secretary roles. Like all leadership transitions, this turnover presented challenges for executing the scope given ongoing onboarding and orienting to the system, as well as challenges with dividing co-leadership responsibilities for the PEIC.

Outcome and Final Report of PEIC

The final PEIC Report was submitted on December 6 after a brief extension was requested and granted by the Legislature (the report was originally slated to be submitted December 1, 2024). The report summarized a range of influences on the committee process, including reflections on the challenges outlined above; situated the work within available national and statewide data; outlined successes and opportunities for improvement; and named four key recommendations that resulted from the committee's work. These recommendations include:

- 1. Maintaining the current prekindergarten benefit for 3-year-olds
- 2. Expanding access for 4-year-olds
- 3. Commissioning an analysis of Vermont's pupil weight for prekindergarten
- 4. Reviewing methodology for establishing prekindergarten payments to non-school-based programs and proposing updates

Of note, a range of additional recommendations and sub-scopes were discussed and/or proposed by subcommittees; however, the full PEIC was unable to fully discuss the following topics within the time allotted. Those topics that were discussed by the committee but not formally endorsed included:

- Creating an implementation plan, updating the statute, and drafting legislative language
- Cost modeling and additional research on demand, capacity, and the previously identified data needed to inform decision-making
- Opportunities for partnership among agencies, school districts, the Commission on the Future of Public Education, the School Construction Aid Task Force, and the Building Bright Futures State Advisory Council to examine the current needs and opportunities for expanding prekindergarten
- Importance of re-establishing a workgroup that includes CDD, AOE, and pre-K content experts/partners within communities to support continuous quality improvement within implementation
- Improving data systems and data capacity across the AOE, CDD, and BBF teams to monitor the delivery and effectiveness of prekindergarten and to support accountability of all programs and partners within the pre-K system
- Moving toward meeting national benchmarks for teacher preparation, including transition plans, resources, and timelines
- Roles and responsibilities of pre-K coordinators
- Considering the offerings and current statute requirements for length-of-day across pre-K, kindergarten, 1st grade, and 2nd grade
- Addressing the needs of children in bordering state towns without equitable and accessible pre-K programs available to them
- Strengthening systems to improve access to special education services for pre-K-aged students

Partnerships Supporting Act 76 Monitoring

The early childhood system in Vermont is collectively supporting a variety of efforts that aid in our understanding of the impact of Act 76. Building Bright Futures is partnering with a variety of organizations to support and learn from their efforts, in addition to partnering closely with the Child Development Division to monitor implementation, support dissemination of information, and aid in goals related to continuous quality improvement. Other partners, including Child Trends and First Children's Finance (FCF), are examples of efforts that are supporting our ability to successfully monitor Act 76's impacts.

Child Trends

One project that supports BBF's and Vermont's ability to monitor Act 76 rigorously is a four-year research partnership with Child Trends. Child Trends is a national, nonpartisan research organization that promotes the well-being of all children, youth, and families through applied research that



informs public policies. The project is funded by the federal Office of Planning, Research and

Evaluation (OPRE) at the Administration for Children and Families. The objective of the research collaboration between Child Trends, CDD, and BBF is to examine the extent to which, and in what ways, recent changes to CCFAP have affected equitable access to high-quality child care for families who are eligible for CCFAP in Vermont. The research includes focus groups and surveys with families with young children eligible for CCFAP (including those both currently participating and not participating in CCFAP) and with early care and education (ECE) administrators who participate in CCFAP, including licensed child care program directors and family child care (FCC) owners/operators. The research also includes analyses of state-level administrative data between 2023 and 2027.

During this first year of the research partnership, Child Trends conducted focus groups with families with young children and ECE administrators to learn more about:

- Families' and ECE administrators' experiences participating in CCFAP
- Families' and ECE administrators' awareness of and experiences with changes to CCFAP from Act 76
- How families' child care arrangements align with families' needs and preferences
- Early impressions of the changes that CCFAP has had on families and ECE programs
- Whether families and/or ECE administrators experienced any unintended consequences because of the CCFAP changes

A description of who participated in the focus groups and an initial summary of the findings related to this activity are provided below.

Focus group sample

- *Families*: The Child Trends team conducted five virtual and three in-person focus groups with a total of **34 parents and caregivers with young children** throughout Vermont. Fifteen of the 34 parents who participated are New Vermonters (a group that includes immigrants and refugees). Over half (53%) of the parents/caregivers who participated in the focus groups were enrolled in CCFAP at the time of the data collection, while 41 percent had never used CCFAP, and the remaining parents/caregivers had used CCFAP in the past. Most counties across Vermont were represented in the focus groups, with the exception of Grand Isle, Franklin, Lamoille, and Bennington counties.
- *ECE administrators*: The Child Trends team conducted seven virtual focus groups with a total of **26 ECE administrators** (i.e., licensed child care center directors and FCC owners/operators) throughout Vermont. Twelve were directors at center-based, non-Universal Pre-K (UPK) programs; nine operated FCC, non-UPK programs; four were directors at center-based programs with UPK; and one participant operated an FCC program with UPK. While most ECE administrators who participated in a focus group were located in Chittenden County, all other counties in Vermont except Windham, Essex, and Grand Isle counties were represented.

Focus group findings¹

- *Awareness of CCFAP*: While many of the 15 New Vermonters the Child Trends team spoke with were not aware of CCFAP, most of the 18 parents who were currently participating in CCFAP and 26 ECE administrators were aware of the major changes to CCFAP. However, some parents and ECE administrators were not aware that families have one co-payment (the family share payment), regardless of how many of their children receive child care assistance.
- *CCFAP outreach:* ECE administrators most frequently learned about changes to CCFAP as a result of Act 76 through emails from CDD, emails from other Vermont organizations (such as First Children's Finance, BBF, Let's Grow Kids, and the Vermont Association for the Education of Young Children), and other ECE administrators. Parents and caregivers most frequently learned of these changes through word-of-mouth and from their child care provider.
- *Challenges with CCFAP changes:* Some ECE administrators reported confusion about the family share payment, including which provider should collect the family share payment if a family has siblings who participate in two different programs. Some administrators noted challenges understanding the tuition increase cap and the new process for billing child absences for payments based on enrollment rather than attendance.
- *Successes of CCFAP changes:* Both ECE administrators and parents characterized the following changes as supporting families' access to care, including:
 - Making child care much more affordable for many families in Vermont
 - Increasing the number of families eligible for child care assistance, including families with higher incomes, and expanding the definition of a child's immigrant status²
 - Allowing families to increase the number of children in care or being able to switch from part-time to full-time care
- ECE administrators also noticed several changes they characterized as positive for their program and ultimately, families, including:
 - Increased CCFAP reimbursement rates, allowing administrators to increase staff salaries and provide benefits and/or bonuses
 - Increased rates, providing more reliable funding and financial stability for ECE programs, and even keeping some programs from having to close
 - Changes to CCFAP that have contributed to more stable enrollment for ECE programs

¹ Due to the semi-structured nature of focus groups, not all participants from all groups responded to every question or covered every topic. When possible, we include which groups discussed each topic. However, even if a group or participant did not discuss a certain topic, it does not mean participants do not have thoughts or perspectives on that topic.

² While some immigrants and refugees were eligible for CCFAP before the enactment of Act 76. Act 76 expanded the definition of immigration status for eligibility for state funds.

- *Access to ECE:* While many positive effects of CCFAP changes were noted, parents and ECE administrators spoke of challenges to accessing ECE that remain for families, such as:
 - Limited supply of ECE programs, particularly outside of Chittenden County
 - Limited hours of operation at ECE programs, which is particularly challenging for people with less flexible jobs (such as working in a hospital or clinic, or shift work)
 - Transportation barriers
 - Few providers who speak languages other than English, which poses language barriers
 - Limited number of programs that align with families' cultural values or preferences and/or are able to meet their child's unique developmental needs
 - Challenges demonstrating "need for care" during the CCFAP application process, particularly for people working part-time, night shift, gig jobs, and/or agricultural work

Next steps

In Year 2 (September 30, 2024 through September 29, 2025) of the four-year project, the study team will continue to discuss these findings and potential implications with CDD to help inform the development of an internal report and a public-facing summary product. Findings also will inform additional research strategies, including a parent and provider survey in Year 2. The survey data will help further inform CDD about the recent changes to CCFAP from a larger group of providers and parents.

First Children's Finance

辽 First Children's Finance

An additional partnership that is key to Building Bright Futures in our efforts to monitor the impact of the implementation of and investments in Act 76 is the Vermont office of First Children's Finance (FCF). FCF provides business resources and valuable technical assistance to Vermont child care businesses at no charge to child care businesses, as well as administering grant programs that support child care programs with projects such as planning for child care business construction and increasing infant and toddler capacity at existing and new programs. To date, FCF has supported 462 programs in Vermont. Given their unique role in the system, FCF has valuable insight into the vitality and changing conditions of the child care industry in the state. This section reflects FCF analysis of state administrative data and FCF survey data, as well as anecdotal evidence from FCF's work with child care business clients.

First Children's Finance launched its Vermont office in early 2023, in part to deliver the state-funded Business Technical Assistance Program. Immediately prior to the enactment of Act

76, FCF VT reported the results of its first annual survey of Vermont's child care businesses to the Vermont Legislature as part of testimony to the House Human Services Committee. Among the findings reported:

- 17% of the child care businesses said they expected their business would close within the year if business conditions remained the same.
- 50% of Family Child Care Homes and 40% of Centers/Afterschool programs had experienced a decrease in enrollment in 2022. 30% of the respondents attributed the decrease in enrollment to lack of staff.
- 96% reported that hiring is difficult.

FCF has continued to track industry trends first established by Let's Grow Kids, including the number of early care programs, licensed capacity of these programs, and opens/closures of early care programs since 2018. From 2018–2022, despite successful public and private investments in the early care system, early care capacity in Vermont remained stubbornly static in terms of all three of these measures. And while compared to many states that experienced significant declines in child care during this period, Vermont (and advocacy organizations like Let's Grow Kids) was committed to turning the curve on access to excellent child care. This was the context for Act 76 becoming law in mid-2023.

Based on FCF's continued analysis of state administrative data and FCF's annual child care industry survey, there are some small but important changes in the child care industry since mid-2023 that some part of can be attributed to the changes made by Act 76.

- 1. Far fewer child care businesses closed (9%) in 2023 than was projected (17%) in early 2023, prior to Act 76.
- 2. In 2024, more early care businesses opened (60) than closed (40) for the first time since at least 2018. This is a notable reversal of 2023, with an increase in the number of programs opening (which had averaged around 53 since 2018) and a decrease in the number of programs closed (which had averaged around 86 since 2018).
- 3. The total number of regulated child care programs has increased slightly since Act 76 (10 more regulated programs from July 2023–September 2024; see chart 1), and the total licensed capacity for children has also increased since then (626 more regulated child care spaces from July 2023–September 2024; see chart 2).
- 4. Since Act 76 was enacted through the end of 2024, more family child care homes have opened (57) than center-based child care locations (45). Family child care is a key component of child care in rural communities and has been in decline both nationally and in Vermont for a number of years.

Number of regulated programs since Act 76 enacted







Based on this evidence, Act 76 has had some positive impact on the child care industry and on access for families. Staffing, however, remains a challenge for many programs, and without addressing the shortage of qualified directors, teachers, and other staff, the potential for continued growth is hampered. Act 76 does not directly address recruitment, retention, or compensation in the industry, though anecdotally, many child care business leaders are using

their increased revenue from Act 76 to increase compensation. FCF expects to collect more information on compensation in its 2025 industry survey (to be conducted in March 2025).

In a labor-driven industry like child care, the lack of a qualified workforce can have several negative impacts on access to and affordability of child care.

- 1. Without sufficient staff, classrooms may be closed temporarily or permanently, sometimes with little notice to families. For example, if a classroom teacher unexpectedly takes time off, a program may be forced to close that classroom until new staff can be hired or trained.
- 2. In order to retain or recruit qualified staff, businesses may feel compelled to increase compensation beyond what their current tuition (revenue) can afford. This may make their finances unsustainable in the long run or may mean tuition increases for families, making child care less affordable.
- 3. As a hedge against a future shortage, programs may choose to employ more staff than required by regulations. For example, to avoid the situation described above of having to close a classroom due to a teacher absence, a program might choose to employ two teachers when only one is needed. This can cause challenges with the financial sustainability of a business and also unnecessarily limits the spaces available (in this example, they might be able to serve twice as many children with two teachers).

Recruitment and retention of a qualified workforce remains a challenge, and FCF expects that attracting qualified staff (and investing in helping interested staff become qualified) will be the number one priority for 2025. Along with attracting a larger workforce, child care businesses must do better at retaining the staff that they have. This will mean investing in both leadership and supervisory skills of directors and administrators, as well as understanding what their employees value in their work life and investing in those things. This may include traditional benefits, like health and dental insurance, or it may involve less traditional employer benefits, like flexible work schedules or access to child care.

The state of Vermont and private partners continue to make investments in programs that make working in the field of early education financially feasible for staff. In 2024, the state launched a pilot of VT Saves, a program to help Vermonters save for retirement even when their employer doesn't offer a retirement plan. Let's Grow Kids invested in a child care Health Care Exchange Assister to help child care businesses and their employees access the best, most affordable health care insurance through the exchange. The Vermont Association for the Education of Young Children, in partnership with the state of Vermont, offers a variety of programs to make higher education more affordable to current and aspiring early educators. Tuition assistance, health insurance, and saving for retirement, coupled with the rewarding work of early education, may make this field more desirable for potential workers.

In summary, FCF has observed small but meaningful changes in the industry since Act 76 took effect. FCF is optimistic that as the full impact of Act 76 is realized, the changes will magnify. At the same time, FCF will be looking for changes in policy and/or business practices that will lead to a larger, more qualified workforce.



Child Care Programs Opened Since Act 76

Ongoing Advisement on Act 76 Monitoring

During the 2024 legislative session, BBF was called to testify formally three times on progress towards the implementation of Act 76 and our role to monitor related impacts and outcomes. These formal presentations are outlined below. Additionally, BBF advised the Legislature and decision-makers more than 150 times during the 2023–2024 biennium.

- January 3, 2024: An overview of BBF's role to monitor Act 76 to the House Committee on Human Services
 - <u>Read the testimony</u>
 - <u>View on YouTube</u>
- January 9, 2024: An overview of BBF's role to monitor Act 76 to the Senate Committee on Health and Welfare
 - <u>Read the testimony</u>
 - <u>View on YouTube</u>

- January 9, 2024: An overview of BBF's role to monitor Act 76 to the House Committee on Commerce and Economic Development
 - <u>Read the testimony</u>
 - <u>View on YouTube</u>

Building Bright Futures also presented on Act 76 monitoring efforts and the impact of the state's investments in the early education system to a number of related committees and groups, including:

- The Vermont Commission on Women, February 16, 2024
- The Women's Caucus, April 4, 2024
- The Advisory Council on Child Poverty and Strengthening Families, November 26, 2024

Increasing Publicly Available Data

A critical piece of monitoring the implementation of Act 76 is having publicly available data. Successes and improvements to date include the following:

- In collaboration with BBF and based on the key metrics identified during the fall 2023 information gathering efforts, the CDD Data Unit has made huge strides in increasing transparency and availability of data.
 - A new <u>data page on the CDD website</u> features seven dashboards on CCFAP, five dashboards of child care provider data, and links to four external data sources.
 - As mentioned above, the regularly updated <u>Status and Summary Chart</u> provides easy access to the status and timeline for individual elements of Act 76 that CDD is responsible for.
 - CDD has also been partnering with BBF to provide access to data that allows for geographic disaggregation of key metrics.
- The phase 1 build of the Child Development Division Information System (CDDIS) was focused on CCFAP and included the capacity to expand eligibility documentation and reporting in a cost-effective and timely manner. This sort of forethought is already paying dividends.

<u>Act 76 Data Portal:</u> In partnership with CDD, BBF will be publishing a data portal specifically for Act 76 metrics that will include data at the AHS District and/or County level. We are excited to share data at a more local level, a critical factor that was identified during the fall 2023 listening sessions. We are working closely with the data unit to finalize data structures and workflows.

Of course, there are challenges that have arisen during 2024. One prominent challenge is worth noting.

Limited ability to measure desired or "real" child care capacity over time: There are two indicators that track the number of child care slots. The first is licensed capacity, which is determined by Child Care Licensing through the Child Development Division and is influenced by factors such as building square footage, water and fire permit restrictions, and age categories. The second is desired capacity, which is self-reported and is influenced by everything that affects licensed capacity, as well as staffing levels and administrative/logistical concerns. Desired capacity is what has been used to measure available capacity across multiple data sources. However, in conversations with the Child Care Community Support Agencies, CDD learned that there were multiple interpretations of what "desired" means. Some were approaching it as operational capacity (how many kids a program can handle based on current realities), some as aspirational (how many kids a program would want to have under ideal circumstances), and others were just repeating the licensed capacity figures. Desired capacity also was not being consistently updated as expected. Based on these findings, CDD no longer considers desired capacity to be a reliable indicator. Desired capacity data is no longer included in quarterly data extracts, and when it is again reported, it will not be comparable to prior data. CDD is in the process of refining the definition for desired capacity and hopes to release guidance in early 2025.

CDD is working along with BBF and other key partners to develop a metric to estimate the change over time in desired or "real" child care capacity.

Strengthening Data Systems in Support of Act 76 Monitoring Efforts

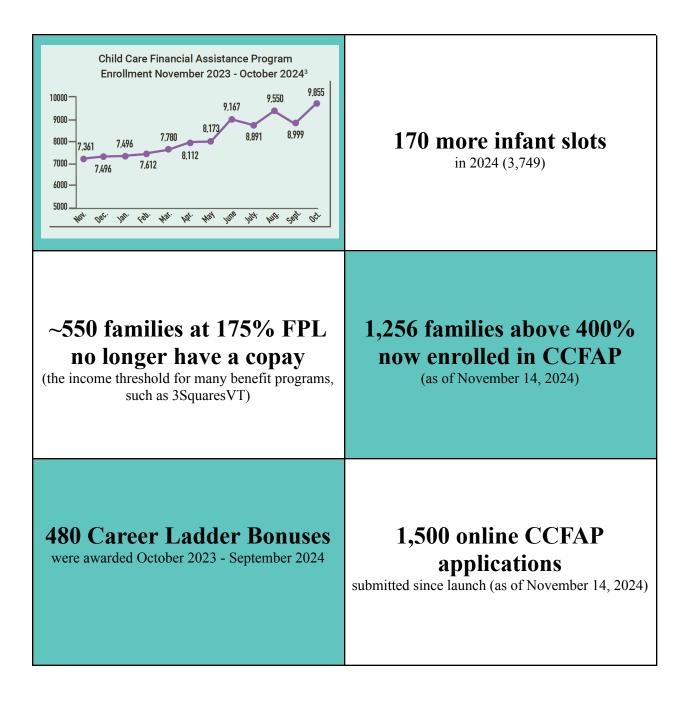
Strong data systems and high-quality data are critical to effectively monitoring the impact and intent of policy and funding decisions. Below are some of the efforts underway to strengthen Vermont's early childhood data systems. These include policy recommendations, documentation of content-specific data alignment and gaps, and cross-sector collaboration.

<u>Policy recommendations:</u> The 2025 Policy Recommendations from the Vermont Early Childhood State Advisory Council Network include two recommendations relevant to Act 76:

- Monitor to Ensure Equitable Access for All 3- & 4-Year-Olds in Vermont's Universal Pre-K Program
- <u>Align Demographic Data Collection Across Agencies</u>

Indicators to Watch

There are many indicators that BBF is tracking as a part of monitoring Act 76. Below are 6 indicators that show changes since the law was enacted.



Closing Reflection

2024 was a significant year for implementing the historic investments and policy changes of Act 76. Early data and sentiment from families and the early childhood field suggests that the law is beginning to have the types of impacts that were intended; more families in Vermont are receiving assistance paying for child care, programs are receiving higher rates to care for children, more child care programs are opening than at this time last year, and families are applying for child care via the new online application in droves. The Child Development Division administered a volume of program changes previously unimaginable and did so with very few reported challenges and delays. While monitoring the law's impacts and addressing a number of continued challenges remain critical, overall the success of Vermont's progress towards increasing access to and affordability of early education should be celebrated.