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Interim Report to the Norwich Select Board

By the Town of Norwich Child Care Committee

July 28, 2021

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"I have a 3 1/2 year-old who currently attends DCCCC which is great. My daughter is shy and has benefited from being in a social classroom situation. In June, we found out that DCCCC was going to increase our tuition by 20% starting in September and I felt that I needed to explore other options. 20% is such a substantial increase in one lump sum even when I consider that my husband and I have good incomes. Factors that are important to us in a child care facility are, location, hours, price, and a quality learning environment. We all know that parking at Dartmouth is a headache on a good day and a nightmare on a bad day so adding a daycare or school commute that is out of the way and the wrong way through town is even more challenging. I don't know what families do if they have 2+ children!"

- A Norwich parent

1. Introduction

This interim report is a follow up report to the Norwich select board, intended to update the board of the ongoing work of the Town of Norwich Child Care Committee. Since the last report, the Child Care Committee has surveyed Norwich parents and local providers, and met with local child care experts, to provide local detail related to the data and broad policy challenges described in the committee's first report to the select board. The committee has also reviewed recent legislation at the state and federal level that relates to early care and learning in Norwich, and summarized the implications for the select board's review.

The following themes emerged from our review of state data on current capacity, from our review of parent survey responses, and from our interviews of provider:

1. There is an acute shortage of slots for infants and toddlers in particular. The slots that do exist are so expensive (e.g.up to $25,000 for a year of care for an infant), that many families cannot afford these slots and reduce work hours or leave work altogether to afford care. This has implications for family life time earnings, as well as for state income tax receipts.

2. Three quarters of the families we surveyed reduced hours or left jobs to take care of children, because of the challenges of finding affordable care with work-friendly hours.

3. While there does not appear to be a big shortage of PK slots, the demand for PK at the Marion Cross School is twice the capacity of the program to provide. The preschool programs that provided only part-day care did not report the same long waiting lists reported by programs that offered full day care. Some reported pressure to increase the length of their days. There are parents who need full day care and can't find it, and there are programs that only provide part day care that are considering expanding hours.

4. One of the biggest barriers to care is challenges related to staffing, except at MCS and Immersion Montessori, which pay more per hour. The providers in our program welcomed the idea of additional providers in the area to meet family needs. However, they also mentioned an acute shortage of staff as the reason they were not expanding slots, and in several cases, as the reason they were reducing slots. Instead of competition for children, these programs were effectively reporting competition for staff. Staffing shortages mean some programs are operating under capacity

5. The proposed state legislation does provide support to qualify people as early educators (e.g. support with the education costs associated with seeking the required credentials.) Some programs are discussing raising pay.

6. Overhead costs are a second barrier to expanding capacity, but no where near as significant a factor as staffing shortages.

7. The current subsidy and voucher structure may also create a market incentive to overproduce PK and underproduce care for 0-3. Research and conversation with national experts on child care markets identified service gaps for some regions/some populations (such as children aged 0-3, or children from some demographic groups) as one of the challenges of child care policy that relies on portable vouchers. While VT relies on portable vouchers and subsidies, some other states are moving to contracting for care as a way to manage the market for care, to improve access, quality and affordability. For example, instead of funding subsidies and hoping parents can find affordable care, a government entity can contract with providers to provide the needed care, for the needed populations, in the needed places. Through these contracts, the funding government entity can target support and provide stable revenues for providers for the age groups and children that need the care most.

8. The one for-profit care appears to be struggling as a business model.

9. Specialized services in private child cares seem to be limited to services like speech and language services, which are easier to deliver by the MCS school at the child care site, and do not involve students with more intensive needs. We did not hear evidence to suggest

that children with disabilities cannot find slots. We did hear from some providers that they do not always feel capable of adequately supporting children with challenging behaviors.

10. Most programs offer tiered tuition of some sort. Children eligible for state subsidy are not evenly distributed across child cares.

11. Outside of MCS and TMO, even in Norwich child cares overall, Norwich students are a minority of enrollees.

12. There is a need for care for kids on unexpected days: when kids are sick, snow days, etc.. This was mentioned by both parents and some providers. It was also made by the researcher who shared national research with the child care committee, and who said that paid family leave is a powerful tool to help parents keep their jobs while still caring for their children. Parental leave after the birth of a child reduces what parents who need to work have to pay for infant care-- the most expensive kind of care. And, in the age of COVID, providers may be more concerned that families have the ability to stay home and quarantine with children if and as necessary.

13. The committee discussed the potential hardship of moving to town posed by the combination of high housing costs and high child care costs, and the potential longer term implications for funding for the school, given the state's funding formula.

14. The committee also wants to alert the selectboard now about recent and pending legislation with potentially significant implications for the town's budget and policy choices:

    a. **Child Care: T**he legislature is proposing significant new investments in child care, particularly in education of providers and subsidies for less wealthy parents. A committee has been tasked with proposing legislation to fund the commitments made this session.

    b. **Probable increase in Education Tax Rates for Norwich, due to a change in the funding formula:** The legislature established a task force to propose changes to the education funding formula for the state, to enhance equity and opportunity for less advantaged children. This task force is charged with coming back with proposed legislation, and current modeling suggests that the changes could add up to 50 cents to the Education Tax rate in Norwich. Any new policy should be considered in the context of this potential change.

This current interim report closes by indicating the proposed next action steps of the Child Care Committee. These include but are not limited to collaboration with the Norwich Public Library and Brie Swenson of the town recreation program to better understand the role their institutions play for school aged children. We will also review and provide case studies of diverse strategies municipalities and families have taken, both informal and formal, to support care for children.

As the select board reviews this work, we welcome feedback and recommendations.

2. Preliminary findings: Survey of Norwich families about their early care and learning arrangements

From late May to mid-June 2021, 62 Norwich parents responded to an online survey about their current use of child care for children not yet of kindergarten age, their perception of needs and burdens, and their ideas for how the town can support parents like them. In general, while many expressed satisfaction with their current child care arrangement, there was a sizable number of Norwich parents who felt they are settling for what is available, paying more than they can for care that might not be the best fit for their family. There seems to be strong support for the town to play a more active role in this area.

It is difficult to say if the group of respondents is representative of the target population as a whole in Norwich; however, several data points from the survey suggest that it captured the opinions of a broad cross-section of eligible parents. The survey was promoted on the town listserv, in the weekly email from the Marion Cross School principal, via email from the kindergarten teachers (presuming some have younger siblings), from local child care providers that notified their Norwich families, as well as on flyers at key in-town locations.

The 62 parent respondents together represent 82 children five years old and younger (and another 29 older children). About half of those children are two years old or younger, and the other half are in the three-to-five-year-old range. The respondents tended to be more satisfied with their own arrangements today than with the child care available in Norwich or in the region, and just one-third said they were actively looking for a different arrangement. However, half of the respondents agreed with the statement "I feel like I have to accept our current child care arrangement because there are no better options right now" more so than with the statement "My family chose our current child care because it fits our needs for the type of care provided, location, cost, or another issue of concern to us." This suggests that while there is not a sense of pain shared by all Norwich parents of young children, there is an underlying set of burdens that weigh heavily on many families.

Most striking among these burdens: **Three-quarters of respondents said that, to make their child care arrangement possible, one or more parents stopped working altogether or that one or more parents decreased the amount of time devoted to work.** Over one-third said they had cut back on spending for food, healthcare or other essentials, or had cut back on saving or other long-term financial planning.

The respondents described many different types of child care arrangements. About 40% of them said they do not utilize paid child care for more than 10 hours per week, with the remaining 36 families taking advantage of a child care center (30 families), a nanny (16 families), a home-based provider (2 families), and/or supplementing paid care with care provided by a family member (23 families).

Regardless of respondents' current arrangements, their **top-of-mind concern in this area seems to be the number of available slots at child care centers**. Two-thirds (42 families) said they were very concerned with that availability, with all others (20) saying they were somewhat concerned. The **numbers were similar for their concern with the availability of child care for an extended day to accommodate long or irregular work**

hours (40 very concerned, 18 somewhat), and with the availability of child care located in Norwich (40 and 20). Price for care was a marginally lower concern (33 very, 18 somewhat), but it was very concerning for nearly all of the respondents who were dissatisfied with their current arrangement.

In preliminary analysis, there was little distinction in the attitudes and priorities between groups of parent respondents with the youngest children and those with preschool-aged children, or between families with only young children and those with older children, as well. Further analysis, as relevant, will be included in the final report from the committee. The survey's insights can help inform decisions regarding the town's role, which should be considered in the context of a market that includes state (and possibly soon) federal funding streams, non-profit and for-profit providers, educators and caregivers seeking adequate and fair compensation, and a parent community that is higher in income on average than in other areas but has pockets of strongly felt needs.

3. Preliminary findings: Survey of child care providers

The committee interviewed 7 nonprofit child care centers, 4 in Hanover and 4 in Norwich, as well as one for profit child care center in Thetford.VT. Of the 4 Norwich providers surveyed, 2 served only children aged 3-5, and another did not serve any infants. The providers in this initial sample represent the providers that commuting patterns suggest are the most likely providers for Norwich families. Where possible, we accounted for the shorter term impact of COVID on the reported capacity of each provider. There is some noise in the data associated with differences in how providers reported, but this summary captures the broad patterns reported by providers.

These interviews informed a survey, to which additional providers are now responding. These new will be included in future reports to the select board. Few programs offered care for school-aged children, which may reflect the fact that both Norwich and Hanover offer comparatively affordable and robust recreation programming.

This analysis excludes school age children, because our data is still too incomplete to adequately analyze that market segment. Additional exploration of the value of the recreation program and other institutions like the Norwich Public Library will be included in subsequent work. This section will focus more specifically on what our preliminary data from surveys of providers say about the 0-5 care landscape.

Children enrolled, by age range, in the 4 NH providers surveyed by the committee	
0-3 year olds	143
3-5 year olds	168
# of total from Norwich	20-25, or about 7%

Children enrolled, by age range, in the VT providers surveyed by the committee	
0-3 year olds	95
3-5 year olds	124
# of total from Norwich	60, or about 28%

The survey of providers demonstrated that when we speak about shortages of child care, we need to be specific about the age range and type of slot that is scarce relative to demand. For example, in this sample of providers, it is clear there is **an acute unmet demand for care for the youngest children, particularly infants.** It is not clear, outside COVID, that there is significant unmet demand for preschool slots. The programs that have waitlists say they are generally able to offer slots when the school year starts, and some programs reported unfilled spots for this age group.

Shortage of full day slots for working families

There is a shortage of full day slots that meet the needs of working families. Programs that provided only part-day preschool programs did not report the shortages that full-day programs reported. In fact, some part day programs were exploring strategies to extend their days to meet the observed needs of working families.

Most programs that offered full day slots required families to enroll for a full day, even if they allowed parents to enroll children for only 2 or 3 days. Part day slots were less common in this sample, though parents enrolled for full days were allowed to remove children after a part day.

One of the programs that offered only shorter day programs recommended that the town help parents cobble together a care arrangement from amongst the options provided by programs, by providing more information to parents about what different programs offer. A preschool that provided 4 days a week of morning programming for 3-5 year olds cited no barriers to its operations, and said that while other communities appeared to need more child care, its perception was that "families in Norwich are very fortunate to have more options (due to their income) for child care than other towns within the Upper Valley."

Shortage of care for children aged 0-3

There are very few slots for infant care, and much longer waitlists for children aged 0-3 in general. There were only 11 reported slots for infants in Norwich, and 6 of these are in a program that does not serve any children from Norwich.

Most infant slots in this sample were in child cares in NH, and of the slots for children aged 0-3, only about 21% were reserved for infants, while about 60% of the waitlist was for infant slots. Reasons for not expanding infant care included the high cost of infant care, the need for preschool students to cross subsidize care for younger children and the challenge of recruiting enough staff to care for these young children.

Slots for Children Aged 0-3			
Program	**Enrolled**	**Waitlisted**	**Notes:**
Fitkids	63	88	Only 19 slots for infants and 20 for 1-2 year olds
*Bright Horizons DHMC	46	88	Only 16 slots for children aged 6 weeks to 18 mo.
*Dartmouth Child Care	19 (see note)	97	Only 2 infant slots and 9 slots for 1-2 yr olds. * Note: Reflects 50% capacity due to COVID. The number of slots enrolled should double if they go back to full capacity.
The Family Place	14		No Norwich families
Child care center of norwich	28	70	Only 3 infant slots and 5 1-2 yr old slots
TMO	16		No infant slots, just 2-3 yr olds
Little Feet	3	12	No infants, 1 child 1-2 yrs old, 2 children 2-3 yrs old
Total:	**189**	**355**	

*Employer sponsored cares

In contrast, some programs had no waitlist for preschool students, and with the exception of the Marion Cross School, most programs reported that outside of COVID, they were able to meet most needs for preschool aged children by fall. One program that reported it had unfilled capacity for preschool said that it counted on preschool aged children to cross subsidize the slots for younger children.

The Marion Cross School, which is offering 15-18 FT slots in 2021-22, reported a waitlist of 18 to 21 students for those slots. No other programs had a similar level of unmet demand for preschool slots. One program based in NH provides grants to Norwich preschool enrollees comparable to the value of the PK vouchers families would receive if the program were based in Norwich. The Norwich-based part day preschools had explored strategies for extending days.

Overall, the current market for care seems to incentivize overproduction of care for preschool students, and underproduction of care for infants in particular, and for children aged 0 to 3 generally. This is consistent with prior research by this committee, which found that the state's current regulation and subsidy program may shape the market for child care by incentivizing production of preschool at the expense of care for children aged 0-3.

It is possible that expansion of new slots in programs that only serve 3-5 year olds, in competition with programs that serve 0-5 year olds, could adversely affect the availability of care for 0-3 year olds.

Access for Norwich students who need specialized services.

Most programs reported some level of capacity to serve students with specialized needs. The Norwich school district reported that 4 students with specialized needs are enrolled in the Marion Cross School, 2 preschool students are placed in NH child cares and receive services there, and 1 is placed in a Norwich preschool and receives services there. Private cares reported coordinating with school districts to provide SLP services and other less intensive services. None reported serving children with intense needs at this time.

Subsidies and support for less-advantaged families

Most of the programs we surveyed had fee arrangements that accommodate differing ability of families to pay. These tools included sliding fee scales based on income, discounts for siblings, state subsidies, grants from foundations to reduce tuition and inhouse scholarship programs. All the providers were conscious of the ability of families to pay, and described trying to balance their need to compensate staff with the ability of families to pay, and described various strategies for supporting families financially so that they could enroll.

In this sample, the reported proportion of families enrolled who were eligible for state subsidy ranged from about 1 or 2% to 100%. One program reported that 30% of its families made $170k per year or more. These data suggest potentially significant socioeconomic sorting (segregation) across child care sites.

One preschool program in Norwich collected no parent income information, and explained that 10 of the 12 hours it provides a week are paid for by Act 166 prekindergarten vouchers, leaving parents responsible only for the 2 remaining hours per week and any extended day (11:15 to 12:45) hours the family purchased.

Impact of staffing challenges

The providers in the sample did not see themselves in competition with other programs for children, and in fact said the area needed more child care slots. **However, they did**

suggest they were in competition with other programs for staff, and that staff shortages were a significant barrier to providing care.

With the exception of the Marion Cross School and the Immersion Montessori Program, (which reported paying $20 or $21 dollars per hour), every private program mentioned staffing challenges as a constraint. Several mentioned they were operating below physical capacity because of staff shortages, and one mentioned that it might further drop enrollment if it could not hire soon. Two mentioned the challenge of competing with public schools for qualified staff, largely because schools compensate staff at higher rates, and one cited the regulatory costs associated with $20 for fingerprinting and $50 licensing card as prohibitive to employees. One said that although it felt it paid well , it was speaking with the Board about raising wages to improve its ability to recruit.

The for-profit child care, whose director reported struggling to meet staff licensing requirements, going without pay and being worried about being able to stay open,.The director of this business described this market by saying: "the state or school districts need to put real money into the industry, supporting rather than displacing the existing businesses."

Unfilled needs: The need for paid family leave

Several programs mentioned that COVID had changed operations, but also accentuated existing unmet needs, including needs that may be beyond the scope of our child cares but which are still worthy of policy attention. Notably, when children are sick or school and/or programs are closed (e.g. due to holidays, snow days or other reasons), parents still need care, and the lack of care is a real challenge for working families without flexibility. One program explained that families need paid leave to stay home when a child is sick, so that child can be cared for and not risk the health of others, without the family jeopardizing employment or income.

Cost of overhead/facilities

Several programs cited the costs of overhead and maintaining a facility as a barrier to expanding care, and one mentioned the challenge and risk of expanding given the current tight margins. Several facilities had space to expand, but were unsure they had the financial capacity and leadership capacity to take on physical expansion. The cares that were associated with the region's biggest employers were weighing options for expansion, and cited questions ranging from whether the town of Hanover would approve expansion, to how proposed upgrades could best meet needs at the existing site, to whether they could find staff for expansion.

The market and opportunities for expanding slots

With the exception of the for-profit child care business, most programs said the market itself wasn't "too tough" or saturated. They felt the region needed more slots, particularly for the youngest children. Within the market, different providers seemed to fill different niches. One program, for example, is focused on language immersion, and described itself as unique and solid within that niche. Some focused on child care for employees of their business sponsors, while some evolved from cooperative models that were family and program-centered. Some were comprehensive providers of care for 0-5 years olds, while

others specialized in older children. The Family Place provided a unique program for families enrolled in its "Families Learning Together Program."

Perhaps because the demand for slots exceeds supply, and because some providers target different market segments, most programs did not report feeling threatened by competition and supported the need for more slots in the region. Only one child care business, which was also the smallest program in the sample, was concerned that lack of students and stable revenue threatened its ability to stay open. Prior research by the committee suggests that statewide, family-based cares and smaller programs are closing and being replaced by large, usually center-based programs.

Tuition

Consistent with the committee's prior research on cost of care, the cost in our region is high, and also increasing (by 20-26% in the period from 2015 to 2019). Tuitions varied significantly across programs, across ages, and within programs due to tiered tuition schedules and variable eligibility for subsidy. Although we were not able to get detailed information from all programs, it was clear that infant care was the most expensive, **with the lowest purported reduced rate being $740 a month, and the highest tuition tier reported being closer to $2100 a month, or about $25,000 per year.** Preschool-aged care was less expensive. The Marion Cross School Prekindergarten program is free, but cannot accommodate all children. **At the higher end, one preschool program charges $1700 a month for preschoolers, or about $20,400 per year.** (Note: since the survey was conducted, this program raised its rates.) Note that since these rates were reported, some of the providers in this sample have raised rates, including one by about 20%.

4. New state legislation on child care, and implications

This section discusses the newly passed H. 171 which calls for substantial new state investments in early care and learning, specifically by 1) increasing child care subsidies for income eligible families, and increasing the range of eligibility, 2) providing financial support for continued education for staff in private providers.

Link to bill:

https://legislature.vermont.gov/Documents/2022/Docs/BILLS/H-0171/H-0171%20As%20Passed%20by%20Both%20House%20and%20Senate%20Official.pdf

The legislature passed H.171 to increase investment in the States Child Care Financial Assistance Program (CCFAP), to support education of staff in private programs, and to modernise the state's child care assistance program.

Key provisions of this bill include:

1. Increasing subsidies, on a sliding scale and adjusted for family size, for income eligible families (up to 350% of current federal poverty guidelines).
2. Ensuring that that co-payment at the upper limit of the income eligibility scale for a family participating in the Child Care Financial Assistance Program shall not exceed 10 percent of a family's annual gross income.
3. Providing needs-based grants and loan repayment assistance to support further education of child care workers who work in **private** sector child cares.
4. Funding improvements in the state's child care data system, based on the feedback of end users.
5. Incentivizing or supporting employment, because unlike the Act 166 vouchers for prekindergarten, which are available to all children aged 3-5, this investment is provided to parents who work.

By way of example, families with an annual gross income of less than or equal to 150 percent of the current federal poverty guidelines should not have a family co-payment. Families with an annual gross income up to and including 350 percent of current federal poverty guidelines, adjusted for family size, should be eligible for a subsidy, with the size of that subsidy being a function of STARS rating of the provider, family size and income.

Goals moving forward include 1) progressively adjusting the upper income limit of the Child Care Financial Assistance Program fee scale each year; and (2) ensuring the co-payment at the upper limit of the income eligibility scale for a family participating in the Child Care Financial Assistance Program shall not exceed 10 percent of a family's annual gross income.

A commission will meet to recommend how to fund these commitments moving forward. How they move forward may have significant implications for any policy decision by the Norwich select board.

For reference, below are the federal poverty guidelines effective January 13, 2021. For example, the state's goal is that a family of 4, with a household income of $79.5k or less, would not pay more than 10% of its income for child care. This would be adjusted to reflect changes in federal poverty guidelines over time.

# of Persons in Household	**2021 Federal Poverty Level for the 48 Contiguous States (Annual Income)**						
	100%	133%	138%	150%	200%	**300%**	400%
1	$12,880	$17,130	$17,774	$19,320	$25,760	**$38,640**	$51,520
2	$17,420	$23,169	$24,040	$26,130	$34,840	**$52,260**	$69,680
3	$21,960	$29,207	$30,305	$32,940	$43,920	**$65,880**	$87,840
4	$26,500	$35,245	$36,570	$39,750	$53,000	**$79,500**	$106,000
5	$31,040	$41,283	$42,835	$46,560	$62,080	**$93,120**	$124,160
6	$35,580	$47,321	$49,100	$53,370	$71,160	**$106,740**	$142,320
7	$40,120	$53,360	$55,366	$60,180	$80,240	**$120,360**	$160,480
8	$44,660	$59,398	$61,631	$66,990	$89,320	**$133,980**	$178,640
Add $4,540 for each person in household over 8 persons							

Source: https://www.medicaidplanningassistance.org/federal-poverty-guidelines/

Below is a summary of market rate rates per week for full time care, at the 75th percentile, from 2015-2019. Note that the cost of care increased from 20 to 25% in this 4 year period, even as the state made significant new investments in portable Act 166 prekindergarten vouchers.

Full Time Statewide Licensed Rates - Comparison of the 75th Percentile Over Time				
	Infant	**Toddler**	**Preschool**	**School Age**
2015	240	233	222	206
2017	260	250	250	210
2019	290	280	280	225
% change '15-'19	20.83%	20.17%	26.13%	9.22%

The state does not provide a breakdown specific to Norwich, but it does provide a breakdown of weekly rates for licensed care for the Hartford AHS district. Note that Harford area rates are higher than the average rates for the state.

Hartford AHS District Data									
Ages	**Average Weekly Market Rates**	**Median (50th Percentile Part Time Weekly Market Rates**	**75th Percentile Weekly Market Rates**	**State Payment Rate for 1 Star Programs**	**Current Percentile of Market Rates that 1 Star Rate Payment Falls**	**State Payment Rate for 4 Star Programs**	**Current Percentile of Market Rates that 4 Star Rate Payment Falls**	**# of Programs with a Provider Rate Agreement (PRA) for this Age Group**	**# of Programs with no copayment at 100% CCFAP benefit based on Provider Rate Agreement (PRA)**
Licensed Child Care									
Full Time - Infants	$263.80	$250.00	$290.00	$210.00	0.00	$260.00	53.33	15	9
Full Time - Toddler	$251.47	$245.00	$273.00	$201.92	0.00	$250.00	52.94	17	10
Full Time - Preschool	$239.40	$220.00	$250.00	$179.21	9.52	$221.88	57.14	21	11
Full Time - School Age	$174.52	$200.00	$215.25	$166.33	50.00	$205.94	50.00	12	6
Part Time - School Age	$99.09	$100.00	$100.00	$91.48	41.67	$113.27	50.00	24	19
Registered Child Care Homes									
Full Time - Infants (under 24 months)	$220.50	$195.00	$217.50	$145.38	13.33	$180.00	33.33	15	3
Full Time - Toddler	$210.17	$185.00	$200.00	$141.35	13.33	$175.00	33.33	15	5
Full Time - Preschool	$208.83	$185.00	$195.00	$129.23	0.00	$160.00	20.00	15	1
Full Time - School Age	$205.89	$175.00	$185.00	$121.15	0.00	$150.00	14.29	14	1
Part Time - School Age	$122.04	$110.50	$145.00	$66.63	14.29	$82.50	42.86	14	5

Data Notes:

- The Child Care Financial Assistance Program (CCFAP) pays a higher rate on behalf of families based on the number of stars the program has earned: 1 Star – 5% above the base rate; 2 Stars – 10% above the base rate; 3 Stars – 20% above the base rate; 4 Stars – 30% above the base rate; 5 Stars – 40% above the base rate. This can change the co-payment owed by the parent.
- Market Rate – the price of child care charged by child care programs to parents as reported by the programs to the Vermont Department for Children and Families, Child Development Division and collected in the Bright Futures Information System (BFIS).
- Licensed Child Care includes center based programs, licensed child care homes, preschool programs, Head Start programs, and privately and publicly operated afterschool programs.

https://dcf.vermont.gov/sites/dcf/files/CDD/Reports/Market_Rate_Survey_2019_full-final.pdf

5. New state legislation on education funding, with implications

Summary: Proposed change in education funding formula could lead to significant increases in Norwich's local education tax rate.

In 2018 the General Assembly tasked the Vermont Agency of Education with contracting for a study to recommend changes to the per-pupil weighting factors that are a key determinant in each school districts' spending per-pupil and their local tax rate. That study was completed and published in December of 2109. Among the various findings it concluded that the cost factors incorporated in the (current) calculation do not reflect current educational circumstances. Stakeholders viewed the existing approach as *"outdated"*. Neither the factors considered by the formula nor the value of the weights reflect contemporary educational circumstances and costs.

The values for the existing weights have weak ties, if any, with evidence describing differences in the costs for educating students with disparate needs or operating schools in different contexts.

As a result, the study recommended a new set of per-pupil weighting factors that are intended to ensure that high poverty districts, districts with English language learners and isolated rural districts have the resources they need to take care of these students who are more costly to educate. The new weights don't guarantee the school districts will get these additional financial resources. Rather, they generate additional taxing capacity in those towns. Conversely, districts that have fewer students in those categories or are not as rural could see their equalized pupil counts decrease and, as a result, their tax rates increase. Norwich is one of those towns.

This year, the legislature passed S13, a bill that establishes an 8 member legislative Task Force with the following charge: "to recommend to the General Assembly an action plan and proposed legislation to ensure that all public school students have equitable access to educational opportunities, taking into account the Pupil Weighting Factors Report". Pertinent to Norwich, one of the committee's responsibilities is to "recommend ways to mitigate the impacts on residential property tax rates and consider tax rate equity between districts". The recommendation is due December 15, 2021.

The bill also states that it is the intent of the General Assembly to pass legislation in the second year of the 2021-2022 biennium (next year) that implements changes to how education is funded to ensure that all public school students have equitable access to educational opportunities.

According to a preliminary reanalysis of the proposed equalized pupil weighting changes by the Joint Fiscal Office, applied to FY20 Norwich and Dresden school budgets,

Norwich's equalized homestead tax rate would jump about 53 cents, from $1.77 to $2.30. That means that if the new weights are implemented, **Norwich tax bills could increase by a third on average.**

Here is a summary from a report to the Joint Fiscal Office at the legislature:

Column Numbers		3	4	5	6	7	8	9	10	11	13	14	15
				Yield $10,848			Yield $11,318						
		Current Education Weightings			Simulated Education Weightings			Difference (Simulated - Current)			District Identifiers		
County	District Name	Equalized Pupils	Education Spending Per Pupil	District Equalized HS Tax Rate*	Equalized Pupils	Education Spending Per Pupil	District Equalized HS Tax Rate*	Equalized Pupils	% Change Number of Pupils	District Equalized HS Tax Rate	Merger Status SBE = State Board of Education	District Density (Population/ mile*2)	District Poverty Rate
Windsor	Green Mountain Unified School District	717	$16,028	1.91	801	$14,347	1.29	84	11.7%	-0.21	Merged - Andover, Baltimore, Cavendish, Chester	38 - 54.9	24.4%
Windsor	Hartford	1,411	$16,881	1.59	1,374	$17,341	1.56	-37	-2.7%	-0.03	Interstate District	Greater than 100, NA	21.1%
Windsor	Hartland	458	$18,241	1.71	405	$20,625	1.86	-53	-11.6%	0.14	Stand Alone	55 - 99.9	11.2%
Windsor	Ludlow-Mt. Holly Unified Union School District	355	$18,196	1.21	361	$17,899	1.61	6	1.7%	-0.10	Merged - Ludlow, Mt. Holly	38 - 54.9	17.6%
Windsor	Mount Ascutney School District	617	$15,764	1.48	567	$17,146	1.54	-50	-8.2%	0.06	Merged - West Windsor, Windsor	Greater than 100, NA	18.2%
Windsor	Norwich	580	$18,869	1.77	429	$15,538	2.30	-152	-26.1%	0.53	Interstate District	55 - 99.9	3.4%
Windsor	Rochester Stockbridge Unified School District	177	$18,687	1.76	183	$17,303	1.56	14	8.0%	0.20	Merged - Rochester, Stockbridge	Less than 38	19.8%
Windsor	Sharon	257	$18,483	1.55	241	$17,637	1.59	-17	6.5%	0.04	Stand Alone	38 - 54.9	12.7%
Windsor	Springfield	3,295	$18,560	1.74	3,885	$18,814	1.31	590	10.4%	-0.23	Supervisory District	Greater than 100, NA	29.9%
Windsor	Weathersfield	335	$16,666	1.57	297	$18,800	1.69	-38	-11.4%	0.13	Stand Alone	55 - 99.9	11.8%
Windsor	White River Unified District	598	$18,018	1.69	620	$17,395	1.56	22	3.6%	-0.13	Merged - Bethel, Royalton	55 - 99.9	21.5%
Windsor	Windsor Central Modified Unified Union School District	386	$16,140	1.52	365	$17,061	1.53	-23	-5.4%	0.02	Merged - Bridgewater, Plymouth, Pomfret, Reading, Killington, Woodstock	Less than 38	13.5%
Windsor	Windsor Central Unified Union School District	444	$19,364	1.84	429	$20,250	1.82	-15	-3.4%	-0.02	Merged - Bridgewater, Plymouth, Pomfret,	Less than 38	10.8%

Source: https://ljfo.vermont.gov/assets/Subjects/Equalized-Pupil-Weighting/31f695302d/FY20AnalsyisProposedEqaulizedPupilWeights-v2.pdf

Using numbers from FY20, the potential tax increase on Norwich properties is estimated as follows:

Total tax on a house/property valued at:	Current Weights	New Proposed Weights
$200,000	$3,615	$4,681
$300,000	$5,422	$7,021
$400,000	$7,230	$9,361
$500,000	$9,037	$11,701
$600,000	$10,844	$14,042
$700,000	$12,652	$16,382
$800,000	$14,459	$18,722
$900,000	$16,267	$21,063
$1,000,000	$18,074	$23,403

As it currently stands, options for Norwich to reduce the potential tax increase of implementation of the new weights are complicated by the town's participation in the Dresden Interstate School District. Roughly 54% of the total education spending in Norwich is attributable to the middle school and high school. Possible mitigation strategies could include:

- Educate community regarding potential tax rate increase

- Work with the Dresden School board to decrease the Dresden budget. (note that roughly 1/3 of any budget change in Dresden is "realized" in Norwich)
- Decrease the Marion Cross budget to mitigate the tax rate impact. (note that the MCS budget accounts for about 46% of total education spending in Norwich)
- Aggressively invest in affordable family housing, to raise student numbers so as to reduce per pupil costs at the elementary level.
- Establish Norwich as a refugee resettlement community (or actively encourage refugee resettlement to the town)
- Explore alternatives to Dresden (probably politically unacceptable)

6. New federal child credits, with implications

This section discusses direct federal supports/tax credits that potentially help working families with children afford their child care.

Note: In recent decades, the federal government has moved from assisting lower-income families through cash relief towards a policy approach of increasing reliance on refundable tax credits that are available to people who work. These credits include the CTC (child tax credit) and the EITC (the Earned Income Tax Credit) As Michelmore, Pilkauskas and Rodems *(2019)* wrote: "While less is known about the CTC, a long line of research on the EITC indicates it improves the economic wellbeing of families by increasing labor supply among single mothers (Eissa & Liebman, 1996; Ellwood, 2000; Meyer & Rosenbaum, 2001), increasing earnings (Dahl, DeLeire, & Schwabish, 2009) and lifting families out of poverty (Hoynes & Patel, 2015)."[1]

According to Dr. Taryn Morrissey, tax credits are less likely to affect the child care choices of families, because they are often received too late and are unpredictable. They do provide families with cash that can offset costs other family needs.

Current and continuing programs:

Earned Income Tax Credit

The earned income tax credit subsidizes low-income working families with qualifying children by giving workers a credit equal to a percentage of their earnings up to a maximum credit, holding the size of the credit steady for workers with incomes between $14.9 and $19.5 AGI, then tapering off the credit until an income of about $51.5k AGI for a family with 3 children. Both the credit rate and the maximum credit vary by family size, with larger credits available to families with more children. This credit, which is income-dependent and adjusted by number of children, was intended to create additional capacity in families to meet needs. [2]

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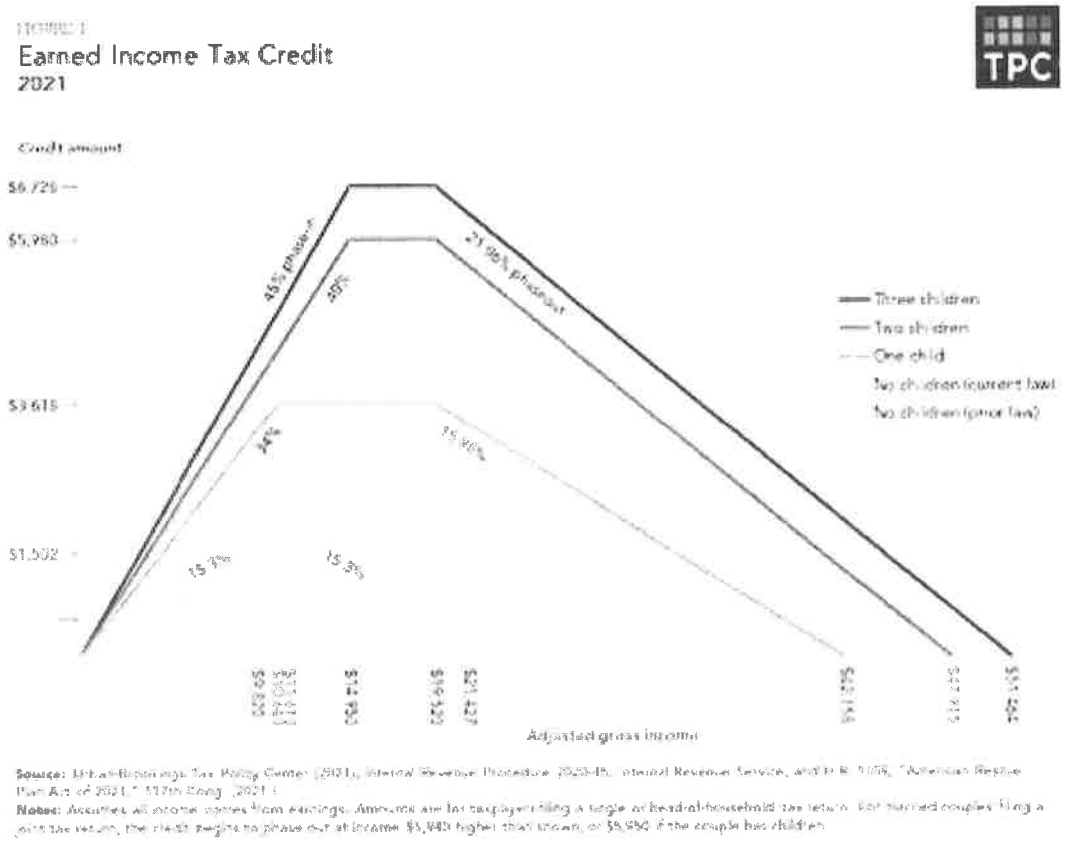
[1] Katherine Michelmore, Syracuse University Natasha Pilkauskas, University of Michigan Richard Rodems. (2019). Who's Minding the Kids? Refundable Tax Credits and Child-Care Arrangements. http://paa2019.populationassociation.org/abstracts/192640

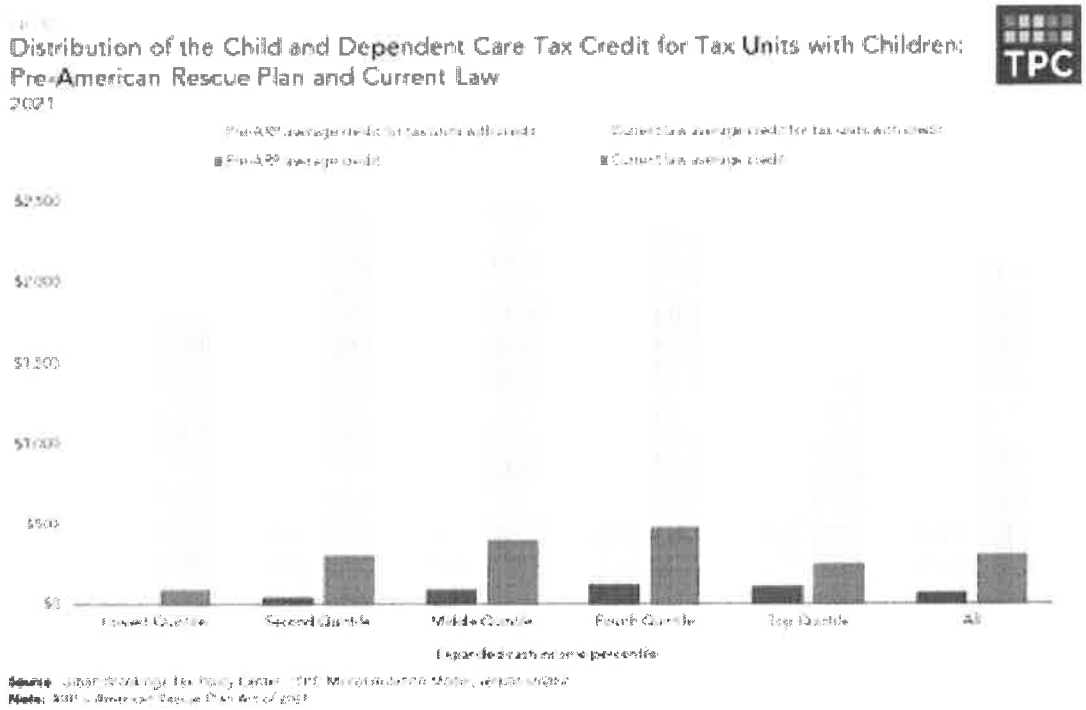
[2] https://www.taxpolicycenter.org/briefing-book/what-earned-income-tax-credit https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc



Child and Dependent Care Tax Credit

Our current tax code subsidizes child care costs of working parents, by making them eligible for two tax benefits to offset child care costs: the child and dependent care tax credit and the exclusion for employer-provided child care. As the Tax Policy Center explains: "The child and dependent care tax credit (CDCTC) provides a refundable credit of up to 50 percent of child care costs for a child under age 13 or any dependent physically or mentally incapable of self-care. Eligible child care expenses are limited to $8,000 per dependent (up to $16,000 for two or more dependents)." To be eligible, the adults must be in school or working. The credit is fully phased out at $438,000 of adjusted gross income. This credit can only be used to offset taxes owed (except for the exception in 2021 due to the American Relief Plan.) That means that when a family qualifies for a child care tax credit that is greater than the taxes owed, they cannot access the full value of the tax credit.

This chart comparing the dependent care tax credits under the American Rescue Plan and current law that will be the default post 2021:



Flexible Spending Accounts

Qualifying families with sufficient income can take advantage of contributions made to a dependent care flexible spending account (FSA). These accounts can be used to set aside up to $10,500 per year, free from payroll taxes, to pay for child care expenses. Families claim the CDCTC based on the difference between the credit for which they are eligible and the amount they have set aside in their FSA.

Source:https://www.taxpolicycenter.org/briefing-book/how-does-tax-system-subsidize-child-care-expenses

<u>Short term extra tax credits:</u>

The American Rescue Plan Act (See also Appendix A)

Under the American Rescue Plan Act, the IRS just began to distribute an enhanced $3000 child tax credit to an estimated 39 million households. The IRS is distributing the enhanced $3,000 child tax credit as advanced payments for children aged 6-17, and $3600 for children aged 6 and under, starting on July 15.

This is for 2021 only.

The IRS states:

1. The credit amounts will increase for many taxpayers.

2. The credit for qualifying children is fully refundable, which means that taxpayers can benefit from the credit even if they don't have earned income or don't owe any income taxes.

3. The credit will include children who turn age 17 in 2021.

4. Taxpayers may receive part of their credit in 2021 before filing their 2021 tax return.

Income eligible families will receive up to $300 per month for each child under age 6 and up to $250 per month for each child ages 6 to 17. Benefits start to phase out for single individuals earning more than $75,000 a year, or $150,000 for married couples who file jointly.

This tax credit is not yet set to continue, so it is unclear whether it will have longer term implications for the child care choices families make.

Still to be determined:

President Biden's **"The American Families Plan"** proposes to:

- **provide universal, high quality preschool to all three- and four- year-olds** (presumably, this would free tax capacity in VT to repurpose investments to extended care, care for younger children, or tax relief, at the discretion of the legislature.)
- will provide direct support to families to ensure that low- and middle-income families spend no more than seven percent of their income on child care, and that the child care they access is of high-quality.
- provide direct support to workers and families by creating a **national comprehensive paid family and medical leave program** that will bring America in line with competitor nations that offer paid leave programs (presumably this would supplant any state program.)
- extend key tax cuts in the American Rescue Plan that benefit **lower- and middle-income workers and families, including the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit.**

This is, at this point, just a plan. Congress has to draft and compromise on any bill.

Source:https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/

8. Upcoming work

In addition to the tasks outlined in our last report to the selectboard, the committee will work on the following tasks prior to our next report to the select board:

1. Discussion of the municipal recreation program (with the help of Brie Swenson), as well as the role of the library as a safe place for young people
2. Update on provider surveys
3. Explore how municipal and state entities have used contracting as an alternative to portable vouchers, in order to target care at underserved age groups and populations.
4. Case studies of various approaches Vermont municipalities have tried to support early care and learning, as outlined in the last report to the selectboard.
5. Explore informal solutions municipalities and families have used, in Norwich and beyond, to provide support and care for children, as well as any relevant historical efforts in Norwich to address the need for quality, affordable care.

If there are additional tasks the selectboard would like us to undertake as we enter this next phase of our work, we welcome your suggestions.

9. Closing Summary

The basis of the research that the Norwich child care Committee has completed to date includes conversations with families and providers; data from state and local sources regarding information about providers and funding; a Child Care Survey and Child Care Provider Survey created, circulated, and compiled by the child care Committee; an interview with a child care expert from American University; an interview with a Vermont consultant for development of child care centers; information about federal tax credits and subsidies for child care; and information about the use of portable vouchers vs. a contracting and grant system of subsidies. Future work beyond that reported here will include programming offered by Norwich Recreation Department and the Norwich Public Library, an update on the Provider Survey, case studies, policy options and related research.

Consistent themes emerging from this interim report strongly suggest that there is high demand and low supply of full time child care available to Norwich residents, with the most acute shortage being infant care. Many Norwich families who responded to the Parent Survey report that one parent has left the workforce or has part time work in order to provide child care in the home, resulting in loss of income tax and impacting career advancement. The capacity of local providers is clearly reduced dramatically due to competition for early childhood educators who earn between $12 and at best $21 per hour in this market. The market is over-incentivized for preschoolers at the expense of care for newborn to age 3 years. State subsidies have been expanded. The American Recovery Act will provide some relief for one year. The system of portable vouchers has left gaps in care and not reduced costs of care, and it might be beneficial to replace it with a system of contracts and/or targeted grants. Changes to the pupil weights in the education funding formula could lead to substantial property tax increases of 30% to 50% starting in 2023, which should be factored into any selectboard policy decision.

Appendix A: Infographic on 2021 tax credits that benefit families with children

2021 TAX LAW CHANGES: WHAT IS IN THE PLAN?

The Earned Income Tax Credit (EITC)

- **What is it?**
  - The EITC helps low- to moderate-income workers and families get a tax break. To receive the EITC, you must file a tax return. Prior to 2021, if you were a filer without a qualifying child to claim, you had to be 25-65 years old to receive.
- **Changes to the EITC under the American Rescue Plan**
  - The maximum age is eliminated
  - The minimum age is lowered from 25 to 19, even if you do not have a child to claim
    - 18 for qualified homeless youth or former foster youth
  - The benefit increased to almost $1,500
  - Significant boost for non-custodial parents

The Child Tax Credit

- **Increased from $2,000/child age 16 & under with $1,400 refundable to:**
  - $3,000 per child 6-17 years old
  - $3,600 per child under 6 years old
  - Fully refundable
- **50% monthly payments in advance**

Common to both EITC & CTC

- Kinship (relative) care providers may claim their kin as "qualifying children"
- Foster children may be claimed as well
- Child(ren) must have lived in the U.S. with the taxpayer for more than half the year

Details: www.IRS.gov

For more information, contact Cary Gladstone at cary.gladstone@graniteuw.org or 603.625.6939 ext. 128

United Way
Granite United Way

CA$H Coalition of New Hampshire

Memorandum
From: Mary Layton
To: Norwich Childcare Committee, Norwich Selectboard
CC: Herb Durfee, Miranda Bergmeier
July 21, 2021
Subject: Conversation with Ann Marie Smith/Community Solutions to Childcare Needs

I had a phone conversation with Ann Marie Smith on July 19th regarding community and neighborhood network solutions to childcare needs. She had raised the question of why parents of grown children or other interested citizens were not specifically asked to fill out the Norwich Childcare Committee Parent Survey. The answer might be disingenuous, but we were thinking in terms of urgent current need and did not think to reach back to parents of adult children. In our work in the next phase of research, and in according to the original charge, we will be taking this up, along with study of after school options through Norwich Recreation and the Norwich Public Library. The first Interim report will not include this aspect, but there will be a second report, most likely in mid-December regarding these topics.

Ann Marie and her husband raised two children in Norwich who are now in their early twenties. The family has resided on Beaver Meadow Road and on Carpenter Street. While their children were small and later through high school, several families got together to figure out how to share childcare responsibilities, including difficult situations such as shifts that are not during business hours, snow days, unexpected school closures, and caring for sick children. At least two parents were obstetricians who often have irregular hours. Ann Marie reported a very positive experience with this group of families. The childcare needs were met, and it also happened that friendships were formed among the kids who knew that they could count on their neighborhood network, and the kids all lot of fun with each other. There was no financial outlay but the parents had to find each other and work things out between them. The Smiths offered a Day Before School Breakfast for the neighborhood where kids could show up in their pajamas for a breakfast bonding experience before heading off to school.

Ann also mentioned Dr. Michelle Loria, an OB/GYN mother who created a Cooperative in town where parents paid a fee to join. This cooperative hired a person to care for sick kids and was on call from Monday through Friday.

Ann would like the involvement of the Norwich Community Nurse in discussions of childcare, and also spoke very highly of the Norwich After School program run by Pic Connor.

It is clear from this conversation that at least in the recent past, community and neighborhood networks have been able to provide solutions to some of the most perplexing childcare needs, especially irregular hours and caring for sick children, in a way that lowers costs, does not rely on state or federal support, and builds community among children and families.