AGENDA
Norwich Childcare Committee
Jan. 31, 2022 8 to 9:30 p.m.

To join virtually, use the link below to join by Zoom

https://us02web.zoom.us/j/89439547082
833 548 0282 US Toll-free
Meeting ID: 894 3954 7082

If any problems, contact Mary Layton at: 802-738-2033

1. Approval of Agenda
2. Review draft minutes from January 17, 2022
3. Public comments
4. Accept correspondence
5. Review and approve final revisions to the report
6. Adjourn

Norwich Childcare Committee Draft Minutes January 17, 2022

Persons present: Mary Layton, Public Access Terminal, Rebecca Holcombe, Neil Odell, Jamie Rosenfeld, Brian Loeb, Linda Cook

1. Layton moved, second by Rosenfeld, to approve the agenda. Vote: U-Yes
2. Odell moved, second by Loeb, to approve the minutes as amended. Vote: U-Yes
   The amendment was to note a formatting difference between the draft minutes and the minutes presented in the packet. Item #1 in the packet minutes combined two actions under one number, and the subsequent numbers were reordered. The draft minutes were approved as stated above.
3. There were no public comments.
4. Layton moved, second by Loeb to accept correspondence from Claudette Brochu and to note a post by Doug Wilberding on the Norwich Listserve. Vote: U-Yes. A comment was made by Odell to the effect that the School Board is aware of constraints and challenges of the childcare system, and were able to facilitate appropriate childcare for Norwich parents based on knowledge of the Childcare Committee research.
5. The Committee reviewed and made suggested edits to the Draft Report, including the Executive Summary, Comparative Models, Findings, Recommendations, Next Steps, the Glossary, and an update on pending state and federal legislation.
6. The Committee agreed that Loeb and Rosenfeld would pull together a final draft, that the Chair would try to schedule a meeting for January 27th for the Committee to approve the draft, and that if possible the draft would be submitted on February 3rd for the February 9th Select Board meeting.
7. Odell moved, second by Loeb to adjourn. Vote: U-Yes

TOWN OF NORWICH CHILDCARE COMMITTEE REPORT

Rebecca Holcombe, Mary Layton, Brian Loeb, Neill Odell, and Jamie Rosenfeld

JANUARY 2022

Table of Contents

Charge

The Town of Norwich Childcare Committee was appointed and charged with gathering and presenting information the Norwich Selectboard could use to evaluate whether childcare should be part of the core municipal funded activities, as well as developing opportunities or strategies for Selectboard engagement in childcare.

To do this, the committee identified a set of tasks it would need to complete:

1. Review existing state and local data on the availability of childcare, demand for childcare, available financing for childcare, and policy options for municipal investment and/or management of childcare. This included review of the Norwich Town Plan and data gathered in the process of developing that plan, as well as state and regional documents related to the supply and demand of childcare.
2. Reach out to local stakeholders to define, at a more granular level, current demand and access for Norwich residents, as well as capacity and level of use by Norwich residents in regional and local providers.
3. Evaluate evidence of any gaps in care, as well as reasons for any gaps.
4. Review any current examples or models for municipal support for childcare that could inform the town's efforts
5. Summarize any tradeoffs, opportunities, and risks inherent in efforts to expand access to affordable, quality childcare.
6. Evaluate the value to Norwich residents of enhancing access to affordable, quality care (to be compared with other potential actions which the town might take to support resident families).

The committee decided to define its scope as childcare pertaining to children up until the age of five, the age at which the Marion Cross School's kindergarten begins. In consultation with families and partners like the Town of Norwich Recreation Department, the committee identified a need for further research and strategy regarding care (especially after school hours) for older children, but this issue was largely left for future efforts.

During the process of developing the Norwich 2020 Town Plan and a related community forum, childcare was identified as an acute area of need.

Norwich is home to few childcare programs, and though Norwich families also enroll in childcare programs in other towns, the supply of care is inadequate to meet need. As the Town Plan explained: "At all of these facilities, open enrollment spaces are severely limited. Norwich parents report waiting months or even years on multiple waitlists. By choice or necessity, some parents use the services of home daycare providers (e.g., not located in a dedicated facility). Across age levels, demand consistently outstrips supply, presenting an opportunity for the town to explore deepening its own role and commitment to the issue."[1]

[1] http://norwich.vt.us/wp-content/uploads/2012/06/Norwich_Plan_2020-ADOPTED-lr-.pdf; pg. 53.

This evidence motivated the Norwich Selectboard to look into whether there could or should be a municipal role in increasing the availability of high quality, affordable care for the town's youngest children.

Executive Summary

"I have a 3 1/2-year-old who currently attends the Dartmouth College Child Care Center (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 percent starting in September, and I felt that I needed to explore other options. 20 percent 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 childcare 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*

SUMMARY

The Town of Norwich Childcare Committee was tasked by the Norwich Selectboard to document and evaluate the childcare needs of Norwich families in the context of a regional childcare market. The committee also researched potential avenues for improving access, affordability, equity, and quality of that care. To do its work, the committee conducted surveys of and interviews with parents and providers. Regional and national experts on the subject of childcare attended committee meetings and shared their insights. In November 2021, some committee members attended a symposium on childcare in the Upper Valley hosted by the local organization Vital Communities. Looking more broadly, the committee also reviewed existing and proposed federal and state legislation related to childcare.

Through surveys of both Norwich families and regional childcare providers, the committee learned that families face an acute shortage of care for all age ranges (in the newborn-to-age 5 spectrum). This shortage of care has negative consequences for children, families, childcare providers and their staff, employers, and the state. At the core of the issue is a systemic inability of childcare programs to generate enough revenue to attract and retain qualified staff and fund and maintain adequate facilities while providing care at a price that families can afford. While these issues existed prior to the COVID-19 pandemic, the ongoing health crisis has exacerbated the situation, forcing many childcare providers to cut back on the number of children served or, in some cases, to cease operations completely.

Previous and current efforts at both the state and federal level have attempted to improve the affordability for families or increase revenue for childcare providers, with limited success. In general, policy solutions (and the funding level) have not been a good fit with the specific challenges identified in this report to be relevant to Norwich and indeed to much of the country.

This committee's research and analysis indicates that more substantial and strategic public funding is necessary to improve the supply of childcare in the area to meet the needs of families.

Because of the scale of the challenges, the policy initiatives or mechanisms that will make the biggest difference will require coordinated action and effort at the local, state, and even national levels. To take one example of the interconnected nature of policymaking around childcare, the implementation of the pupil weighting factors report currently being considered in the Vermont legislature could substantially increase homestead education property taxes, affecting Norwich's ability to take on new community investments around shared goals.

Childcare Supply and Economics

Research conducted for this report confirms that the demand for childcare among Norwich families exceeds the current supply in the area. This shortage of supply forces many families to make adjustments in their work lives. In fact, three quarters of the families surveyed by the committee reported reducing work hours or leaving the workforce because they could not find the care they needed for their children. At the same time, some programs with part-time toddler and prekindergarten programs did not appear to have long waiting lists, suggesting the greatest supply and demand gaps are for the youngest children (birth to three-years-old) and for full-day slots.

The economics of childcare in the Upper Valley (and most locations nationwide) is the primary factor contributing to the supply issues. One of the most important determinants of quality childcare is the presence of a well-prepared, well-supported, and well-compensated staff. However, the current market, which depends heavily on families to pay for care, is constrained by the ability of those families to pay. This revenue model limits the provider's ability to offer competitive wages and benefits, particularly when compared with local public school systems or private schools, both of which pay better and are an attractive alternative to many trained childcare workers.

For many providers in Vermont, this revenue model is further complicated by competition from local school systems that have decided to offer prekindergarten programs for children aged three to five. Due to regulations for facilities and staffing, the cost of providing care for infants and toddlers is significantly higher for most providers than the care for children three and older. As a result, many childcare providers subsidize care for infants and toddlers through revenue generated from the care of older children. As local public school systems started to provide prekindergarten programs in recent years, families moved their children to the public school option. This migration puts even greater pressure on local childcare providers to make do with smaller profit margins.

Due to this combination of factors, the committee believes that the current childcare market is in a state of market failure:

- Parents struggle to find slots, and if they do, frequently cannot afford them.
- Providers struggle to find and retain teachers. This prevents many providers from increasing the number of slots provided. The inability to retain staff often leads to a

reduction in the number of slots as providers need to send children home due to staff shortages or even eliminate entire programs.

- Teachers' wages are so low that they are often motivated to seek higher paying, less stressful jobs, or to save money by staying home and taking care of their own children.
- Businesses lose workers when workers cannot find care or decide it is in their short-term financial interest to stay home to care for their children.

Policy Initiatives

The committee reviewed current policy to determine the impact on the local childcare market. While state and federal subsidies exist to alleviate some of the pressures on both families and providers, the committee's analysis shows that these measures have not been sufficient to substantially alter the supply of childcare, nor have they made it more affordable. In fact, in some cases the subsidies have had a negative impact. Though Vermont subsidizes less wealthy families (with Child Care Family Assistance Program subsidies), the subsidy rates are pegged to current market rates, which means state subsidies reinforce the low wage structure of the market.

Further, new regulations have had an unintended negative impact on licensed home care providers, causing many to leave the market. This has had a disproportionate impact on less wealthy families and families with unusual (not nine-to-five) working schedules. And while much attention has been paid to subsidizing the education of teachers or helping them repay student loans as a way to reduce the costs of entry to the childcare profession, so long as those workers can earn more working in lower skill roles (e.g., retail) or less regulated roles (skilled nannies), this investment will go to waste from the perspective of the market.

The committee also reviewed legislative proposals at the state and federal level, both to understand how these proposals might affect the childcare market locally and how they might influence Selectboard decisions related to addressing the childcare needs of Norwich families. At both the federal and state level, legislators contemplate significant investments in childcare. As of this writing, the federal legislation remains stalled and the state legislation, focused on demand side subsidies (e.g., vouchers for parents), has no identified funding source. The policy initiative underway that is most likely relevant is a potentially significant increase in local education tax rates related to the implementation of the recommendations from the Taskforce on the Implementation of the Pupil Weighting Factors Report. This issue is likely to be prominent during the 2022 legislative session.

Norwich would be well-served to stay abreast of these policy developments and anticipate ways to manage or direct these resources, if possible, in ways that stabilize our providers and ensure access and quality. However, it is unclear whether local municipalities will have any role in statute to engage in this kind of customization in the ways they would in most other countries that fund early care and learning to a greater degree.

Recommendations

The committee recommends that the following findings and insights inform future Selectboard actions on childcare. A more detailed explanation of each consideration is provided in the section "Possible Follow-up Options for Future Work by the Selectboard" on pg. 23.

New investment in childcare is needed
Additional and sustained revenue is necessary to provide workers with competitive wages and benefits. This will help to attract and retain staff, decrease turnover, improve supply, and place childcare providers on more sound financial footing.

Paid family leave is inseparable from the success of the childcare market
Paid family leave can reduce the burden on childcare centers, helping to alleviate the supply issue in the Upper Valley.

Providers depend on predictability for new investments and contracting is one novel approach
As public investment increases in this sector, the state or municipality will have opportunities to manage supply to serve observed needs and the social wellbeing of our communities, as well as to ensure stability and fair compensation for the providers that care for our children.

Collaboration across the region on shared goals is key to helping Norwich parents and minimizing concerns about equity
We encourage the town to work with other municipalities on coordinated strategies to address the Upper Valley childcare crisis. Doing so would benefit all sectors of our community.

Other municipal investments may have a positive effect on childcare
Municipal infrastructure investments could benefit existing and potential providers. For example, septic capacity may constrain expansion or increase the costs of new development.

Supply in Norwich

As part of the town planning process, the Selectboard was informed that the region generally has a shortage of about 2000 childcare slots.[2] This number does not specifically speak to the challenges or access of Norwich residents.

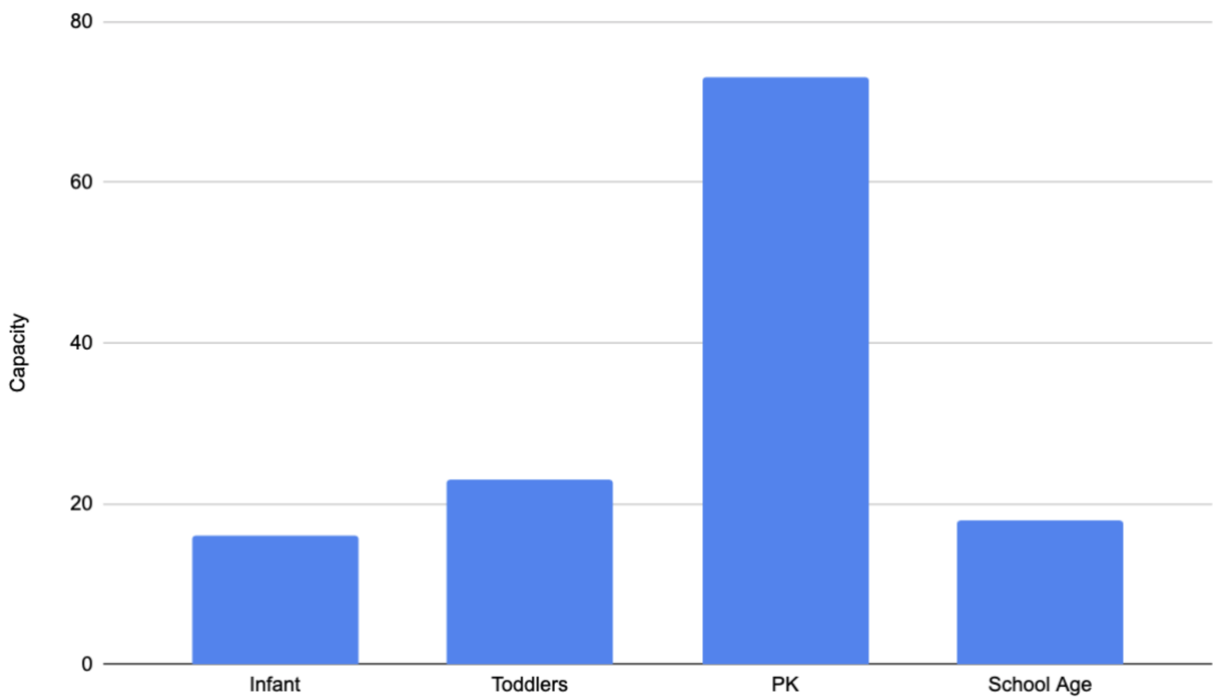
Regulated childcare programs and school programs are required to register with the state, which maintains records of programs and their capacity. These records identify very few providers of childcare in Norwich: The Family Place, the Child Care Center in Norwich (which offers care for infants through five-year-olds, as well as an afterschool program for younger elementary grades at the Congregational Church), and the Marion Cross School's prekindergarten program.

[2] https://www.couchfoundation.org/community-research

These records do not identify care, whether informal or formal, that occurs in other settings in town that are not regulated childcares. These other settings include the Norwich Public Library, the municipal recreation programs, and private nonprofit or business-run programs such as Lighting Soccer, Ford Sayre, arts programs, or care by nannies or babysitters. Nor does it reflect any camps that occur in the summer.

The state records suggest total regulated capacity in Norwich of 16 slots for infants, 23 slots for toddlers, 73 slots for prekindergarten students, and 23 slots for school-aged children (afterschool), with a reported 2 vacant infant slots, 2 vacant toddler slots, and 4 vacant prekindergarten slots at the time of reporting.[3] This total capacity can be compared with a typical kindergarten cohort at the Marion Cross School that has hovered around 30-40 students.

Figure 1: Regulated childcare slots in Norwich as of January 2021 (Source: BFIS).



Note: State records do not account for any current proposed expansion.

The number of slots for prekindergarten is comparable to the slots per cohort in grades K through 6 at the Marion Cross School. To the extent there is a gap in care, it is more likely to be in care for three-to-five-year-olds beyond the length of the prekindergarten program and for children too young to be eligible for prekindergarten.

However, this reported capacity is a crude measure of actual capacity for Norwich children in childcare, as it does not address the following questions:

[3] http://norwich.vt.us/wp-content/uploads/2021/02/2020-Norwich-Annual-Report-WEB-version.pdf; pg. 23.

- How many residents of Norwich are enrolled in slots in other towns?
- How many of the seats in Norwich providers are occupied by Norwich residents, as opposed to residents of other towns?
- How much unmet demand there is for childcare slots by Norwich residents (i.e., are there waitlists for these programs?)
- What plans, if any, do current providers have to expand capacity? For what ages and hours? What constraints do they face in doing so?
- To what extent is demand for the slots distorted or shaped by other factors, including affordability, number of hours or days per week, or fit with parent schedules and commuting corridors?

Childcare Committee Findings

Results from Parent Survey

From late May to mid-June 2021, 62 Norwich parents responded to an online survey about their current use of childcare 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 childcare arrangement, a sizable number of Norwich parents felt they are settling for what is available and 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 students have younger siblings), by local childcare providers that notified their Norwich families, as well as on flyers at key in-town locations.

The 62 parent respondents together represent 82 children aged 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 than with the childcare 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 childcare arrangement because there are no better options right now," more so than with the statement, "My family chose our current childcare 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 childcare 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 childcare arrangements. About 40 percent of them said they do not utilize paid childcare for more than 10 hours per week, with the remaining 36 families taking advantage of a childcare 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 childcare centers. Two-thirds (42 families) said they were very concerned with that availability, with all others (20) said they were somewhat concerned. The numbers were similar for their concern with the availability of childcare for an extended day to accommodate long or irregular work hours (40 very concerned, 18 somewhat), and with the availability of childcare located in Norwich (40 very, 20 somewhat). 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. 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.

Among the subset of parents that could be considered in need of full-time care, a significant portion are juggling multiple types of care. Looking at the 27 respondents who said they were very concerned with the availability of care for long and irregular hours and who currently pay for childcare, 15 said they also utilize "care by you or a family member during the workday to supplement paid care from a provider." In this same group of 27, 17 respondents also had a parent who stopped working or decreased time for work. Lastly, 11 of those 17 said they had to settle for their current arrangement, suggesting that a small but meaningful group of Norwich parents is in need of full-day care that is unavailable.

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 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.

Results from Provider Survey and Interviews

The committee interviewed eight nonprofit childcare centers, four in Hanover and in Norwich, as well as one for-profit childcare center in Thetford, VT. Of the Norwich providers surveyed, two served only children aged three to five, 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. There is some inconsistency in the data associated with differences in how providers reported, but this summary captures the broad patterns reported by providers. (Where possible, adjustments were made to account for the shorter-term impact of the COVID-19 pandemic on the reported capacity of each provider.)

These interviews informed a survey, to which additional providers responded. The survey was sent out to providers within 25 miles of Norwich in Vermont and New Hampshire. Only six responded, despite numerous attempts. The centers that responded are located in White River Junction, Norwich, Thetford Center, Woodstock, and West Fairlee. Of the six providers that responded, only the two based in Norwich served Norwich families. Many of the providers that responded only offered care for school-aged children.

The administered survey included questions about the center's institutional profile, waitlist, cost, accessibility, and barriers to growth and market perceptions. The data below includes only those providers that serve Norwich families. While the other providers helped us understand the childcare landscape across the Upper Valley region, we did not include their responses in this report.

Children enrolled, by age range, in the New Hampshire providers surveyed by the committee	
Birth to three-year-olds	143
Three- to five-year-olds	168
# of total from Norwich	20-25, or about 7%

Children enrolled, by age range, in the Vermont providers surveyed by the committee	
Birth to three-year-olds	95
Three- to five-year-olds	124
# of total from Norwich	60, or about 28%

The survey of providers demonstrated that discussions regarding shortages of childcare need to specify 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 the COVID-19 pandemic, 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 two or three 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 four days a week of morning programming for three-to-five-year-olds cited no barriers to its operations and said that while other communities appeared to need more childcare, its perception was that “families in Norwich are very fortunate to have more options (due to their income) for childcare than those in other towns within the Upper Valley.”

Shortage of care for children aged birth to three
There are very few slots for infant care and much longer waitlists for children aged birth to three in general. There were only 11 reported slots for infants in Norwich, and six of these are in a program that does not serve any children from Norwich. Most infant slots in this sample were in childcares in New Hampshire, and of the slots for children aged birth to three, only about 21 percent were reserved for infants, while about 60 percent 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 Birth to Three			
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 months
*Dartmouth College Child Care Center	19 (see note)	97	Only 2 infant slots and 9 slots for 1–2-year-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
The Child Care Center in Norwich	28	70	Only 3 infant slots and 5 1–2-year-olds

Toddler's Morning Out	16		No infant slots, just 2–3-year-olds
Little Feet (Thetford)	3	12	No infants, 1 child 1–2-year-old, 2 children 2–3-year-olds
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-19, 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 full-time 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 New Hampshire provides grants to Norwich preschool enrollees comparable to the value of the prekindergarten 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 birth to three 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 childcare in this way.

It is possible that expansion of new slots in programs that only serve three-to-five-year-olds, in competition with programs that serve birth to five-year-olds, could adversely affect the availability of care for birth to three-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 four students with specialized needs are enrolled in the Marion Cross School, two preschool students are placed in New Hampshire childcares and receive services there, and one is placed in a Norwich preschool and receives services there. Private cares reported coordinating with school districts to provide speech and language pathology services and other less intensive services. No private cares reported serving children with intense needs at this time.

Subsidies and support for less-advantaged families
Most of the programs surveyed had fee arrangements to 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 in-house 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. They also 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 one or two percent, to 100 percent. One program reported that 30 percent of its families made $170,000 per year or more. These data suggest potentially significant socioeconomic sorting (segregation) across childcare 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 two remaining hours per week and any extended day (additional hours the family purchases).

Impact of staffing challenges

The providers in the sample did not see themselves in competition with other programs for children, and in fact every provider said the area needed more childcare 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 one private program, every other 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 provider said that although it felt it paid well relative to the region, higher wages would improve its ability to recruit.

The for-profit childcare's 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 the COVID-19 pandemic had changed operations, but also accentuated existing unmet needs, including needs that may be beyond the scope of childcares but which are still worthy of policy attention. Notably, when children are sick or school and/or programs are closed (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 and 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 had weighed 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 childcare business, most programs said the market itself was not “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 childcare 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 birth to five-year-olds, while others specialized in older children. One provided a unique program for families already enrolled in another of its programs.

Most programs did not report feeling threatened by competition and supported the need for more slots in the region. Only the one childcare 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 identified by the committee suggests that statewide, family-based cares and smaller programs are closing and being replaced by large, usually center-based programs.
In response to the statement, “Market conditions are just too tough in the area. Institutions like ours may no longer be in business in a few years,” six out of the 15 centers responded that they agree. Of the centers that disagreed, most were only for preschool-aged students, connected to a school district, or a large employer-based center. The smaller, unaffiliated, and home-based centers all agreed with the statements.

Tuition

Consistent with the committee’s prior research on cost of care, the price paid in the region is high, and also increasing (by 20-26 percent 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. In the survey, 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 $2,100 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 $1,700 a month for preschoolers, or about $20,400 per year. Since these rates were originally reported, some of the providers in this sample have raised rates, including one by about 20 percent.

The Teacher Perspective

At a recent symposium on childcare hosted by Vital Communities, a childcare teacher explained that she did not go into teaching for the money, but did need to be able to make ends meet. This sentiment was echoed by many providers and teachers across the region who spoke to the committee about the inadequacies of this profession: the low hourly rates, the lack of benefits in some instances, the effect of the labor shortage on their day-to-day responsibilities, the nonexistence of staff coverage for teacher meetings or planning time, and the difficulty of taking sick days for oneself or to care for one's own family members. Some center directors reported that their staff has to go to food pantries because of their low wages. In the experience of the local providers, these burdens have led to a high level of staff burnout.

For context, there are 1,264 Vermont educators with early childhood endorsements[4]. There are another 330 licensed early childhood special educators. (Educators in kindergarten can teach with elementary education endorsements— a different endorsement.) However, not all of these 1,594 total teachers are actually working in this sector due to low wages and staff burnout According to the 2020 census, there are about 643,077 Vermonters, of which about 4.7 percent, or 30,225 are under five years old[5]. That means the state currently has about one endorsed early educator for every 24 kids under five. This is severely insufficient for the state and region's needs.

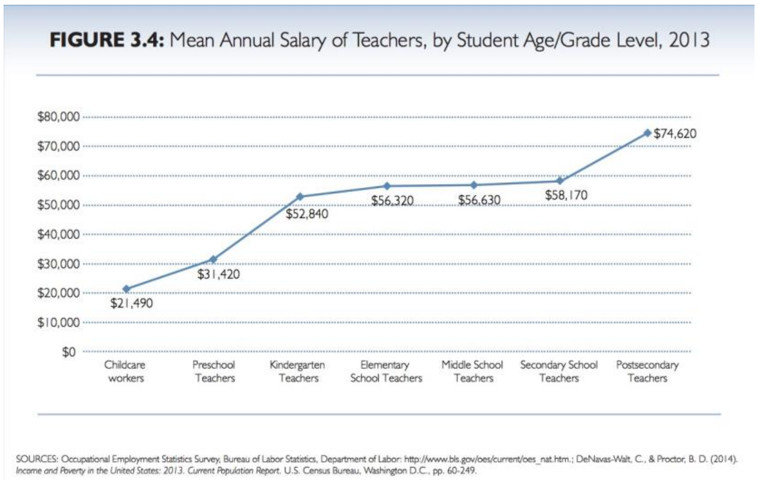
Low wages for teachers and the impact on teacher hiring and retention
Compared with childcare teachers, educators in public settings are paid better, have better schedules and more vacation, have more qualifications, and are more likely to stay in their jobs. Most educators in childcare centers are paid less (at least ten dollars an hour less) than teachers in public programs, and some do not have benefits.

According to research by Taryn Morrissey and the Center for the Study of Child Care Employment (2014) the mean average salary for a childcare worker is $21,490, for a prekindergarten teacher is $31,420, and for a kindergarten teacher is $52,840. A report on "Vermont's Early Childhood and Afterschool Workforce by the Education Development Center (2015), outlines similar findings.

As shown in Figure 2 below, teachers in school-based programs and teachers of older kids earn higher wages. Teachers of children aged birth to three have much lower wages, on average.

[4] Patrick, Holladay, email message to Rebecca Holcombe, October 07, 2021
[5] https://www.census.gov/quickfacts/VT

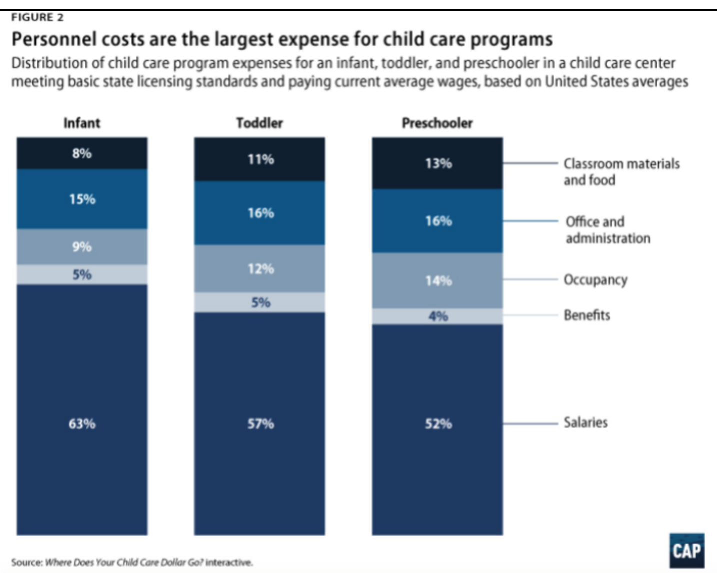
Figure 2: Mean Annual Salary of Teachers, by Student Age/Grade Level, 2103. Source: Center for the Study of Child Care Employment (2014)



Source: Center for the Study of Child Care Employment, 2014.

However, because student: teacher ratios must be so much lower for infants and toddlers, even with lower wages, costs associated with salaries represent a much larger proportion of the budget in programs that serve younger children, as seen in Figure 3.

Figure 3: Personnel costs are the largest expense for child care programs. Source: Center for American Progress, 2018.



Source: Center for American Progress, 2018

Reducing the cost of entry (by paying for education) will not reduce the incentive to leave the industry so long as childcare educators' hourly wages are lower than those of other occupations with even fewer entry requirements, including retail jobs.

The COVID-19 pandemic has exacerbated the staffing shortage. For example, in the committee's survey of providers, many center directors spoke to the need for additional staff for drop-off and pick-up because classes cannot intermix and new procedures have been put in place to accommodate this mandate.

Addressing the burdens of the childcare workforce can only happen at a regional or state level. Otherwise, policies or investments will simply disadvantage neighbors by redistributing educators to Norwich, at the expense of other communities.

See appendices E and F for national and regional research consistent with Norwich findings.

Summary of Findings

Several findings were echoed by Norwich parents and providers, as well as by business leaders and community groups.

1. Only a third of the children in Norwich childcares are from Norwich. That means childcare is currently a regional market, not a community-based market. That suggests solutions need to be regional.
2. Providers compete for teachers. When providers pay low wages, they struggle to find and retain teachers. Because school-based prekindergarten positions pay more, they often draw qualified teachers out of childcare providers and are better able to retain teachers.
3. Between the high cost of care (up to $25,000 per year for an infant), as well as the shortage of childcare spaces, many families had to give up work to take care of children. For example, three quarters of families who responded to our survey reduced or gave up work to provide care.
4. The shortage of slots is extreme for infants and toddlers, especially in childcares in Vermont. It is possible that more aggressive financial support for prekindergarten in Vermont through the use of vouchers incentivizes providers to offer more prekindergarten spots, rather than the more expensive infant and toddler spots. Our sample has shown this trend to already be true in Norwich with more centers serving prekindergarten students. This trend is also present in New Hampshire, though it is less pronounced than in Vermont.
5. Programs are somewhat segregated by wealth and disability status. Some programs serve no students eligible for subsidies and no students with disabilities or behavioral challenges. One provider only served children who are economically disadvantaged. That

means our children are not always learning in environments that reflect the region's diversity.

6. Paid leave keeps sick children out of school so others stay healthy. Paid leave also has potential as a tool to address the acute shortage of infant care; if new parents can stay home for a period without fear of losing income when a child is first born, this would also reduce demand for infant care.

Discussion of Findings

After analysis of the survey data from both families and childcare providers and discussions with both regional and national experts on the subject of childcare, this committee has concluded that the childcare market in the Upper Valley is in a state of market failure. Consider the following:

- Three quarters of families in our Norwich sample reported reducing hours or leaving jobs because they could not find the care they needed.
- There are not enough slots for families in the region, particularly for infants and toddlers.
- With the gradual closure of many regulated home care providers, the market lost some of the providers on which families with unusual work schedules relied and lost total slots for children.
- While the recent state focus on covering costs of education for new early childhood educators reduces the cost of entry, it does nothing to improve the compensation levels for these new educators. As a result, new teachers are attracted to other job opportunities with better pay, better benefits, or a better work/life balance.
- Norwich childcares, which are amongst the best resourced programs in the area, are also not able to find and retain teachers.

This market failure is bad for families, bad for providers, bad for local businesses, and presumably injurious to income tax revenues when families are forced to leave the workforce to care for kids.

Given the policy volatility at the federal and state level, where both congress and the Vermont legislature are considering bills that propose to increase investment, it is unclear whether a substantial local town investment makes sense at this time. Moreover, whether and how the town of Norwich invests more in childcare should be based on a clear understanding of how this childcare market works. While people from whom the committee heard often referred to childcare as a "public good," at present, childcare is not treated as such by federal or state policy. The state provides some subsidies, but the burden is on parents to use what resources they have to find and purchase services as they can. Given the extraordinary shortage of slots, especially for infants and toddlers, even families with resources may not have access to the care they need.

In contrast, a pure public good is funded by the public (both users and non-users), and nobody can be excluded. For example, when the town of Norwich funds the fire department, those fire protection services are funded for the benefit of all residents, not just homeowners or those who live in the village center. Similarly, the town of Norwich funds public education for grades kindergarten through 12, and all residents are entitled to a free spot in one of the schools funded by Norwich taxpayers. If 25 new children show up for kindergarten, the school district is obligated to hire another teacher and find space to accommodate those children. In contrast, the school district is not obligated to provide free prekindergarten for Norwich residents, and the state's universal prekindergarten voucher bill did not change that.

Individuals can opt out of public services (for example, by buying private education instead of enrolling in a public school), but in Norwich, because these are public goods, parents who opt for private services also pay for these private services.

In contrast, in Vermont and the region, childcare and prekindergarten are essentially private goods, provided through markets. The public, through state subsidies, vouchers, and tax credits, subsidizes these goods for some children, with consequences both intended and unintended.

For example, Vermont provides tuition vouchers for 10 hours of prekindergarten for 35 weeks, through school districts, to any three to five year old who can find a slot in a prequalified prekindergarten program. A variety of tax credits can increase the discretionary cash working families have for childcare, however there is some evidence that tax credits have limited influence over childcare choices because they often come too late and are too unpredictable.

Vermont's Child Care Financial Assistance Program provides subsidies that ostensibly cover up to 100 percent of the cost of care for Vermont's lowest earning families. In practice, the rate used to determine the size of subsidies is based on current market rates, which may not actually cover the real cost of care, and is based on a delivery model that substantially underpays its staff. As a result, programs that serve large proportions of highly subsidized students may not have the revenues they need to hire and retain staff, which leads to lower teacher quality and higher turnover– a compounding inequity.

Under some market conditions, demand-side financing strategies could incentivize providers to adapt to meet the specific and unique needs of different consumers. For example, families working second and third shifts at the Upper Valley's manufacturers may need childcare outside of standard working nine-to-five hours. Providing subsidies would allow families like these to take the financing to specific providers willing to offer the unique hours of care they need, rather than hours during a standard work day.

However, because childcare and prekindergarten are treated by policy as private goods, the government (or municipality) is not responsible for ensuring access or affordability for all families. Indeed, the current market is characterized by long wait lists for full-day prekindergarten and no or minimal waitlists reported at fully state-funded programs that only offer about ten hours per week of prekindergarten. In other words, when services are delivered through markets, governments can regulate some aspects of care, but typically have less influence on how services are set up, maintained, and delivered.

In the Upper Valley childcare market, parents compete for a shrinking supply of care which is frequently too expensive for them to afford. In addition, providers struggle to increase the supply of this care because they do not have the resources to hire the staff they need to increase supply. Because the price is already too high for many families, increasing prices incentivizes more parents to cut back on work or leave the workforce (including the childcare workforce) to take care of their own children at home.

Other paradigms are possible, if not perfect models for Norwich. In Canada, the province of Quebec found that investments in early care and learning effectively paid for themselves through increased tax receipts as parents worked and earned more. However, while in Quebec those tax receipts are returned to the same entity making the investment (the province), this would not be the case if Norwich invested local revenues into childcare. It is also worth noting that inconsistency in quality in the Quebec childcare market contributed to mixed results for children, particularly for children in private sector providers.[6] As Pierre Fortin, an economist who studied the program explained to Maine Public Radio, “By opening the childcare system to the private sector, we fell on a new problem, which was that the private sector does not compete on quality but mainly on price. And so, the average level of quality in the private sector is much, much lower than in the nonprofit sector, which is directly subsidized by the government.”[7]

In addition, many Nordic companies have also invested heavily in childcare, some through mixed delivery models. In these locations, the region or municipalities tend to play a strong and active role in managing supply, access, and quality. Finland considers early care and learning to be the basis of their education system[8] and treats it as an entitlement. Municipalities are obligated to provide early care and learning services, and about 25 percent of their education expenses cover early care.[9] (Contrast with Vermont, where municipalities are obligated to pay vouchers for prekindergarten, but only for children who can find a slot in an approved program in the market.) Generous parental leave periods substantially reduce the challenge for both the municipality and parents of funding infant care.

Returning to Norwich’s challenges, three recent, regional examples illustrate the degree to which the regional childcare market is broken:

The Nanny Problem

On one extreme, the decision of a single, more privileged family can deprive five to 15 other families of childcare. Now that costs of care are so high, it is often more cost-effective for a family with the means to hire a teacher out of a program to serve as a nanny in their home. As Jenn Parker, the director of Creative Kids Adventures, a regional childcare, said at a recent Vital Communities childcare symposium: *"Those who were previously working in our programs are*

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[6] https://www.theatlantic.com/family/archive/2018/05/quebec-child-care-family-leave/559310/

[7] https://www.mainepublic.org/maine/2019-06-30/quebecs-child-care-system-pays-for-itself-so-why-arent-more-provinces-jumping-on-board

[8] https://www.oph.fi/en/education-system/early-childhood-education-and-care-finland

[9] https://eacea.ec.europa.eu/national-policies/eurydice/content/early-childhood-and-school-education-funding-25_en

now being hired as nannies by people who can afford to pay privately.... For each teacher that leaves a state regulated program, either to work as a nanny or provide care at home, that's five to 15 children that a center is no longer able to care for. Think about that: for one person that is not working in childcare anymore, that is five to 15 children, five to 15 families that we can no longer provide care for."

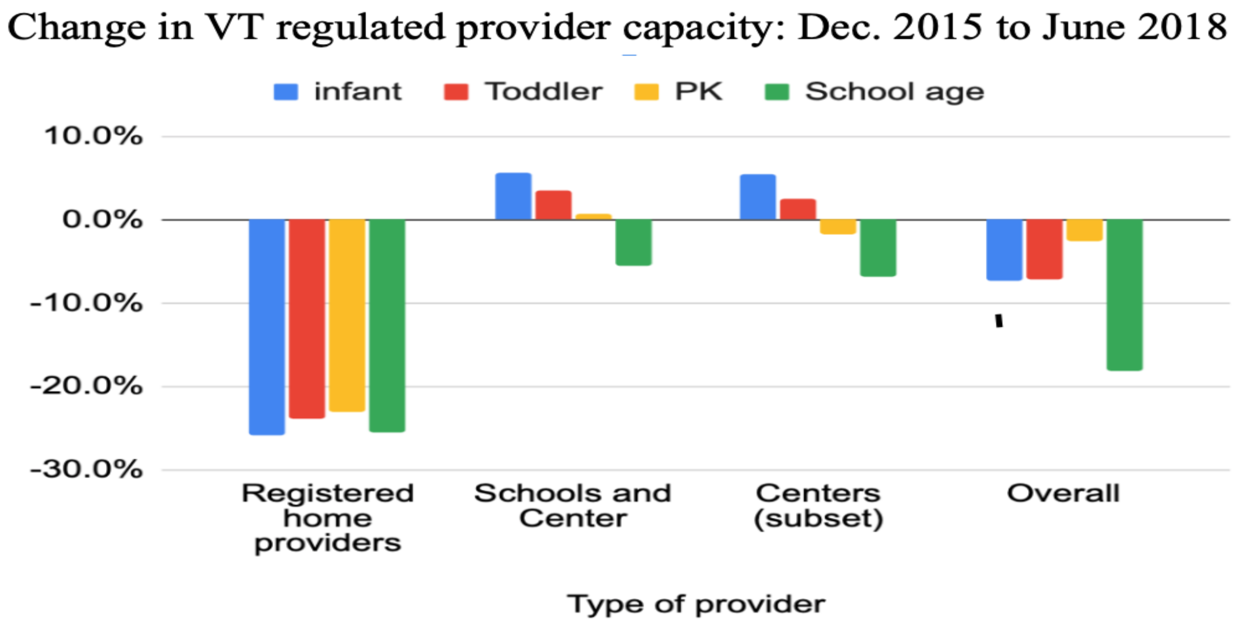
Mismatch

The current market creates a mismatch of slots and families. For example, although more than twice as many children applied for full-day prekindergarten slots at the Marion Cross School than the school actually enrolled, the school district is not obligated to enroll all children that apply to prekindergarten; it is only obligated to provide vouchers for 10 hours of prekindergarten at a qualified provider *if* students can find a program that will enroll them. While the school waitlist was long, some prekindergarten providers in town had no waitlist because working families could not make work schedules fit with programs that only offered two to three hours a day of prekindergarten. Meanwhile, care for the youngest children is extremely scarce and extremely expensive, one reason that three quarters of families in our survey reported that they had reduced work hours to care for children.

Unintended Consequences

If the Marion Cross School or the Montessori Immersion School did enroll all the prekindergarten students who wanted to enroll, they could pull prekindergarteners from programs that depend on prekindergarten students to cross-subsidize their programs for younger students aged birth to three, forcing these programs to serve even fewer of the youngest children. In fact, as Figure 4 below shows, when Vermont state introduced universal prekindergarten vouchers (Act 166), one unintended consequence was siphoning this age group away from home-based providers and smaller programs that care for children aged birth to five, and into center-based and school- based prekindergarten programs. This left some providers with a disproportionate share of newborn to three-year-olds, inflated costs and an unsustainable business model. Center-based care programs added slots, particularly for infants and toddlers, but not enough to offset losses in home providers. Since national data suggest that home providers serve a less wealthy clientele on average and may be a source of care for families with work hours outside the nine to five work day (e.g., second or third shift), it may be that closure of regulated home cares disproportionately affected access for working families and families with non-nine-to-five work days. This pattern is not unique to Vermont. A study by economist Jessica Brown at Princeton University found that universal prekindergarten in New York reduced childcare centers' capacity for children under the age of two by 2,700 seats, likely because some centers closed. Her research found that the decline was concentrated almost exclusively in poorer areas of the city, with the ironic unintended consequence of reducing access to childcare for some of the families with the greatest need.

Figure 4: Change in Vermont regulated provider capacity. Source: https://ljfo.vermont.gov/assets/Uploads/55216da9a8/Child_Care_Capacity_Report.pdf



Source of data: https://ljfo.vermont.gov/assets/Uploads/55216da9a8/Child_Care_Capacity_Report.pdf

These are structural problems in the childcare market that neither families nor providers nor businesses can solve on their own. These problems cannot be solved without additional revenues. And, because of the complex structure of this market, as well as its regional nature, we recommend the Selectboard understand that any Norwich initiatives need to be aligned with regional initiatives, or they may distort regional access to childcare in unanticipated ways.

Possible Follow-up Options for Future Work by the Selectboard

This section provides possible actions for the Selectboard to take in response to this report. The following section describes more specific research tasks that could be taken up by a childcare subcommittee authorized by the board, if the Selectboard wants this work to continue.

Currently, there are initiatives in both the United States Congress and the Vermont legislature to increase funding for childcare (See Appendices H and I for more information). The committee was in consensus that the providers in our region need additional revenues to provide equitable access to high quality and affordable care. And to the committee, because quality is so dependent on the presence of skilled and supported teachers, quality cannot be achieved without concerted efforts to raise the wages of those who educate and care for the region's children. Workers who are themselves struggling to survive on inadequate wages are stressed, less able to focus on children, and more likely to leave their jobs. Unless they have the resources to improve wages and benefits, providers will not be able to ensure quality, and providers will not have sufficient numbers of teachers to provide spaces for all the children who need care.

Some of these new investments may come from new federal initiatives, and to the extent they occur simultaneously in both New Hampshire and Vermont, these new investments may not distort care options within the care region. But given the degree of childcare policy volatility, including the significant potential increases in education tax rates this coming legislative session, the committee cautions against local, unilateral investments.

However, several options, including options that involve state or regional action, emerged from the committee's survey of parents, conversations with providers, business input at the Vital Communities symposium, and consultation with researchers and experts on childcare.

These include advocating in Montpelier for paid family leave, planning any municipal intervention with a strong systems-focus on equity, and balancing the existing state emphasis on demand-side subsidies by using any new resources to contract with providers in ways that stabilize operations, raise pay, and expand the supply of spots for critical populations, including the youngest children and families with unique scheduling needs.

Paid Family Leave

Every stakeholder group consulted emphasized the need for universal paid family leave. Currently, some of the families who most need paid leave– including frontline workers– are the ones least likely to receive it. However, family leave is a partial solution to several key challenges identified in our study.

Looking only at paid parental leave's impact on the childcare market, it reduces demand for scarce, expensive, and hard-to-staff infant slots. Providing families with paid leave on the birth of a child would simultaneously reduce the cost of care for young families during the year in which childcare is most expensive and reduce the demand for infant slots. Since staff-to-child ratios for infant care are of necessity so much lower, reduced demand for infant care could free scarce staff to focus on slots for other ages, including only slightly less scarce toddler care.

Family leave is also an essential tool for keeping childcares open and healthy. When families have paid family leave, they can stay home if a child is sick, without fear of losing income. When sick children are cared for at home, they don't bring sickness into the childcare, which in turn keeps other students and the teachers healthy, which in turn keeps the rest of the families healthy.

Whether it is a national or state initiative, paid leave would be tremendously beneficial to families and would also reduce the demand for expensive, scarce, and hard-to-staff infant slots.

Contracting

In the event of new state or federal investments, the Selectboard can educate legislators on policy models that allow municipalities to contract directly with providers in ways that expand supply and increase wages.

Currently, the town of Norwich has little influence over how childcare services are provided in Norwich, and in the region more generally. Because there is currently no mechanism for public planning or management of the childcare sector, there is no public strategy for how to expand the number of slots to address shortages, or for how to make sure children are cared for by well-compensated teachers. Private programs determine for themselves which ages to serve, which children to serve, on what schedule, and using what pedagogical approach.

As public investment increases in this sector, the state or municipality will have opportunities to manage supply to serve observed needs and the social wellbeing of the community, as well to ensure stability and fair compensation in the providers that care for children.

One emerging strategy for strengthening the childcare sector is the use of grants and contracts, which are agreements between the entity providing the subsidy (e.g., the municipality) and providers. These agreements spell out specific goods or services to be provided under the contract, such as designated slots for residents and subsidy-eligible children, or expansion of slots for certain age groups or populations. As a report by the Urban Institute explained, “Contracts can help states address systemic inequities and implement policies that can impact accessibility, availability, and cost of care for families in the subsidy system. A contract-based approach offers an opportunity to provide funds that are targeted to particular goals or toward specific childcare providers.”

Contracts can be set up to allow the funding entity to pay providers directly, either before or after services are provided, which significantly reduces paperwork. In contrast, to receive prekindergarten subsidies, providers often have to invoice multiple districts for individual children. Unlike many financial assistance subsidies, contracts can pay providers based on their enrollment, not on attendance. While this may seem like a minor issue, it ensures stability of revenues for providers by treating each slot as specific to an age and eligibility, but not to a child. This means that when a child is absent or a child moves and the slot needs to be refilled with another child, the provider experiences continuity in revenues.

As the Urban Institute report explained, contracts can be used to address many of the problems identified by this study of Norwich childcare. Contracts can be the tool by which, when the town spends money on early care and learning, it does so in ways that address identified town priorities for early care and learning. For example, the town could use contracts to ensure that investments in prekindergarten do not crowd out care for toddlers and infants, who are underserved in the current market. Contracts can also be used to ensure that providers who only provide part-time care do not crowd out providers of full-time care, and to ensure that economically disadvantaged students participate in the same childcares as their neighbors in town.

In addition, a town contracting approach could target resources at raising wages in the provider who receives the contract and could contract with a program to ensure that the current market consolidation into center-based care does not leave parents who work non-nine-to-five work schedules (e.g., second shift) without options. To use contracts in these ways, the municipality would need to set priorities for one or more of these goals.

In doing so, the municipality could learn from the experience of other entities that have used this approach. Taryn Morrissey, a researcher from American University who advised the committee and was cited previously, shared information on **Georgia's Quality Rated Subsidy Grant Program**, which provided a higher reimbursement rate to childcare providers who met certain requirements and applied via a competitive bidding process. This program is an example of how a public entity could structure a contract to finance a program that serves priority ages and children, in return for a higher reimbursement rate that enables better compensation for teachers.

Municipal grants for childcares are a tool the town of Norwich already employs. Currently, the Town of Norwich includes a grant for one of the several providers in town on the ballot for town meeting. This grant is approved by voters and takes the form of a cash payment that is used at the discretion of the provider. Alternatively, the ballot could include an item tied to identified gaps in services.

If, for example, the Selectboard wanted to address the shortage of slots for infants and toddlers, it could contract with a provider to create infant and toddler spots specifically for Norwich children. Note, of course, that this might affect the care other providers in the region are able to offer, including to other Norwich children.

Equity

In considering contracting or another approach, the Selectboard should ensure that any municipal investment in childcare is tied to shared goals for social wellbeing, and are developed with a sensitivity to regional impacts.

Some providers in the region serve no children who are eligible for state subsidies, and others serve families who are all eligible for state subsidies. In other words, the childcare system has some characteristics consistent with socioeconomic segregation. In addition, the state provides financial support to Vermont's least wealthy families, but middle and lower-middle income families have experienced some of the greatest burdens associated with the increasing cost of childcare. They earn too much to qualify for any state subsidy, and yet do not earn enough to cover the high costs of care. In some cases, depending where they fall on the income distribution relative to the cut-offs for subsidy programs, some of these families have found that in the short run, they are better off financially to leave work or reduce work hours to care for children.

Moreover, this study has made clear that childcare is a regional issue, not a Norwich issue. Any change specific to Norwich children or Norwich cares will have reverberating effects in other communities. Just as a Norwich family that hires a teacher out of a childcare program in Norwich may unintentionally leave five to 15 families without a teacher, and thus without care, if the Town of Norwich invests unilaterally to raise salaries in Norwich cares, the result may be to draw teachers to Norwich, but at the expense of another point of care in the Upper Valley's ecosystem.

Ideally, strong federal policy or strong federal investment in early care and learning would lead to consistent policy and financial support in both the New Hampshire and Vermont towns in the regional childcare market. Absent federal action, an alignment of efforts in Upper Valley communities could help expand the total supply of childcare in the region and prevent segregation across providers in the region.

For that reason, the committee encourages the town to work with other municipalities on coordinated strategies to address the Upper Valley childcare crisis. This would be no small task. There are interim steps the Selectboard could explore to make this kind of collaboration easier: The Selectboard could work with state elected officials to make them aware of the deep systemic failures in the market, and the inadequacy of current policy approaches. The Selectboard could also borrow from the model of the interstate school district and the newer model of communication union districts to see if regional municipal childcare districts could be vehicles for managing and supporting a viable childcare ecosystem. A municipal district for childcare would not be possible without statutory changes, but it could be a possible vehicle for managing shared service and municipal investments in wages and slots for underserved populations.

If the Selectboard asks the childcare committee to continue its work, these are avenues the committee could explore.

Explore other municipal investments that would be supportive of childcare
Since childcare is primarily funded by private revenues and provided by private entities, contracting directly with childcares is one strategy to directly support the expansion of needed services. There are other, indirect ways that the municipality may be able to support local providers.

For example, investing in a municipal wastewater system would not only benefit households and businesses and the school, but would make it easier for some of the existing providers to expand their current facilities to accommodate more children. At least one provider in the survey sample mentioned wastewater needs as a constraint on expansion.

If the Selectboard decides to ask the committee to continue its work, the committee could explore in greater specificity any potential impacts of this kind of municipal investment on providers in our region.

Proposed Next Steps if the Selectboard Seeks Continued Work by Committee

This section provides options for a future childcare committee to work on if the Selectboard chooses to authorize a committee to continue this work,

As the report makes clear, making appropriate childcare more accessible and affordable, and making the provision of childcare a more sustainable proposition, cannot be achieved by a single town, regardless of the level of investment. Still, the committee members are in agreement that the town's efforts to contribute meaningfully to early childhood education should not end with the expiration of the committee's mandate. Seven further initiatives could be pursued in the coming months:

1. At the very least, the Town of Norwich should be proud that it is an early mover in this area, especially in the region. It could show its attention to childcare easily and with little expense through the town's website. A dedicated page (building on draft content already developed by this committee) could point new parents and new residents toward available resources. This would come as a great relief to entities like the Recreation Department that consistently field inquiries from desperate families unfamiliar with the regional dynamics.
2. The report describes the concept of contracting, whereby individual employers or municipalities subsidize a provider or providers under an agreement to reserve a certain number of enrollments for a certain population of children. Given that Norwich is enmeshed in a regional childcare market, any contracting effort has the potential to shift burdens elsewhere. (Consider how the region's employer-provided childcare centers are able to offer better pay to teachers and out-compete other providers in other ways.) In addition to these concerns about equity, contracting's core premise—that providing a greater degree of predictability to providers makes investments in expanding capacity more feasible—is tangential to the issue of low teacher pay that plagues the local industry. However, the committee was not able to fully flesh out potential contracting ideas with local providers, and there may yet be opportunities to have an impact with a small investment while minimizing ill effects. The Selectboard could designate a successor committee or other individuals to work on a proposal that responds to the issues identified in this report.
3. With the obstacles to contracting in mind, the committee's consensus is that systemic, equitable impact can only happen with regional coordination and investment. This could take many forms and could be led, at various stages, by existing or new entities. However, Norwich and especially the Norwich School District are well placed to provide expertise on the cost implications of various resource-sharing schemes. The Selectboard could work in tandem with the school district to develop cost models of offering care under a range of assumptions, from care paid for by an intermunicipal structure but provided by the private market to care directly provided by the existing public school infrastructure. These kinds of rigorous, technical products would be valuable in helping regional leaders weigh options and make the case to residents about the need for joint action.
4. While no town entity directly provides early childhood education, the research for this report surfaced many parents' expectations that the town would serve as at least a guide to the childcare market. Many families, especially those new to the area who would be unaware of regional centers like the Family Place, have the sense of being left to their own devices. Though Norwich is unlikely to need, or create, a staff position to serve as a resource in this way, the Selectboard could endorse a formal volunteer network for incoming families or current families navigating the childcare market for the first time. Such a network could offer annual training sessions, manage a frequently updated website on local options, serve as a trusted intermediary for babysitters, or otherwise provide help during emergencies where childcare is unavailable. This kind of network was repeatedly described by longtime residents as a feature of their parenting experience, albeit at a much smaller and more informal scale. The Selectboard could

help ensure that this kind of resource is widely accessible and persists beyond any one family's participation.

5. The committee members are thankful for the opportunities they had to engage in open and honest discussions with the area's childcare providers, who shared their operations' pain points and the truly personal implications. These same kinds of exposures could be catalytic for regional and state policymakers who may not be engrossed in childcare issues every day. A successor committee or other group could be empowered to coordinate one-on-one visits, focus groups, forums, or other educational opportunities to connect leaders with the lived experiences of those directly providing early childhood education for Norwich families. In the experience of the committee, childcare providers are generally willing to share their perspectives on the dynamics affecting them, and they have a wealth of experience on which to draw. Hence this suggestion could be fulfilled with little opposition and likely minimal investment. It is the committee's understanding that these facilitated conversations are not currently part of the advocacy offerings of statewide organizations.
6. Norwich residents who read and respond to this report may themselves use the findings as evidence and encouragement for political advocacy efforts. Paid family leave, to use just one example, is intimately connected with the dynamics surfaced by the report yet is not part of the Selectboard's purview. Concerned residents can take up the cause, in a new initiative or together with existing state-wide organizations, in ways not available to the Selectboard or other town bodies. Of course, at a later date, the Selectboard may provide (figurative) testimony about the needs for changes at a systemic scale.
7. Lastly, were the Selectboard to create a standing body, in the mold of the Planning Commission's Affordable Housing Subcommittee, such a group could take on longer-term strategic planning exercises on behalf of resource-strapped town departments. A future committee could be a valuable resource of interest and expertise to shape town considerations of recreation facilities or other policies not in the purview of current volunteer groups.

Glossary of Terms

Contract: a contract is an agreement, enforceable by law, which specifies terms. For example, a municipality could contract with a childcare provider for additional infant slots for resident children, slots for less advantaged children, or better compensated staff, in exchange for money.

Cross subsidization is effectively charging higher prices for one set of customers, to cover the cost (or lower the price) for another set of customers. For example, many childcares that serve children aged infant to age five use preschool-aged children, who are cheaper to serve, to help cover the cost of the youngest, most expensive to care for children. If they lost the older children (aged three to five), the price per child of the younger children (aged infant to three) would have to increase.

Demand side subsidies: these are subsidies, like prekindergarten vouchers or Child Care Financial Assistance Program (CCFAP) subsidies, that help consumers (e.g., parents on behalf of children) buy services in a market

Economies of scale are cost advantages that occur when costs can be spread over a larger volume of services. For example, a childcare that can spread the cost of administration over a larger number of children may be achieving an economy of scale.

Grants: a grant is an award of money, usually given to support a specified purpose.

Market failure: the economic definition of market failure is a situation in which goods and services in a market are not efficiently distributed or when the individual incentives in the market don't lead to rational outcomes. For example, the price of childcare currently doesn't reflect the total benefit to families, the state, and employers of that care. So, that care is underproduced.

Market management: this refers to efforts by a government to manage a market, such as the childcare market, through tools like providing subsidies, taxation, and regulation.

Mixed delivery, in the context of childcare, is a term that is used to refer to the fact that childcare, including publicly funded childcare, is delivered through both public providers (e.g., public schools and Head Start programs) and private providers (both nonprofit and for profit).

Private goods are goods or services that people have to buy to use or consume. When one person buys the good, that purchase prevents another person from using or consuming it. For example, once a parent pays for a childcare slot, other families can't have it. And, if a new preschooler moves to town, the public school is not obligated to create a spot.

Public goods are goods or services that benefit the whole public, that are funded by taxation, and which are generally managed by the government. Public education and the fire department are examples of public goods. And, if a new kindergartener moves to town, the school is obligated to provide them with a kindergarten spot.

Public provision refers to services being provided by the government (e.g., public education).

Publicly-funded (as opposed to publicly-provided) refers to services that are funded by the government, but which may be provided by a private sector entity (e.g., 10 hours a week of prekindergarten, funded by the school district but delivered in a private preschool).

Refundable tax credits are tax credits like the Earned Income Tax Credit, that can generate a tax refund that is bigger than the total tax paid. This ensures a benefit for low earners who work.

Regulated care refers to care in programs licensed by the state, and inspected to ensure compliance with specific safety and quality requirements.

Shared services are a strategy for reducing overhead costs by, for example, consolidating certain functions, like business operations or professional development or enrollment across multiple programs. For example, one school district in Vermont provides enrollment support and professional development centrally for all the childcares in its district.

Supply side subsidies: these are subsidies, often disbursed through contracts or as grants, directly to suppliers of a good or service (e.g., childcare) to achieve a policy goal (e.g., expand slots).

Targeting refers to directing resources to address identified needs. For example, contracts can target resources to create slots for economically disadvantaged children, or for infants.

Tax credits are deductions in the amount of taxes you owe. The person receiving the credit decides how to use it. Unless it is a refundable tax credit, a person has to be paying more in taxes than the value of the credit to get the full benefit. For example, a child tax credit reduces the tax bills of eligible families, leaving them with more discretionary resources.

Transaction costs are costs other than the money price for an exchange of resources for a good or service. They can include costs of time, energy, and money. For example, the value of the Act 166 vouchers doesn’t represent the total cost of the program, because they don’t include all the costs to the state of overseeing and regulating this program, and they don’t include costs to the school districts of tracking payments for the program and verifying enrollment.

Appendices

APPENDIX A: CHILDCARE SUPPLY IN THE STATE OF VERMONT AND IN WINDSOR COUNTY

In November of 2018, the Vermont General Assembly's Joint Fiscal Office published a "Child Care and Prekindergarten Capacity Baseline Report." This report found that between, at a time when the state was making significant new investments in early care and learning, and increasing quality standards, overall number of regulated slots decreased by 1,693, and the number of providers decreased by 214. (See table 1 below.)

Table 1: Change in regulated childcare capacity from Dec. 2015 to Jun. 2018 in all providers.

All Providers	# Providers	Infant Slots	Toddler Slots	PreK Slots	School Age Slots	Total Slots
Jun. 2018 Capacity	1,096	3,177	3,397	11,761	3,959	22,294
Chg from Dec. 2015	(214)	(254)	(258)	(305)	(876)	(1,693)
% Change	-16.3%	-7.4%	-7.1%	-2.5%	-18.1%	-7.1%

This decline was driven most significantly by a reduction of capacity in home care providers (see Table 2 below), whose total capacity declined by 26 percent between 2015 and 2018.

Table 2: Change in childcare capacity from Dec. 2015 to Jun. 2018 in Vermont Registered Home Providers

Registered Home Providers	# Providers	Infant Slots	Toddler Slots	PreK Slots	School Age Slots	Total Slots
Jun. 2018 Capacity	564	1,052	1,072	1,257	2,046	5,427
Chg from Dec. 2015	(204)	(368)	(336)	(377)	(773)	(1,854)
% Change	-26.6%	-25.9%	-23.9%	-23.1%	-27.4%	-25.5%

The capacity of school and center-based programs had a different profile. (See Table 3 below). The JFO report noted: "Licensed care has been less volatile with net closures on the private side and with public programs partially offsetting private closures. There has not been a net loss of infant and toddler slots in this segment. There has been a small decrease of prekindergarten slots despite a nearly eight percent increase in public prequalified prekindergarten programs and a 53 percent increase in prequalified private centers."

In sum, when total slots in home cares, private childcares, and school-based programs are combined, between 2015 and 2018, the state experienced a decline of about 1693 childcare slots overall, or seven percent of capacity, but these were concentrated in programs for children aged birth to five, and for school-aged children. This suggests care gaps may be most profound for children aged birth to three. The school aged decline needs further evaluation, as it may reflect reductions that were offset in some communities by the introduction of prekindergarten and/or school-run and federally funded afterschool programs.

Table 3: Change in capacity in school and center-based programs from Dec. 2015 to Jun. 2018

Center & School Based Providers	# Providers	Infant Slots	Toddler Slots	PreK Slots	School Age Slots	Total Slots
Jun. 2018 Capacity	532	2,125	2,325	10,504	1,913	16,867
Chg from Dec. 2015	(10)	114	78	72	(103)	161
% Change	-1.8%	5.7%	3.5%	0.7%	-5.1%	1.0%
Private Centers subset	**# Providers**	**Infant Slots**	**Toddler Slots**	**PreK Slots**	**School Age Slots**	**Total Slots**
Jun. 2018 Capacity	394	2,117	2,289	7,551	1,796	13,753
Chg from Dec. 2015	(20)	109	59	(142)	(134)	(108)
% Change	-4.8%	5.4%	2.6%	-1.8%	-6.9%	-0.8%

The JFO study did not break out capacity by town, but it did provide county level data, which roughly mirrored state level data and patterns. In Windsor County, declines in numbers of slots were concentrated in regulated home cares, and in particular, in slots for children aged birth to three. Meanwhile stable numbers or slight increases in center-based care and school programs were not large enough, or targeted at capacity for birth to three -year-olds, in ways that would have offset losses.

In addition, losses were most significant in home-based childcares. Losses in private, center-based care were partially offset by new slots in public school programs. Notably there was no significant loss of birth to three-year olds slots in center-based programs— a stark contrast with the loss of slots for birth to three-year olds in private home cares.

As Norwich considered possible investments, it's worth noting although the number of programs providing prekindergarten increased, the number of prekindergarten slots decreased, even as the state increased funding for prekindergarten. This is a cautionary reminder that simply adding more revenues to the current childcare market may not yield more childcare nor greater access. Investments need to be strategic.

APPENDIX B: IMPACT OF PANDEMIC ON SUPPLY

A 1/21/2021 presentation by Department for Children and Families (DCF) Commissioner Sean Brown to the Vermont House Human Services committee presented recent information on the impact of the pandemic on the supply of childcare by region. (See table 1) These data suggest two patterns worth noting. While the state as a whole lost slots, the Hartford region offset those losses by increasing slots by 154 during the pandemic. In addition, statewide, losses were overwhelmingly concentrated in registered home providers, not center- or school-based providers. (Note: Norwich currently has no registered home providers.)

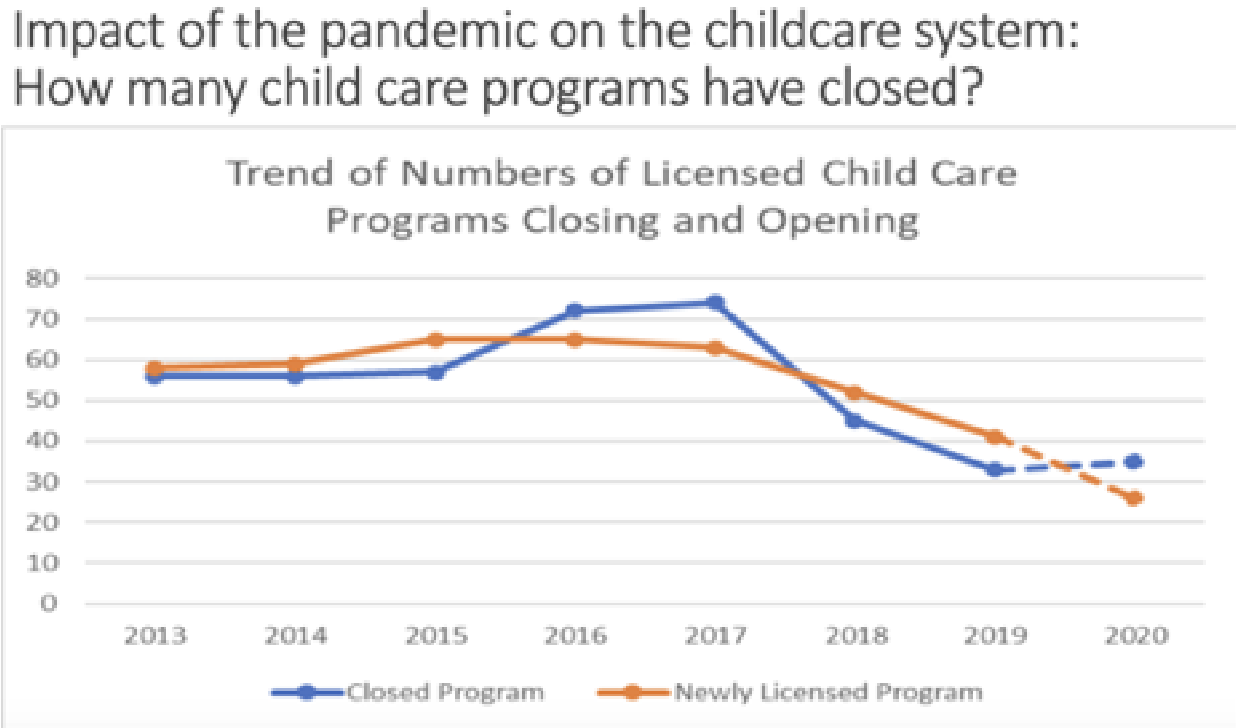
Table 1: Change in childcare slots by region during the pandemic, from a presentation by Commissioner Sean Brown to the House Human Services Committee, 1/21/2021

Impact of the pandemic on the childcare system:
How many child care spaces have been lost?

Change in Desired Capacity by Program Type in Calendar Year 2020									
AHS District	Dec-19			Dec-20			Difference		
	Licensed Provider	Registered Home	Grand Total	Licensed Provider	Registered Home	Grand Total	Licensed Provider	Registered Home	**Grand Total**
Bennington	1319	272	1591	1382	252	1634	63	-20	**43**
Burlington	9308	723	10031	9439	651	10090	131	-72	**59**
Montpelier	2610	617	3227	2537	565	3102	-73	-52	**-125**
Morrisville	1442	326	1768	1449	297	1746	7	-29	**-22**
Middlebury	1358	290	1648	1292	260	1552	-66	-30	**-96**
St. Albans	1428	742	2170	1463	688	2151	35	-54	**-19**
Newport	679	402	1081	516	395	911	-163	-7	**-170**
Springfield	1405	244	1649	1473	251	1724	68	7	**75**
Hartford	2259	172	2431	2431	154	2585	172	-18	**154**
St. Johnsbury	1373	308	1681	1295	332	1627	-78	24	**-54**
Rutland	2778	395	3173	2700	365	3065	-78	-30	**-108**
Brattleboro	1439	130	1569	1391	122	1513	-48	-8	**-56**
Grand Total	27398	4621	32019	27368	4332	31700	-30	-289	**-319**

In addition, this presentation suggests that during the pandemic, closures of programs have slowed relative to pre-pandemic, perhaps aided by the significant introduction of CARES Act dollars, PPP, and state subsidies. (See Figure 1 below.) This should preserve capacity for post-pandemic.

Figure 1: Childcare closures and openings during the pandemic, from a presentation by Commissioner Sean Brown to the House Human Services Committee, 1/21/2021



Summary of trends in supply and demand in the state and regionally
Overall, registered cares now serve fewer children, while licensed cares now serve more children, suggesting a shift in the market provision.

The average number of children receiving CCFAP has been decreasing since 2015, and decreased by 25 percent during the pandemic.

The number of slots in the state has been decreasing, driven by decreases in slots for children aged birth to three, and concentrated in the registered home cares.

Increases in school-based prekindergartens have offset losses of slots in in registered home cares in the market for three-to-five-year-olds.

While slots were lost in most regions during the pandemic, state records show that the Hartford region was an anomaly, with a net increase of 154 slots, all in licensed providers.

Appendix C: Financial Dimensions of Demand

Demand has multiple components. At the simplest level, it is an analysis of how many people want childcare. In economic terms, it is a measure of how many families can afford care at the current level of supply and price.

For that reason, any Selectboard decision needs to be informed by an understanding of current rates, the capacity of families to purchase care at those rates, and the financial “demand side” subsidies available to help families purchase care.

Statewide, licensed program rates increased an average of eight percent from 2015 to 2017, while registered programs increased an average of about 11 percent. In general, rates have continued to rise faster than the rate of inflation and faster than the rate overall of local school budgets.

Families have different capacities to pay for childcare. While Vermont provides relatively generous subsidies to the lowest earning families, an analysis of Vermont’s “benefits cliffs” — thresholds at which individuals or families begin to lose eligibility for subsidies— suggest that some of the most acute cost pressures of childcare may fall on working families, and not on families with the lowest incomes. For example, the cumulative benefit of subsidies begins to taper for a single parent household with two children at around $27,500 in earnings.

For reference, see here:

- https://dcf.vermont.gov/sites/dcf/files/CDD/Reports/Market_Rate_Survey_2017_Statewide_Rep ort.pdf
- https://ljfo.vermont.gov/assets/Subjects/Minimum-Wage-Study-Committee- 2017/3

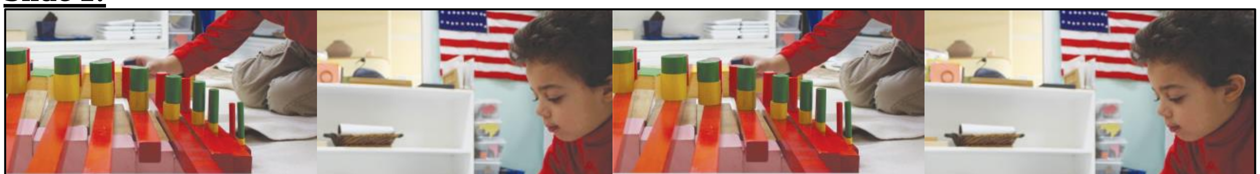
APPENDIX D: PARTNERSHIP BETWEEN THE NORWICH PUBLIC LIBRARY AND THE NORWICH RECREATION DEPARTMENT TO SUPPORT SAFE SPACES FOR YOUNG PEOPLE

The Norwich Public Library is partnering with Brie Swenson and the Recreation Department to support safe after school environments for young people. As Lucinda Walker, Director of the Library, said, “We used to ask how to be a library and have 50 kids come in after school. Now we embrace that 50 people want to come, and are thinking about how to say “come on in, we have programs for you.” To this end, the library is working with Brie Swenson, Director of the Recreation Department, to figure out how to use the community room better as a space for more intentional care. The afterschool program has booked the community room for an afterschool safe place and will provide staffing to make sure it is safe, accessible, and inviting.

Appendix E: National Research Supporting Committee Findings

Taryn Morrissey's Slide Deck, American University

Slide 1:

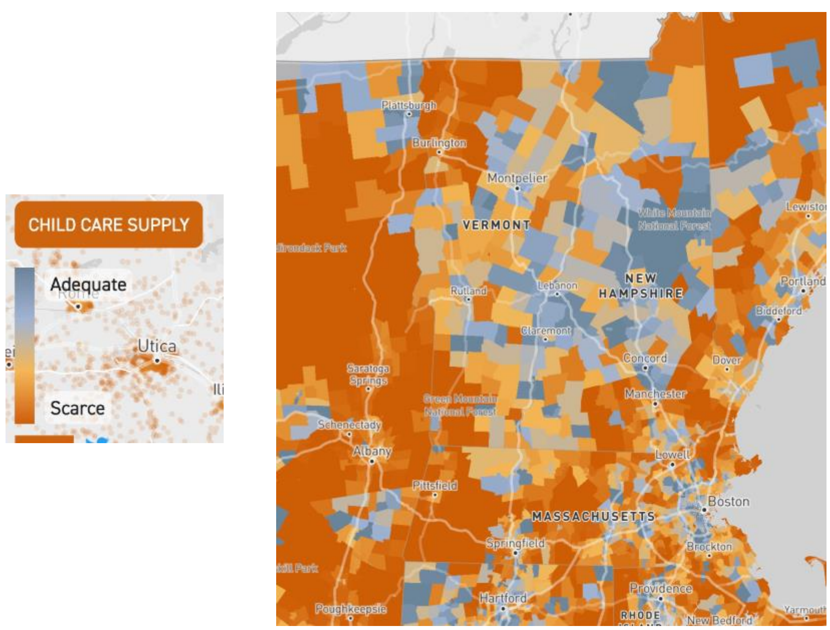


Child Care: Problems and Policy Solutions

Taryn Morrissey, Ph.D.
Associate Professor, School of Public Affairs, American University
Norwich Child Care Committee
October 4, 2021
morrisse@american.edu

SCHOOL *of* PUBLIC AFFAIRS
AMERICAN UNIVERSITY ★ WASHINGTON, D.C.

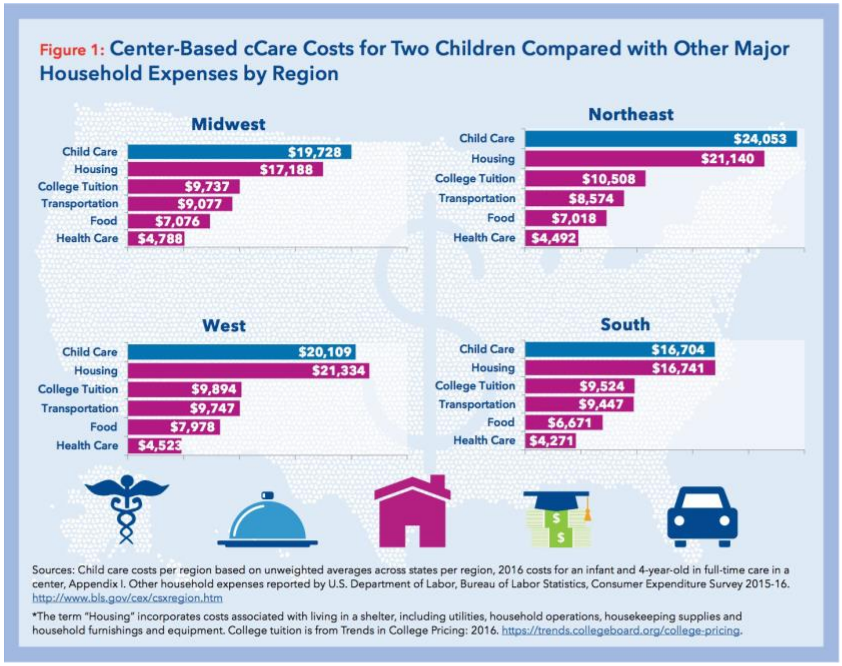
Slide 2:



https://childcaredeserts.org/

2

Slide 3:



Source: Child Care Aware of America, 2017

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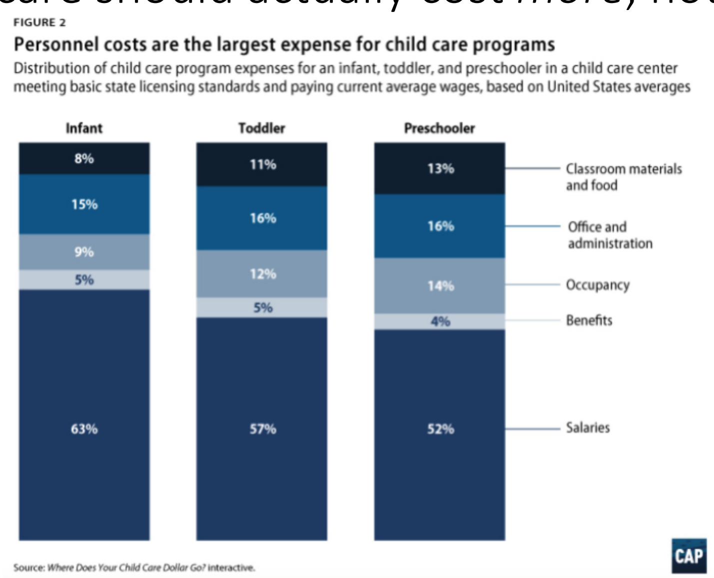
Slide 4:

Child care should actually cost *more*, not less.



Source: Center for American Progress, 2018

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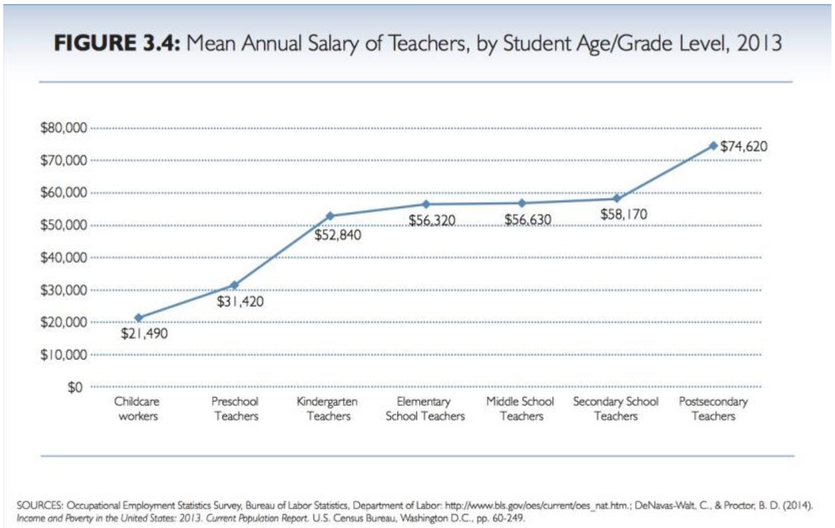
Slide 5:

Early childhood teacher salaries are low.



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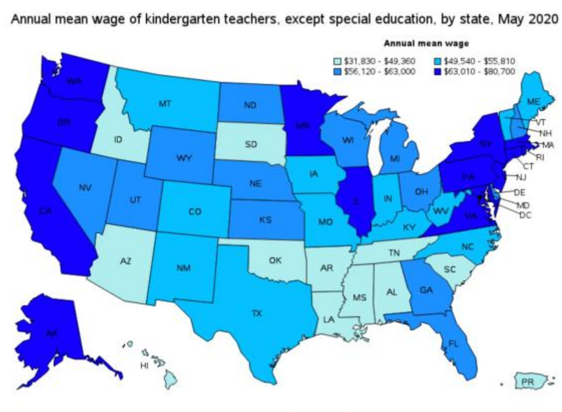
Source: Center for the Study of Child Care Employment, 2014.

Slide 6:

Top paying states for Childcare Workers:

State	Employment (1)	Employment per thousand jobs	Location quotient (9)	Hourly mean wage	Annual mean wage (2)
District of Columbia	1,840	2.68	0.76	$ 18.16	$ 37,760
Vermont	1,320	4.70	1.32	$ 16.34	$ 33,990
California	44,760	2.72	0.77	$ 16.27	$ 33,840
Washington	5,140	1.61	0.45	$ 16.02	$ 33,330
Massachusetts	11,480	3.43	0.96	$ 15.92	$ 33,120



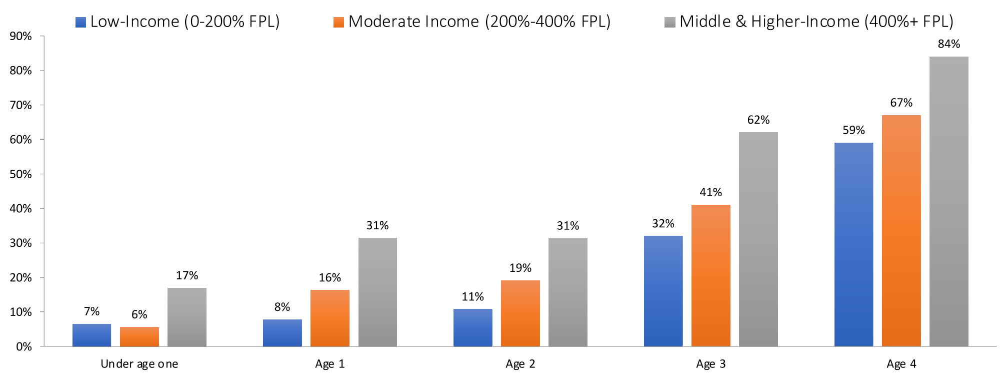
https://www.bls.gov/oes/2020/may/oes399011.htm

https://www.bls.gov/oes/2020/may/oes252012.htm

Slide 7:

Large disparities by family income in use of early are and education programs, especially for youngest children.

Rates of center-based ECE for children ages 0 to 5, by family income and child age, 2011

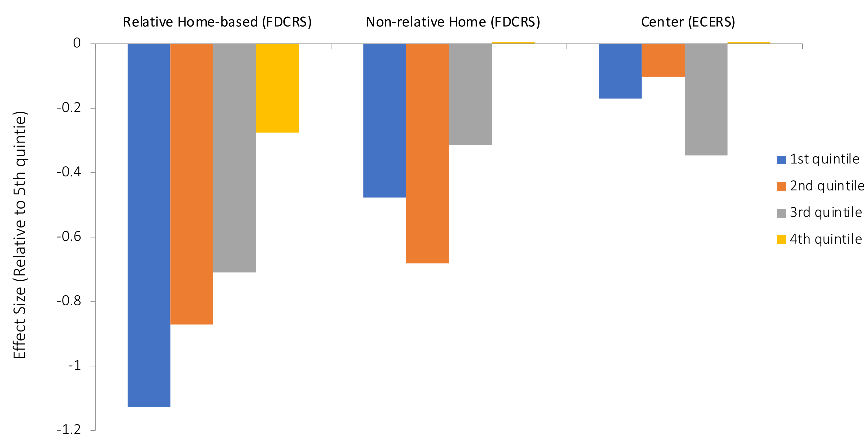


Source: Chaudry, Morrissey, Weiland, and Yoshikawa (2017)

7

Slide 8:

Children from low-income families experience lower quality, as well as less access – at age 2



Source: Chaudry, Morrissey, Weiland, Yoshikawa (2017)

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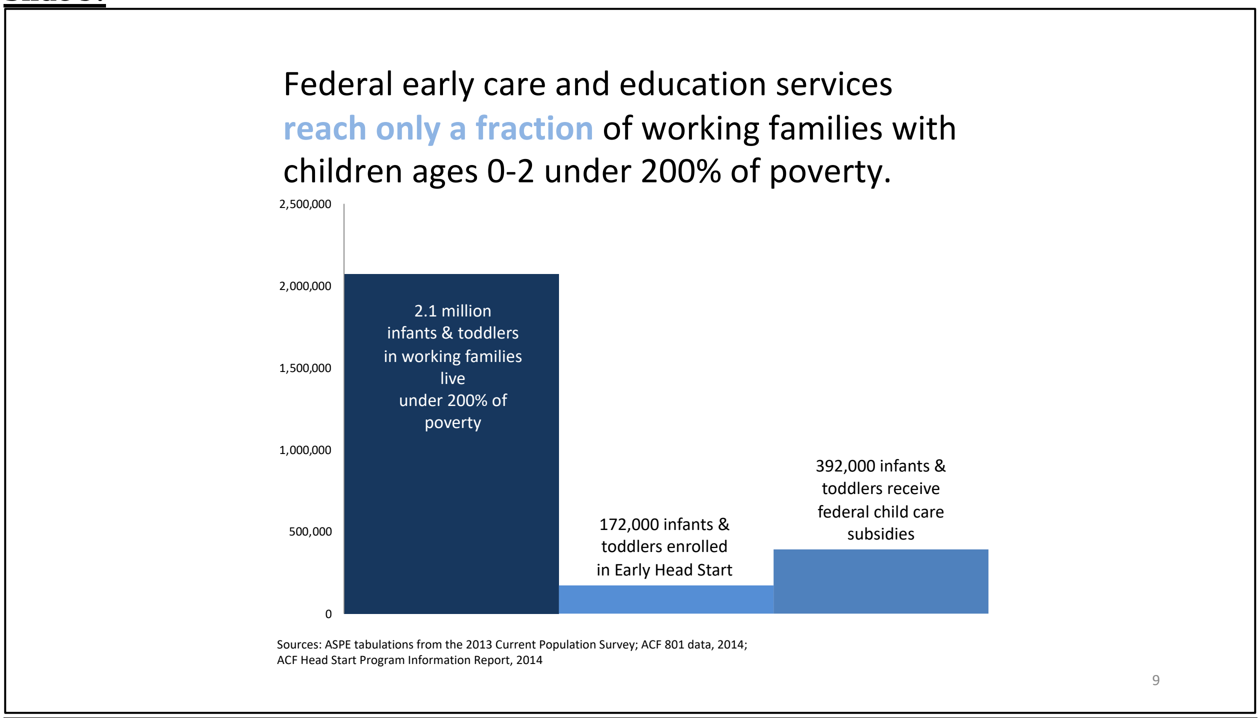
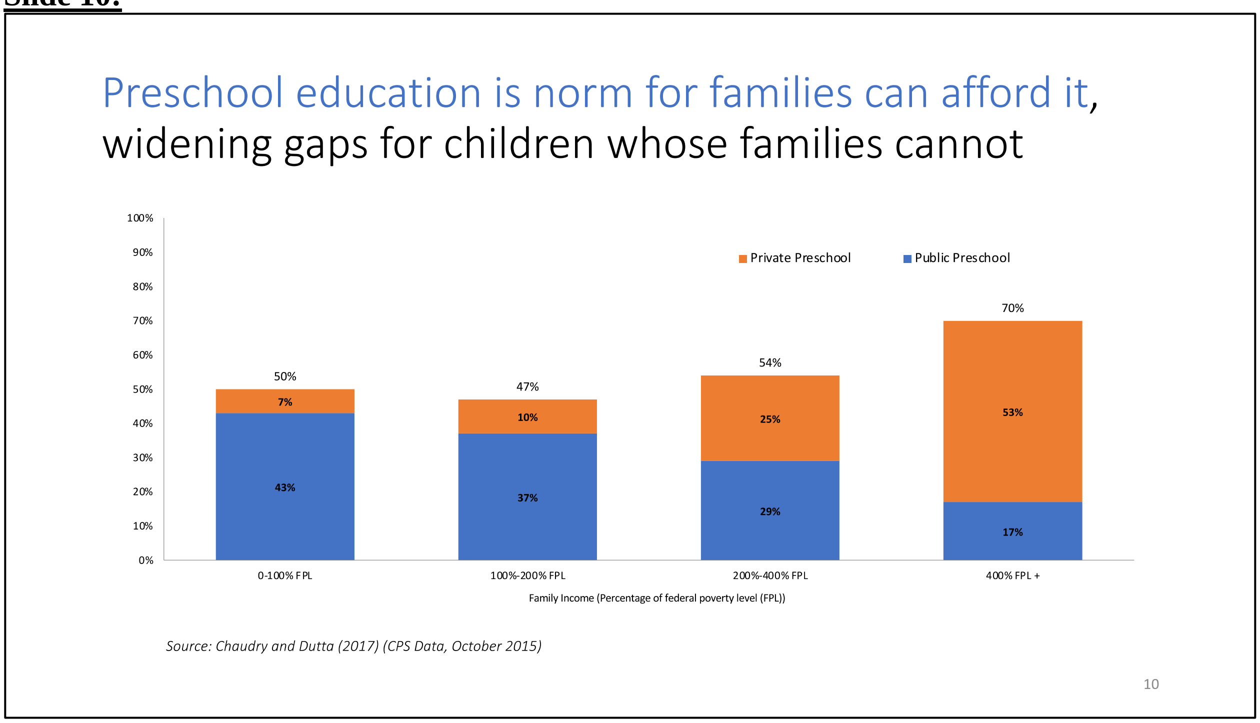
Slide 9:



Slide 10:



Slide 11:

- Problems in child care: supply, costs, quality
- Potential policy solutions
  - Increased funding
  - Directly increase supply
  - Contracting/certificates
    - Can target geographic areas, specific family needs (e.g., age of child, children with special needs
    - More levers for controlling quality, teacher compensation, etc.
    - Can provide funds that adequately support quality
    - May not increase supply or quality directly
    - Administrative costs
    - Parent choice considerations

11

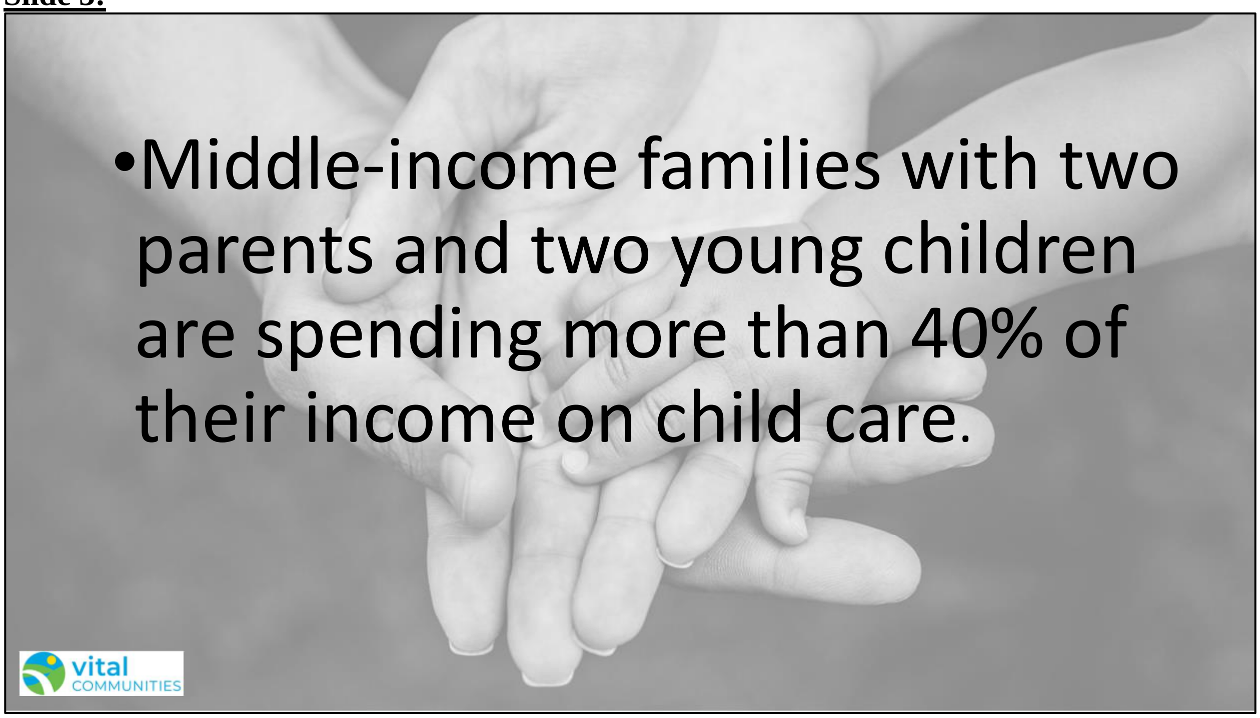
APPENDIX F: REGIONAL RESEARCH SUPPORTING COMMITTEE FINDINGS

Vital Communities "Childcare in the Upper Valley: Challenges, Successes, and the Way Forward" Symposium Slide Deck

Slide 1:

Slide 2:

Slide 3:



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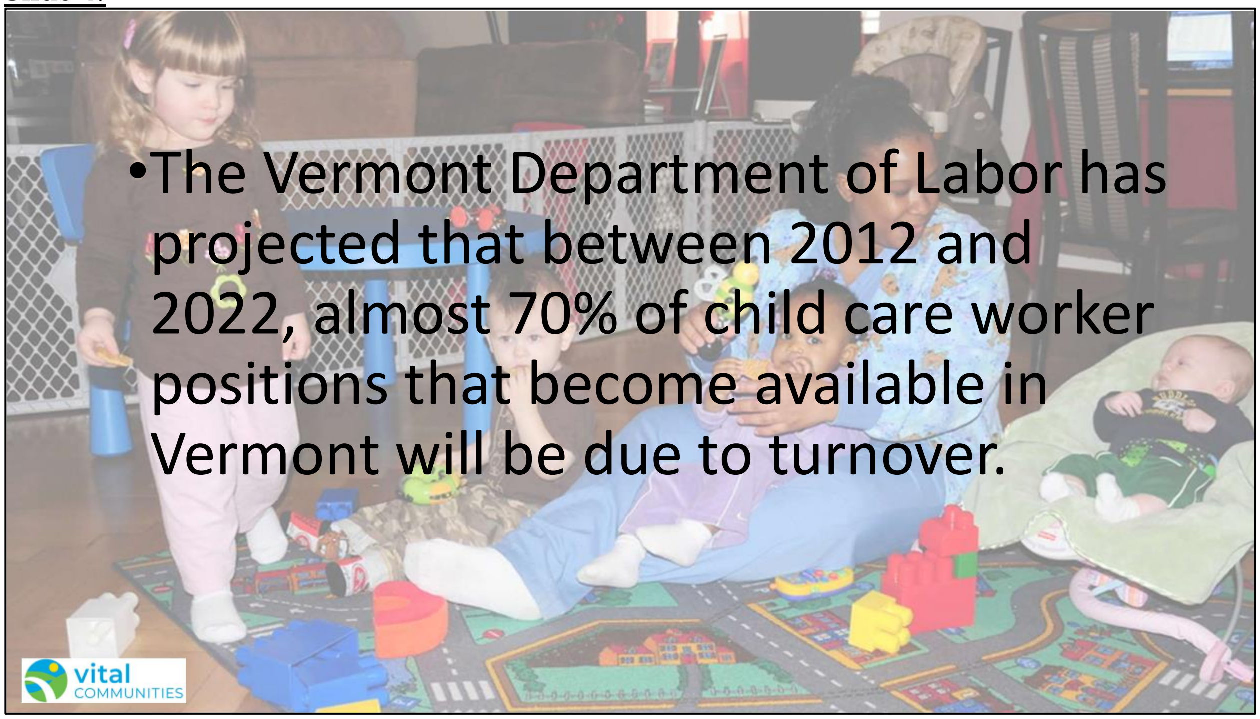
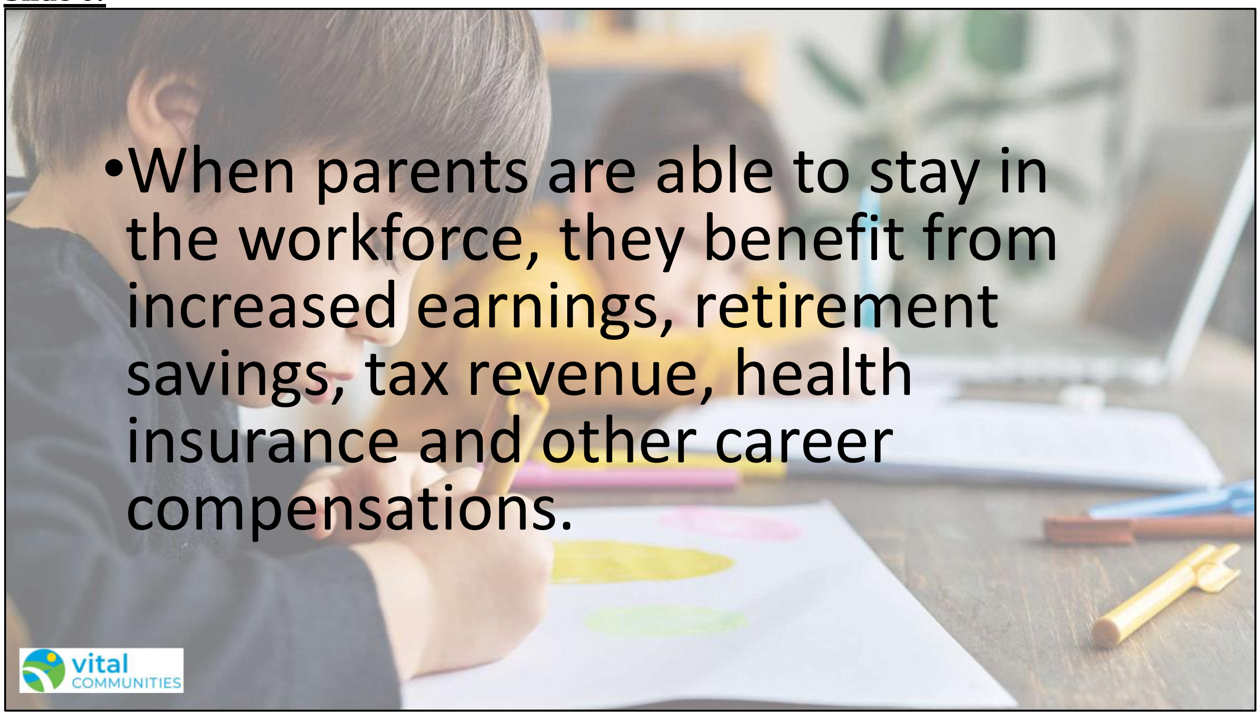


Slide 5:

Slide 6:



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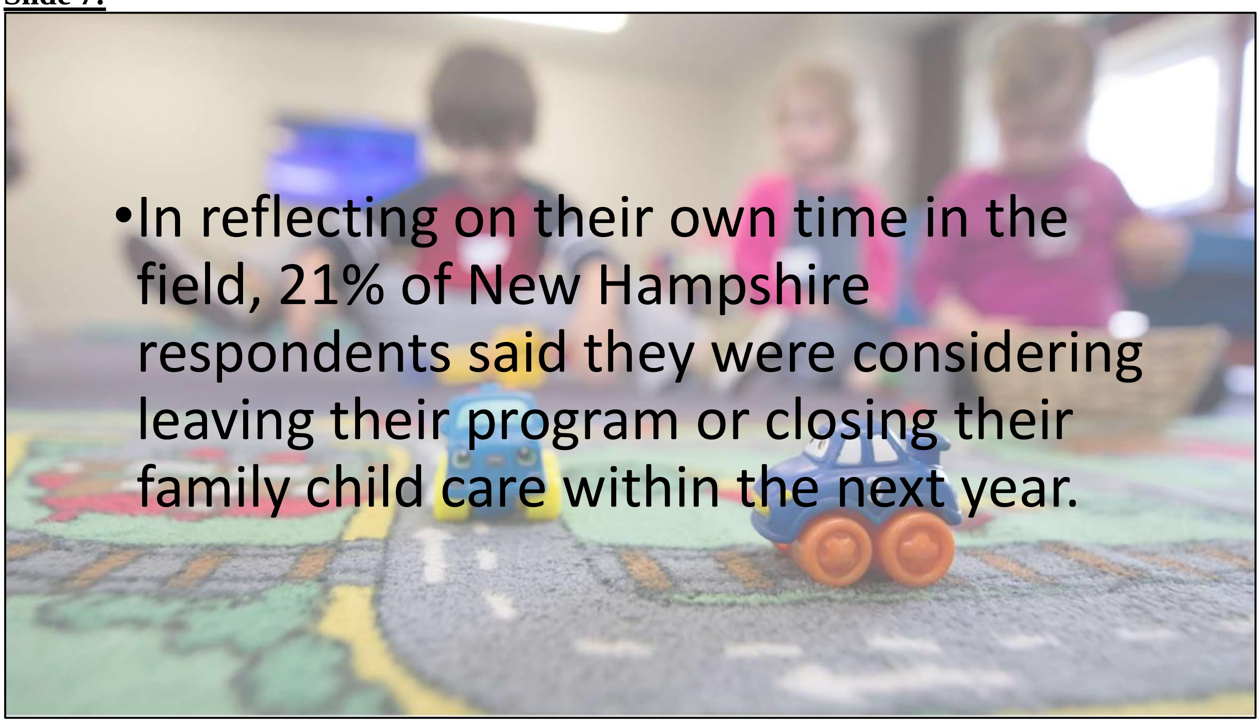


Jess Carson's, University of New Hampshire, Slide Deck for Vital Communities Symposium

Slide 1:

Childcare in the Upper Valley: *Data snapshot*

Jess Carson, Ph.D.
Research Assistant Professor
November 3, 2021

University of New Hampshire
Carsey School of Public Policy

Slide 2:

Need for childcare

- About 9,500 children under age 5 live in the Upper Valley
- 70 percent of those children live in families where all available parents work (about 6,600 kids)
- In 2018, we asked 700 Upper Valley parents whether childcare was necessary for them to work: 96 percent said yes.

Source: Carsey School of Public Policy analysis of data from U.S. Census Bureau American Community Survey 2019 5-year estimates & 2018 Upper Valley Early Childhood Education Survey.

Slide 3:

Upper Valley's childcare landscape

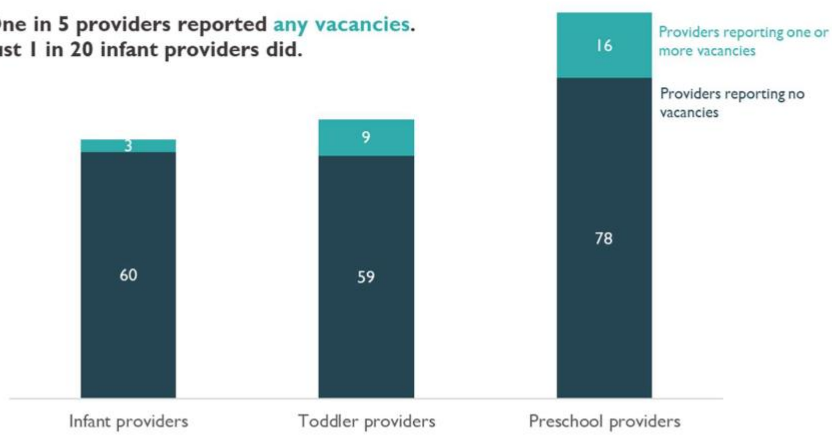
- There are 197 licensed or registered childcare providers in the Upper Valley, with a capacity 5,071 slots (summer/fall 2021)
- Represents a 12% loss in providers and a 2% loss in slots since our last regional update in 2017.
- Licensed or registered slots aren't always fillable due to staffing, and aren't evenly available across space or family needs

Source: Carsey School of Public Policy analysis of licensing data from New Hampshire Child Care Licensing Unit and Vermont Child Development Division

Slide 4:

About 82 percent of providers on the Vermont side of the Upper Valley recorded vacancy data in 2021.

One in 5 providers reported any vacancies. Just 1 in 20 infant providers did.



Source: Carsey School of Public Policy analysis of licensing data from Vermont Child Development Division. Provider counts among those who supplied vacancy data recorded as last updated sometime in 2021.

Slide 5:

Why is supply so constrained?

- Childcare is a labor-intensive business model, requiring lots of staff whose wages cannot be truly offset by tuition.
- Knowing the importance of early learning, education and training requirements for workers have grown, yet wages haven't.
- Workforce shrunk by 100,000 childcare workers (10%) between February 2020 and September 2021.

Source: Bureau of Labor Statistics

Slide 6:

	Southern Vermont nonmetropolitan area	West Central-Southwest New Hampshire nonmetropolitan area
Annual mean wage of childcare workers	$35,100	$29,060
Annual mean wage of next-highest paying occupation in ranked list	$35,250 (printing press operators)	$29,260 (couriers & messengers)

Source: Bureau of Labor Statistics, May 2020 Occupational Employment & Wage Statistics.
Note: Selected nonmetropolitan areas are the available geographies most closely aligned with the Upper Valley.

Slide 7:

What happens when workers don't have childcare?

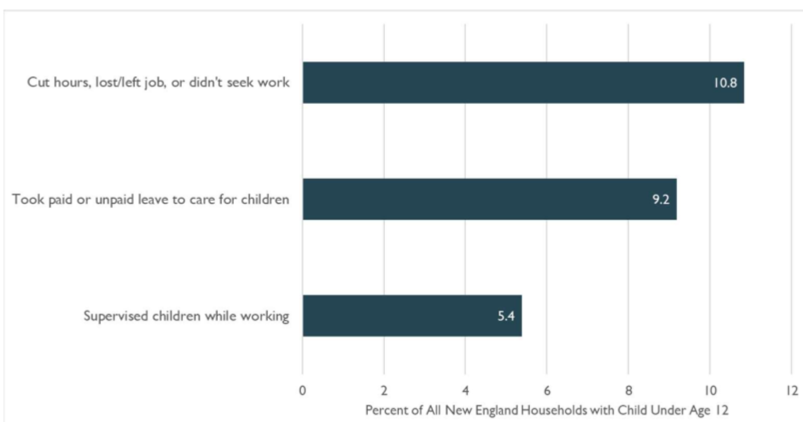
- The pandemic has provided a sharp illustration, especially for women.
- Effects continue as 25 percent of New England households with a child under 12 reported a childcare disruption in the past 4 weeks (surveyed in September and October 2021)

Source: Carsey School of Public Policy analysis of U.S. Census Bureau's Household Pulse Survey data, Weeks 37-39.
Estimates are calculated using household-level replicate weights.

Slide 8:

"Which of the following occurred in the last 4 weeks as a result of childcare being closed or unavailable?"

As a share of all New England households with a child under 12.



Source: Carsey School of Public Policy analysis of U.S. Census Bureau's Household Pulse Survey data, Weeks 37-39.
Estimates are calculated using household-level replicate weights.

Slide 9:

Long-term solutions for a long-term problem

- The issues facing the sector are entrenched and persistent.
- COVID relief funds help but such an enduring structural problem isn't corrected with a one-time investment.
- Opportunities to invest in strategic ways for long-term stabilization

Appendix G: Town of Norwich Child and Family Support Appropriations

This is a list (as of **October 26, 2021) of special articles passed by Norwich voters that support childcare initiatives directly or indirectly. The information is taken from the Town Report of Norwich, Vermont, Fiscal Year 2020, pages I-6 and I-7.**

Article 12. Shall the voters of the Town of Norwich appropriate $3000 to Good Beginnings to be used for those operating expenses that are reasonably necessary for the support of programs/

Article 17. Shall the voters of the Town of Norwich appropriate $4,348 to the Child Care Center of Norwich to be used for income sensitive scholarships to Norwich children?

Article 20. Shall the voters of the Town of Norwich appropriate $288,600 to the Norwich Public Library Association, to be used for the operating expenses of the Library?

Article 24. Shall the voters of the Town of Norwich appropriate $2000 to the Special Needs Support Center of the Upper Valley to help children and adults with special needs, and their families, meet their unique challenges through advocacy and program support?

Article 25. Shall the voters of the Town of Norwich appropriate $6,000 to the Family Place to be used for general program support, such amount being reasonably necessary for the support of programs such as direct service through early intervention, childcare payment assistance, healthy baby visits, reach up, welcome baby, parent education, playgroups, and other services?

Article 29. Shall the voters of the Town of Norwich appropriate $1000 to Windsor County Mentors to be used for mentoring youth?

Article 31. Shall the voters of the Town of Norwich appropriate $3,000 to Youth in Action to be used for operating expenses that support our community service efforts.

The total of Recreation Department Program expense for FY22 is listed on page I-24 as $129,800. A proportion of this expense is for recreation programs for children. This amount does not include money expended for salaries or facilities maintenance.

Comments: The recipients of the special articles submit follow-up reports to the Town that detail the types of supports that are available for families, and supports for childcare centers. The two agencies that appear to directly subsidize childcare are the Childcare Center of Norwich and the Family Place. The Norwich Recreation Department provides programming that can provide some hours of childcare coverage for families. The Norwich Public Library can provide limited support as well. The agencies and providers listed provide support to families in a number of ways that build community and individual resilience, and are worth consideration within a holistic view of what childcare should encompass.

Appendix H: State Legislation

New State Legislation on Childcare with 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 childcare subsidies for income eligible families, and increasing the range of eligibility, 2) providing financial support for continued education for staff in private providers.

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 State's Child Care Financial Assistance Program (CCFAP), to support education of staff in private programs, and to modernize the state's childcare 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 percent 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 childcare workers who work in **private** sector childcares.
4. Funding improvements in the state's childcare 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 three to five, 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 Selectboard.

For reference, below are the federal poverty guidelines effective January 13, 2021. For example, the state's goal is that a family of four, with a household income of $79.5k or less, would not pay more than 10 percent of its income for childcare. 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 percent in this four-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.

34

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

New State Legislation on Education Funding with Implications

Summary

A 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 2019. 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.

In 2021the Legislature passed S13, a bill that established an eight-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 taskforce issued their report on December 17, 2021.

The report contains two primary recommendations:

- Implement the new weights (with some slight changes from the original report) but keep the funding formula the same
- Change the funding formula using a cost equity model where the weights are used to derive spending.

The Legislature is now considering the recommendations of the taskforce with numerous bill proposals being considered concurrently in various committees in both the House and Senate. At this moment the outcome is uncertain.

Of particular concern to Norwich is the potential tax rate impact regardless of which option is adopted by the Legislature. Analysis provided by the Joint Fiscal Office and included in the report of the Task Force, applied to FY20 Norwich and Dresden school budgets, show that Norwich's equalized homestead tax rate would increase from $1.75 to $2.31 with the new weights or from $1.75 to $2.22 with the cost equity model. That means that if either option is implemented, Norwich tax bills could increase by approximately a third on average.

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 percent 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 School (MCS) budget to mitigate the tax rate impact. (Note that the MCS budget accounts for about 46 percent 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.
- Encourage families with students who are English language learners to move to the town.
- Explore alternatives to Dresden.

APPENDIX I: NEW FEDERAL BENEFITS WITH IMPLICATIONS FOR FAMILIES

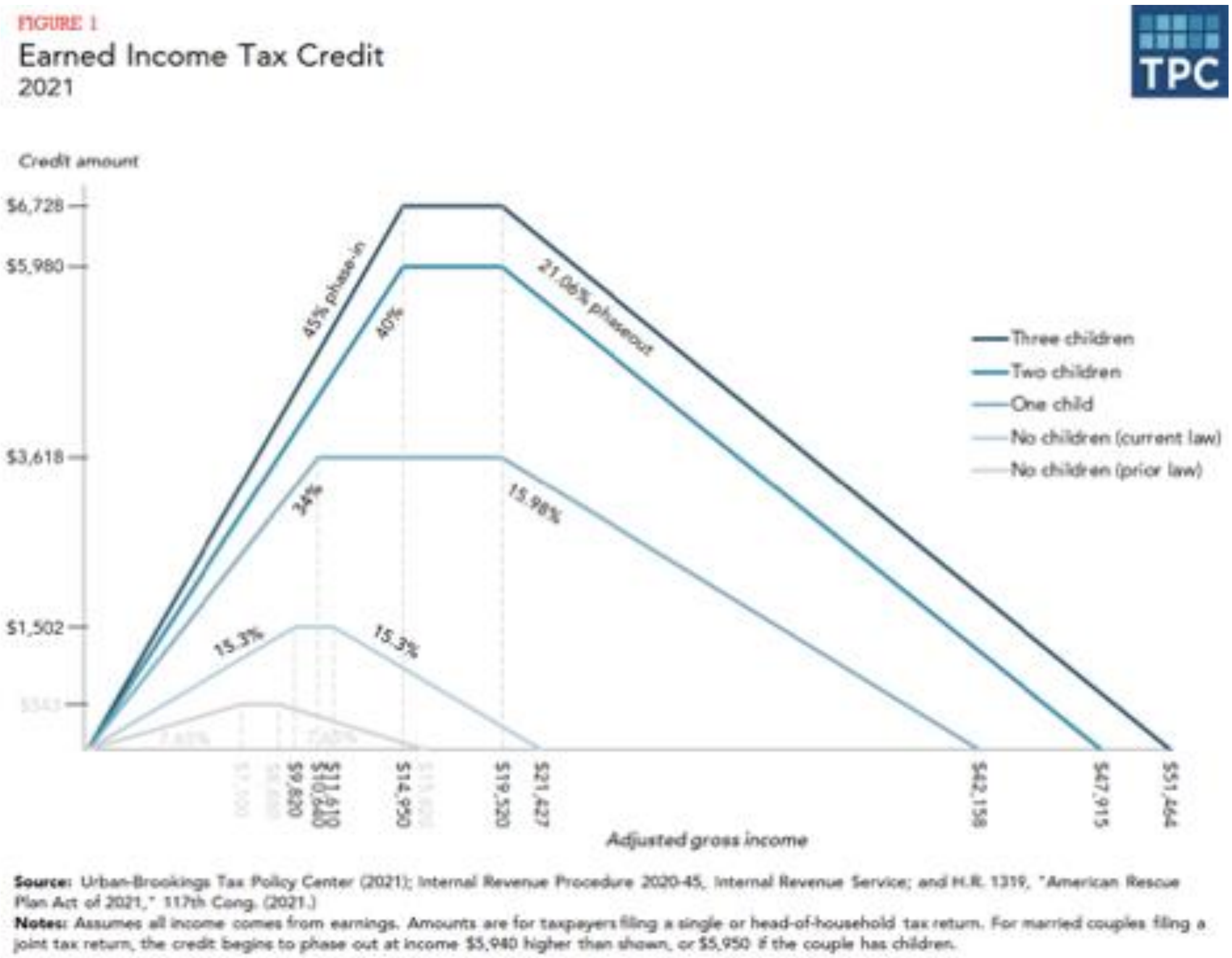
This section discusses direct federal supports and tax credits that potentially help working families with children afford their childcare.

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 child tax credit (CTC) and the Earned Income Tax Credit (EITC). 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)."

According to Dr. Taryn Morrissey, tax credits are less likely to affect the childcare 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.

Earned Income Tax Credit

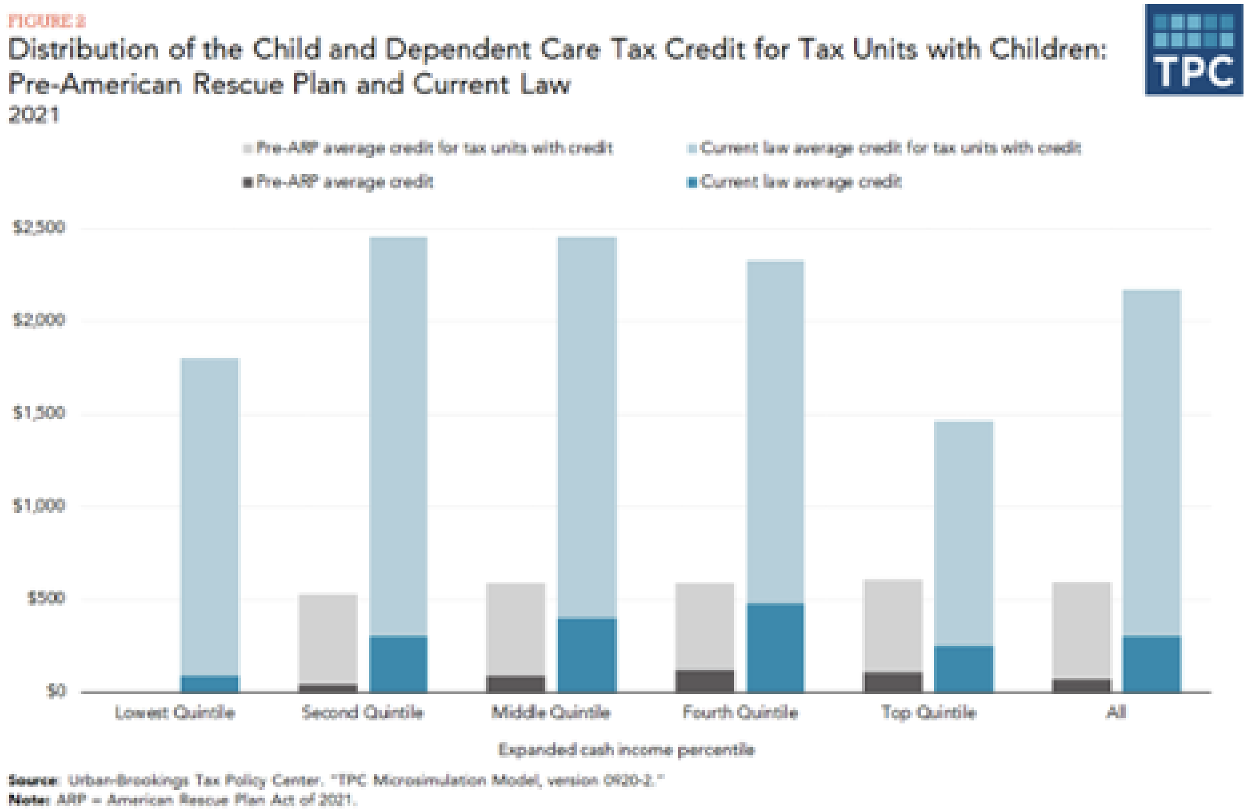
The earned income tax credit subsidizes low-income working families with qualifying children by giving workers a credit equal to a percentage of their earnings up to a maximum credit, holding the size of the credit steady for workers with incomes between $14,900 and $19,500 Adjusted Gross Income (AGI), then tapering off the credit until an income of about $51.5k AGI for a family with three 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.



Child and Dependent Care Tax Credit

Our current tax code subsidizes childcare costs of working parents by making them eligible for two tax benefits to offset childcare costs: the child and dependent care tax credit and the exclusion for employer-provided childcare. As the Tax Policy Center explains: "The child and dependent care tax credit (CDCTC) provides a refundable credit of up to 50 percent of childcare costs for a child under age 13 or any dependent physically or mentally incapable of self-care. Eligible childcare 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 childcare 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 childcare 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