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To: Steve Dale, Commissioner, Department for Children and Families
From: Kim Friedman on behalf of the Kids Are Priority One Coalition Lead Organizations
Re: Proposed Changes to Version #2 (Child Care Financial Assistance Program)
Cc: KC Whiteley and Reeva Murphy

Thank you very much for taking time last week to come to Randolph to explain the thinking behind the changes from version #1 and version #2 of the proposed changes to the Child Care Financial Assistance Program. Meeting participants found the discussion very helpful, and we appreciated how receptive you were to the ideas generated. Overall, meeting participants were pleased about the proposed rate increase; updating of the income eligibility levels; and the proposed grant program to ensure that programs serving high-need populations remain viable.

Below is a summary of the concerns raised at the meeting and the recommendations offered by the Kids Are Priority One lead organizations. We recognize that some of them do not pertain to the proposed changes that DCF will be submitting to the legislature for its consideration this fall.

Quality Differential

Concerns

- Historically, many centers (e.g., Lamoille) have used the STARS bonus to pay for quality enhancements such as costs associated with professional development. (It should be noted that this practice seems to vary widely from region to region.) In those situations, these funds have not been used to offset parents' tuition. Under the new proposal, the quality differential would have to be applied to help offset parents' co-payment. This would have a significant financial impact on the operating budgets of programs that have not used the STARS bonus in that way.

- There was concern that this would be a disincentive for some programs to participate in the STARS program. It was noted, however, that this practice would be very beneficial to parents in the Child Care Financial Assistance Program unless programs decide to increase their tuition rates.
- It was noted there is inconsistency from region to region in terms of whether subsidy parents are required by the early childhood program where their child is enrolled to pay a co-payment.

Recommendation

We support DCF's proposal to roll the quality differential into the rate schedule. Moreover, we applaud DCF's goal of reducing parents' co-payment. However, we are concerned that *requiring* programs to use the quality differential for this purpose may not, in the end, be the most effective way to reduce parents' co-pay. It could have the unintended long-term consequence of reducing parents' access to *quality* early care and education services.

At this point, we recommend that individual early childhood programs continue to be permitted to determine how quality funds from the quality differential are used (quality enhancements *and/or* parent tuition). This recommendation is driven by several assumptions:

- The CCDBG quality set-aside funds are clearly aimed at increasing parents' access to *quality* child care services. By disallowing programs to use the quality differential to enhance and maintain quality services, we run the risk of discouraging programs from participating in the STARS program. This would have the unintended effect of *limiting* children's access to quality programs, not expanding it.
- Attaining and maintaining a quality program costs more than offering a mediocre program. We are already facing a paucity of funds for supporting the STARS program and providing early childhood educators with the technical assistance needed to obtain a STARS rating and seek a higher quality rating. By preventing programs from using the quality differential to support quality enhancements, we would further erode the resources available to support efforts to improve quality.
- CCDBG regulations give states a great deal of latitude in terms of how quality set-aside funds are used. Use of these funds for quality enhancement is clearly one of their intended uses; this is consistent with common practice in Vermont.
- The primary intent of the quality set-aside is to improve quality, not decrease parent tuition.

Strengthening Families Grants

Concerns

- 1) The proposed eligibility criteria for these grants currently stipulate that programs must have at least 30% enrollment of children receiving child care financial assistance. However, this poses a Catch-22 for many programs whose enrollment of subsidized families is well under 30%, largely because the Child Care Financial Assistance Program's income eligibility guidelines have been out-of-date for many years, thus disqualifying many families who *would* qualify under the new guidelines being proposed by DCF. The state's budgetary constraints are another factor: The number of families who receive Family Support (FS) Child Care has decreased, which impacts the overall number of children served by the Child Care Financial Assistance Program.
- 2) There was some concern voiced about the viability of programs that do not meet the criteria for the new grant program.

Recommendations

In the RFP for these grants:

- Ask applicants how many families receiving child care financial assistance are currently served by the program and how many would qualify under the new proposed guidelines but are not currently being served.
- Be more specific wherever possible about all the criteria. For example, must programs serve all age groups (infants, toddlers and preschoolers) to be eligible?
- Provide the applicant with an opportunity to explain in narrative form how the his/her program is adding value to the broader community and is providing needed services to young children and families that other programs cannot or do not provide.

Increases to the Base Rate

Concern: The proposed increase to the base rate is a welcomed step in the right direction. However, it should be noted that even the rate for 5-STAR programs does not come close to meeting actual costs.

Recommendation: Continue to move incrementally towards aligning rates with actual costs.

Thank you for your consideration of our recommendations. If you would like to follow up on any of them, please contact Kim Friedman, Organizing Director, at (802) 348-9879 or kfriedman@svcable.net.