Our mission is to *grow the supply and business sustainability of excellent child care*
State of Vermont’s Child Care Business Sector

May 9, 2024

First Children’s Finance
First Children’s Finance Vermont
What does First Children’s Finance do?

Our mission is to increase the supply and business sustainability of excellent child care.
First Children’s Finance Vermont Services

Professional Development
- Webinars
- Business Trainings
- Resources
- Business Leadership Cohorts

Consulting and Technical Assistance
- Start-up Support
- Financial Analysis
- Business Consultation
- Crisis Support

Access to Capital
- Lending
- Sharia Compliant
- Grants
Results of FCF VT after one year

- 244 training participants in 26 trainings
- 59 business leadership cohort participants
- 2 child care business annual surveys, 1 flood relief survey
- 7 child care business consulting clients
- $1.9 million in grants awarded to 62 programs, expected to yield 1388 spaces and 276 new jobs in 14 counties
  - 696 new spaces, 287 expanded spaces, 405 preserved spaces
  - 17 new family child care homes
The Child Care Business Health Survey Respondents
## How the respondents compare to the child care sector

### Survey responses vs. regulated programs in Vermont as of 12/31/2023

<table>
<thead>
<tr>
<th></th>
<th>Survey responses</th>
<th>Regulated programs in Vermont</th>
<th>Percent of population in survey</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>111</td>
<td>1032</td>
<td>11%</td>
</tr>
<tr>
<td>Afterschool</td>
<td>5</td>
<td>141</td>
<td>4%</td>
</tr>
<tr>
<td>Centers</td>
<td>52</td>
<td>521</td>
<td>10%</td>
</tr>
<tr>
<td>Family Child Care</td>
<td>54</td>
<td>370</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Addison</strong></td>
<td>14</td>
<td>66</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Bennington</strong></td>
<td>11</td>
<td>61</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Caledonia</strong></td>
<td>1</td>
<td>65</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Chittenden</strong></td>
<td>12</td>
<td>221</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Essex</strong></td>
<td>0</td>
<td>10</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Franklin</strong></td>
<td>7</td>
<td>86</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Grand Isle</strong></td>
<td>1</td>
<td>8</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Lamoille</strong></td>
<td>1</td>
<td>40</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Orange</strong></td>
<td>7</td>
<td>52</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Orleans</strong></td>
<td>7</td>
<td>58</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Rutland</strong></td>
<td>8</td>
<td>95</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Washington</strong></td>
<td>8</td>
<td>103</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Windham</strong></td>
<td>12</td>
<td>62</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Windsor</strong></td>
<td>9</td>
<td>105</td>
<td>9%</td>
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<tr>
<td>Who completed the survey?</td>
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<tr>
<td>5% identify as either Hispanic, native American or 2 or more races</td>
<td>49% are family child care</td>
<td></td>
<td></td>
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<tr>
<td>1% prefer Spanish language</td>
<td>46% are licensed centers</td>
<td></td>
<td></td>
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<tr>
<td>2% identify as male</td>
<td>5% are afterschool programs only</td>
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<td></td>
</tr>
<tr>
<td>30% programs surveyed are in Chittenden or Addison county</td>
<td>32% have been in business 31+ years</td>
<td></td>
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<tr>
<td>52% own their building or home</td>
<td>28% opened in the past 5 years</td>
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<tr>
<td>66% are for-profit businesses</td>
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</table>
Overall conclusions

- Vermont child care businesses are generally more optimistic (but still concerned) than last year and other state(s).
- Family child cares, who generally experienced larger increases in reimbursement rates (primarily as a result of moving all programs to 5 STARS reimbursement rate), seem more stable and optimistic for the future.
- Costs appear to be stabilizing and fewer have deferred maintenance, though funding for operations would help.
- Hiring and costs of compensation, although improved, remain the single biggest challenge to business stability.
- Uncertainty (and disbelief) remains around impact of CCFAP eligibility increases and that also leads to uncertainty of business stability.
- Businesses also have concerns about the future of Universal Pre-Kindergarten.
- Costs of child care increased in 2022 and 2023, especially the cost of space and staffing. Businesses are still adjusting to these higher ongoing costs.
The Data: Business Stability
Last year, 17% of businesses surveyed did not expect to stay in business more than 12 months; this year, just 5% expect to stay in business less than 2 years.
Business sustainability: compared to Minnesota child care

- VT FCC: 20% indefinitely, 50% 3-10 years, 30% unsure
- MN FCC: 10% indefinitely, 60% 3-10 years, 30% 1-2 years, 10% unsure
- VT CC: 30% indefinitely, 40% 3-10 years, 30% unsure
- MN CC: 40% indefinitely, 30% 3-10 years, 20% 1-2 years, 10% unsure
Number of programs, by program type, over time

*This data is from quarterly report of regulated child care providers
The Data: Enrollment and Revenue
Fewer programs have experienced decreases in enrollment this year.

It is a very slow road back from COVID staffing challenges. We need to be fully enrolled. There doesn't seem to be any/much funding for repairs - only money if you are creating new spaces/child care slots.
Child Care Centers are fully enrolled for infants, toddlers and preschoolers, but have room for more school-agers.

![Bar chart showing enrolled, licensed, and desired numbers for different age groups.]
Family Child Care would enroll a few more children at every age

I hope the ACT 166 program (Universal pre-k) continues and that all 4 year olds will not be sent to the public school.
Child care businesses continue a mix of strategies to increase revenue

- 49% received an ARPA Child Care Stabilization Grant
- 24% participated in the Child Care Workforce Retention Bonus...
- 65% received Child Care Readiness Payments
- 41% increased tuition rates
- 32% received other local, state, federal, philanthropic or other...
- 49% utilized high-interest financing (online or payday loans,...
- 8% utilized business or low-interest loan options
- 3% opened a new classroom
- 4% re-opened a classroom

We still don't know how much additional income we’ll get from Act 76 post-April and October, which makes budgeting very challenging.
Child Care Businesses are still adjusting to increased costs, especially for staffing.

2024 Tuition Rates for Family Child Care Homes:
- No change in tuition in 2024
- Plan to raise tuition 1-7% in 2024
- Plan to raise tuition as much as allowed (7.2%)
- Unsure

78% of Child Care Centers raised tuition in 2023

2024 Tuition Rates for Child Care Centers and Afterschool Programs:
- No change in tuition in 2024
- Plan to raise tuition as much as allowed (7.2%)
- Plan to raise tuition 1-7% in 2024
- Unsure

41% of Family Child Care Homes raised tuition in 2023
The Data: Expenses, driven by space and staffing
Space costs and ability to pay them seem to be more stable than last year

- **Make rent/mortgage payments on time**: 90% in 2023 FCC, 97% in 2024 FCC
- **Pay other bills on time**: 88% in 2023 FCC, 94% in 2024 FCC
- **Deferred maintenance last year**: 70% in 2023 FCC, 55% in 2024 FCC
- **Household income impacted by child care business losses**: 54% in 2023 FCC, 29% in 2024 FCC

**Just 1 program reported being behind in rent/mortgage, compared to 5 last year.**

- **25% reported an increase in rent/mortgage, compared to 43% last year.**
Insurance coverage is more of a worry for FCC and more difficult for them to obtain.

My program will likely be forced to close if changes aren’t made to the new public prek insurance requirements.
Hiring is still difficult, but shows signs of improving

Act 76 is making growth happen in 2024, especially more infants and toddlers. We are excited at our ability to increase wages and to provide a healthier work environment, as well as to make sure staff can return to school at no cost to them. We now have room for quality and the supports in place to build and maintain a higher quality workforce.
Programs continue to add benefits to improve staffing

- Increased wages: New in 2023
- Hiring bonus: New in 2023
- Retention bonus: New in 2023
- Health insurance: Offered in 2023
- Retirement plan: Offered in 2023
- Flexible schedule: Offered in 2023
- Paid time off: Offered in 2023
- Discounted child care: Offered in 2023
- Scholarships/paid...: Offered in 2023
Child care businesses utilized a mix of strategies related to current and future expenses

- I’ve been unable to pay myself at times: 22% (FCC), 16% (Center and Afterschool)
- I reduced business expenses (rent, utilities, etc.): 22% (FCC), 18% (Center and Afterschool)
- I closed a classroom: 0% (FCC), 12% (Center and Afterschool)
- I added money to my savings or retirement: 19% (FCC), 2% (Center and Afterschool)
- I added to my business emergency fund: 10% (FCC), 3% (Center and Afterschool)

Operating costs continue to increase, and the affordability of tuition is increasingly difficult, especially for those families who do not receive any financial assistance. We may not have many families who qualify for subsidy until October 2024. We will need to maintain the increase in payroll and meet increasing operating costs without any additional financial supports (other than increased tuition). This will be difficult to sustain.
In their own words
VT child care businesses know that Act 76 makes investments in child care

Percent who agree, Vermont compared to Minnesota

- My state is making investments to increase subsidy rates
- I am willing to accept CCFAP
- My state is investing in cc facilities
- My state is making investments that increase sustainability of child care
- The child care sector is in crisis
- Compensation for child care workers is improving
- I am optimistic about the future of my business

I am not experiencing the benefits of "more" families being eligible for subsidy, and I already know that at least half in my program will still not be eligible in April. I am concerned that I will not see more families become eligible even in October.
What would help keep your business financially viable in 2024?

Grants have been very helpful with our current building project, but the expenses have increased so, so much. We would welcome additional monies to help us finish well.
Discussion and what’s next?
Overall Vermont Child Care Trends

Optimism for the future: With inflation moderating and new public investment in child care, Vermont’s child care entrepreneurs are generally feeling more optimistic about the future, for themselves and the industry.

Ownership transitions: Succession planning is in demand, as many long time business owners (some successful, some less so) seek to exit the industry. At the same time, a small % increase in FCCH, where these have been in decline over the past several years.

Employer engagement: Employers, faced with their own staffing challenges, are taking a more active role in securing sufficient child care for their employees needs.

Increased costs of operation: Costs of business operations increased in 2022 and 2023, especially fixed costs like space and staffing. Businesses continue to refine model to operate efficiently (raising tuition, increasing enrollment, increasing scale of operations, pressure to cut expenses).

Staffing challenges: Businesses continue to face challenges in hiring, especially highly qualified staff. They continue to adjust compensation and provide flexible schedules to attract candidates.
What’s next for FCF VT?

Continuing to provide business consulting and training

- Optimal enrollment/staffing
- Compensation & benefits
- Budgets and financial projections
- Tuition setting, discounts/scholarships, revenue projections

Continuing and increasing access to capital

- Capacity building grants
- Business loans

Support for expansions and start ups

- Start-Up Boot Camp, June
- Business Planning Cohorts, starting in September
- Planning Grants for capital construction projects, application available in September
- Limited lending capital will be available, starting in September

Community engagement

- Community orgs and employers eligible for Planning Grants
- Pilot project of community-based supply planning

Succession planning, leadership development and compensation resources/training
First Children’s Finance Vermont

Erin, Jen, Rose, Deb, Cathy

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Inquire