

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Ways and Means to which was referred Senate Bill No.
3 56 entitled “An act relating to child care and early childhood education”
4 respectfully reports that it has considered the same and recommends that the
5 House propose to the Senate that the bill be amended by striking out all after
6 the enacting clause and inserting in lieu thereof the following:

7 * * * Legislative Intent * * *

8 Sec. 1. LEGISLATIVE INTENT

9 It is the intent of the General Assembly that investments in and policy
10 changes to Vermont’s child care and early learning system shall:

11 (1) increase access to and the quality of child care services and
12 afterschool and summer care programs throughout the State;

13 (2) increase equitable access to and quality of prekindergarten education
14 for children four years of age;

15 (3) provide financial stability to child care programs;

16 (4) stabilize Vermont’s talented child care workforce;

17 (5) address the workforce needs of the State’s employers;

18 (6) maintain a mixed-delivery system for prekindergarten, child care,
19 and afterschool and summer care; and

20 (7) assign school districts with the responsibility of ensuring equitable
21 prekindergarten access for children who are four years of age on the date by

1 which the child’s school district requires kindergarten students to have attained
2 five years of age or who are five years of age and not yet enrolled in
3 kindergarten.

4 * * * Prekindergarten * * *

5 Sec. 2. PREKINDERGARTEN EDUCATION IMPLEMENTATION

6 COMMITTEE; PLAN

7 (a) Creation. There is created the Prekindergarten Education
8 Implementation Committee to assist the Agency of Education in improving
9 and expanding accessible, affordable, and high-quality prekindergarten
10 education for children on a full-day basis on or before July 1, 2026. The
11 prekindergarten program under consideration would require a school district to
12 provide prekindergarten education to all children within the district in either a
13 public school or by contract with private providers, or both.

14 (b) Membership.

15 (1) The Committee shall be composed of the following members:

16 (A) the Secretary of Education or designee, who shall serve as co-
17 chair;

18 (B) the Secretary of Human Services or designee, who shall serve as
19 co-chair;

20 (C) the Executive Director of the Vermont Principals’ Association or
21 designee;

1 (D) the Executive Director of the Vermont Superintendents

2 Association or designee;

3 (E) the Executive Director of the Vermont School Board Association

4 or designee;

5 (F) the Executive Director of the Vermont National Education

6 Association or designee;

7 (G) the Chair of the Vermont Council of Special Education

8 Administrators or designee;

9 (H) the Executive Director of the Vermont Curriculum Leaders

10 Association or designee;

11 (I) the Executive Director of Building Bright Futures or designee;

12 (J) a representative of a prequalified private provider as defined in 16

13 V.S.A. § 829, operating a licensed center-based child care and preschool

14 program, appointed by the Speaker of the House;

15 (K) a representative of a prequalified private provider as defined in

16 16 V.S.A. § 829, providing prekindergarten education at a regulated family

17 child care home, appointed by the Committee on Committees;

18 (L) the Head Start Collaboration Office Director or designee;

19 (M) the Executive Officer of Let's Grow Kids or designee;

20 (N) a representative, appointed by Vermont Afterschool, Inc.;

1 (O) a representative, appointed by the Vermont Association for the
2 Education of Young Children;

3 (P) a regional prekindergarten coordinator, appointed by the Vermont
4 Principals' Association; and

5 (Q) two family representatives, one with a child three years of age or
6 younger when the Committee initially convenes and the second with a
7 prekindergarten-age child when the Committee initially convenes, appointed
8 by the Building Bright Futures Council.

9 (2) The Committee shall consult with any stakeholder necessary to
10 accomplish the purposes of this section, including stakeholders with
11 perspectives specific to diversity, equity, and inclusion.

12 (c) Powers and duties. The Committee shall examine the delivery of
13 prekindergarten education in Vermont and make recommendations to expand
14 access for children through the public school system or private providers under
15 contract with the school district, or both. The Committee shall examine and
16 make recommendations on the changes necessary to provide prekindergarten
17 education to all children by or through the public school system on or before
18 July 1, 2026. The Committee's analysis may yield distinct recommendations
19 for different prekindergarten ages. The Committee's recommendation shall
20 consider:

21 (1) the needs of both the State and local education agencies;

1 (2) the minimum number of hours that shall constitute a full school day
2 for both prekindergarten and kindergarten;

3 (3) whether there are areas of the State where prekindergarten education
4 can be more effectively and conveniently furnished in an adjacent state due to
5 geographic considerations;

6 (4) benchmarks and best practices to ensure high-quality
7 prekindergarten education;

8 (5) measures to ensure capacity is available to meet the demand for
9 prekindergarten education;

10 (6) special education services for children participating in
11 prekindergarten in both public and private settings;

12 (7) any necessary infrastructure changes to expand prekindergarten;

13 (8) costs associated with expanding prekindergarten, including fiscally
14 strategic options to sustain an expansion of prekindergarten;

15 (9) recommendations for the oversight of the prekindergarten system;

16 and

17 (10) any other issue the Committee deems relevant.

18 (d) Assistance. The Committee shall have the administrative, technical,
19 fiscal, and legal assistance of the Agencies of Education and of Human
20 Services. If the Agencies are unable to provide the Committee with adequate
21 support to assist with its administrative, technical, fiscal, or legal needs, then

1 the Agency of Education shall retain a contractor with the necessary expertise
2 to assist the Committee.

3 (e) Report. On or before December 1, 2024, the Committee shall submit a
4 written report to the House Committees on Education and on Human Services
5 and the Senate Committees on Education and on Health and Welfare with its
6 implementation plan based on the analysis conducted pursuant to subsection
7 (c) of this section. The report shall include draft legislative language to
8 support the Committee’s plan.

9 (f) Meetings.

10 (1) The Secretary of Education or designee shall call the first meeting of
11 the Committee to occur on or before July 15, 2023.

12 (2) A majority of the membership shall constitute a quorum.

13 (3) The Committee shall cease to exist on February 1, 2025.

14 (g) Compensation and reimbursement. Members of the Committee who
15 are not employees of the State of Vermont and who are not otherwise
16 compensated or reimbursed for their attendance shall be entitled to per diem
17 compensation and reimbursement of expenses pursuant to 32 V.S.A. § 1010
18 for not more than 18 meetings. These payments shall be made from monies
19 appropriated to the Agency of Education.

20 (h) Appropriations.

1 (1) The sum of \$7,500.00 is appropriated to the Agency of Education
2 from the General Fund in fiscal year 2024 for per diem compensation and
3 reimbursement of expenses for members of the Committee.

4 (2) The sum of \$100,000.00 is appropriated to the Agency of Education
5 from the General Fund in fiscal year 2024 for the cost of retaining a contractor
6 as provided under subsection (d) of this section.

7 (3) Any unused portion of these appropriations shall, as of July 1, 2025,
8 revert to the General Fund.

9 **Sec. 2a. PREKINDERGARTEN EDUCATION MODEL CONTRACT**

10 On or before December 1, 2024, the Agency of Education, in consultation
11 with the members of the Prekindergarten Education Implementation
12 Committee and other relevant stakeholders, shall develop a model contract for
13 school districts to use for contracting with private providers for
14 prekindergarten education services. The model contract shall include:

15 (1) an antidiscrimination provision that requires compliance with the
16 Vermont Public Accommodations Act, 9 V.S.A. chapter 139, and the Vermont
17 Fair Employment Practices Act, 21 V.S.A. chapter 5, subchapter 6; and

18 (2) requirements for the provision of special education services.

19 **Sec. 2b. PREKINDERGARTEN PUPIL WEIGHT; REPORT**

20 On or before December 1, 2023, the Agency of Education, in consultation
21 with the Prekindergarten Education Implementation Committee, shall analyze

1 and issue a written report to the General Assembly regarding whether the cost
2 of educating a prekindergarten student is the same as educating a kindergarten
3 student in the context of a full school day. The report shall include a detailed
4 analysis, recommendation, and implementation plan for the sufficient weight to
5 apply to prekindergarten students, in alignment with the weights under current
6 law, for the purposes of determining weighted long-term membership of a
7 school district under 16 V.S.A. § 4010. The report shall include draft
8 legislative language to support the recommended prekindergarten pupil weight
9 and implementation plan.

10 **Sec. 2c. AGENCY OF EDUCATION DATA COLLECTION AND**
11 **SHARING**

12 On or before August 1, 2023, the Agency of Education shall collect and
13 share the following data with the Joint Fiscal Office:

14 (1) The number of weighted pupils, which shall not be adjusted by the
15 equalization ratio, for fiscal year 2024:

16 (A) using weights in effect on July 1, 2023 at both the statewide and
17 district levels; and

18 (B) using weights in effect on July 1, 2024 at both the statewide and
19 district levels.

20 (2) The following data, by school district:

- 1 (A) the total resources needed to operate a public prekindergarten
2 education program that would serve each prekindergarten child in the district;
- 3 (B) the number of prekindergarten children by year of age;
- 4 (C) the total education spending and other funds spent in fiscal year
5 2023 for children attending public prekindergarten education programs;
- 6 (D) the total education spending and other funds spent in fiscal year
7 2023 for prekindergarten children receiving prekindergarten education through
8 a prequalified private provider to whom the district pays tuition;
- 9 (E) if the school district operates a public prekindergarten education
10 program:
- 11 (i) the number of hours and slots offered in the public
12 prekindergarten education program;
- 13 (ii) the number of students residing in the district enrolled in the
14 public prekindergarten education program;
- 15 (iii) the number and cost of students residing in the district
16 enrolled in a prequalified private provider for whom the district pays tuition for
17 prekindergarten education; and
- 18 (iv) the number of students enrolled in the public prekindergarten
19 education program who reside outside the district and the corresponding
20 revenues associated with the nonresident student tuition; and

1 **Sec. 3a. CONTINGENT EFFECTIVE DATE OF PREKINDERGARTEN**

2 **EDUCATION WEIGHT CHANGE**

3 The amendments to 16 V.S.A. § 4010 (weighted long-term membership) set
4 forth in Sec. 3 of this act shall not take effect unless, on or before July 1, 2026,
5 the General Assembly enacts legislation establishing the following:

6 (1) a definition for the minimum number of hours that constitute a full
7 school day for prekindergarten education;

8 (2) a requirement that all school districts shall be required to follow the
9 same minimum number of hour requirements for prekindergarten education;

10 and

11 (3) a requirement that all school districts shall be required to follow the
12 same contracting requirements for the provision of prekindergarten education.

13 * * * Agency of Education * * *

14 Sec. 4. PLAN; AGENCY OF EDUCATION LEADERSHIP

15 On or before November 1, 2025, the Agency of Education shall submit a
16 plan to the House Committees on Education and on Human Services and to the
17 Senate Committees on Education and on Health and Welfare for the purpose of
18 elevating the status of early education within the Agency in accordance with
19 the report produced pursuant to 2021 Acts and Resolves No. 45, Sec. 13. The
20 plan shall achieve greater parity in decision-making authority, roles and

1 responsibilities, and reporting structure related to early care and learning across
2 the Agency and Department for Children and Families.

3 * * * Child Care and Child Care Subsidies * * *

4 Sec. 5. 33 V.S.A. § 3512 is amended to read:

5 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

6 ELIGIBILITY

7 (a)(1) The Child Care Financial Assistance Program is established to
8 subsidize, to the extent that funds permit, the costs of child care for families
9 that need child care services in order to obtain employment, to retain
10 employment, or to obtain training leading to employment. Families seeking
11 employment shall be entitled to participate in the Program for up to three
12 months and the Commissioner may further extend that period.

13 * * *

14 (4) ~~After September 30, 2021, a regulated center-based child care~~
15 ~~program or family child care home as defined by the Department in rule shall~~
16 ~~not receive funds pursuant to this subsection that are in excess of the usual and~~
17 ~~customary rate for services at the center-based child care program or family~~
18 ~~child care home~~ Nothing in this subsection shall preclude a child care provider
19 from establishing tuition rates that are lower than the provider reimbursement
20 rate in the Child Care Financial Assistance Program.

21 * * *

1 Sec. 5a. 33 V.S.A. § 3512 is amended to read:

2 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

3 ELIGIBILITY

4 (a)(1) The Child Care Financial Assistance Program is established to
5 subsidize, to the extent that funds permit, the costs of child care for families
6 that need child care services in order to obtain employment, to retain
7 employment, or to obtain training leading to employment. Families seeking
8 employment shall be entitled to participate in the Program for up to three
9 months and the Commissioner may further extend that period.

10 (2) The subsidy authorized by this subsection and the corresponding
11 family contribution shall be established by the Commissioner, by rule, and
12 shall bear a reasonable relationship to income and family size. The
13 Commissioner may adjust the subsidy and family contribution by rule to
14 account for increasing child care costs not to exceed 1.5 times the most recent
15 annual increase in the NAICS code 611, Educational Services. Families shall
16 be found eligible using an income eligibility scale based on the current federal
17 poverty level and adjusted for the size of the family. Co-payments shall be
18 assigned to the whole family and shall not increase if more than one eligible
19 child is enrolled in child care. Families with an annual gross income of less
20 than or equal to ~~150~~ 175 percent of the current federal poverty guidelines shall
21 not have a family co-payment. Families with an annual gross income up to and

1 including ~~350~~ 400 percent of current federal poverty guidelines, adjusted for
2 family size, shall be eligible for a subsidy authorized by the subsection. The
3 scale shall be structured so that it encourages employment. If the federal
4 poverty guidelines decrease in a given year, the Division shall maintain the
5 previous year's federal poverty guidelines for the purpose of determining
6 eligibility and benefit amount under this subsection.

7 * * *

8 Sec. 5b. 33 V.S.A. § 3512 is amended to read:

9 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

10 ELIGIBILITY

11 (a)(1) The Child Care Financial Assistance Program is established to
12 subsidize, to the extent that funds permit, the costs of child care for families
13 that need child care services in order to obtain employment, to retain
14 employment, or to obtain training leading to employment. Families seeking
15 employment shall be entitled to participate in the Program for up to three
16 months and the Commissioner may further extend that period.

17 * * *

18 (5) The Department shall ensure that applications for the Child Care
19 Financial Assistance Program use a simple, plain-language format.
20 Applications shall be available in both electronic and paper formats and shall

1 comply with the Office of Racial Equity’s most recent Language Access
2 Report.

3 (6) A Vermont resident who has a citizenship status that would
4 otherwise exclude the resident from participating in the Child Care Financial
5 Assistance Program shall be served under this Program, provided that the
6 benefit for these residents is solely State-funded. The Department shall not
7 retain data on the citizenship status of any applicant or participant once a child
8 is no longer participating in the program, and it shall not request the citizenship
9 status of any members of the applicant’s or participant’s family. Any records
10 created pursuant to this subsection shall be exempt from public inspection and
11 copying under the Public Records Act.

12 * * *

13 **Sec. 5c. 33 V.S.A. § 3512 is amended to read:**

14 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;
15 ELIGIBILITY

16 (a)(1) The Child Care Financial Assistance Program is established to
17 subsidize, to the extent that funds permit, the costs of child care for families
18 that need child care services in order to obtain employment, to retain
19 employment, or to obtain training leading to employment. Families seeking
20 employment shall be entitled to participate in the Program for up to three
21 months and the Commissioner may further extend that period.

1 Sec. 5d. FISCAL YEAR 2024; FAMILY CONTRIBUTION

2 In fiscal year 2024, a weekly family contribution for participants in the
3 Child Care Financial Assistance Program established in 33 V.S.A. §§ 3512 and
4 3513 shall begin at \$52.00 for families at 176 percent of the federal poverty
5 level and increase for families at a higher percentage of the federal poverty
6 level as determined by the Department.

7 Sec. 6. PROVIDER RATE ADJUSTMENT; CHILD CARE FINANCIAL
8 ASSISTANCE PROGRAM

9 (a) It is the intent of the General Assembly that:

10 (1) the provider rate adjustment recommended in this section shall be an
11 initial step toward implementing the professional pay scale established
12 pursuant to 33 V.S.A. § 3544; and

13 (2) programs use funds to elevate quality through higher compensation
14 for staff, curriculum implementation, staff professional development, and
15 improvements to learning environments.

16 (b)(1) On January 1, 2024, the Department for Children and Families shall
17 provide an adjustment to the base child care provider reimbursement rates in
18 the Child Care Financial Assistance Program for child care services provided
19 by center-based child care and preschool programs, family child care homes,
20 and afterschool and summer care programs. The adjusted reimbursement rate
21 shall account for the age of the children served and be 35 percent higher than

1 the fiscal year 2023 five-STAR reimbursement rate in the Vermont STARS
2 system. All providers in the same child care setting category shall receive a
3 reimbursement rate payment, which shall be dependent upon whether the
4 provider operates a regulated child care center and preschool program,
5 regulated family child care home, or afterschool or summer care program.

6 (2) The provider rate adjustment established in this section shall become
7 part of the base budget in future fiscal years.

8 Sec. 7. APPROPRIATION; CHILD CARE FINANCIAL ASSISTANCE
9 PROGRAM

10 (a) In addition to fiscal year 2024 funds appropriated for the Child Care
11 Financial Assistance Program in other acts, in fiscal year 2024, \$47,300,000.00
12 is appropriated from the General Fund to the Department for Children and
13 Families' Child Development Division for:

14 (1) the program eligibility expansion in Sec. 5a of this act; and

15 (2) the fiscal year 2024 provider rate adjustment in Sec. 6 of this act.

16 (b)(1) In addition to fiscal year 2024 funds appropriated for the
17 administration of the Department for Children and Families' Child
18 Development Division in other acts, in fiscal year 2024, \$4,000,000.00 is
19 appropriated from the General Fund to the Division to administer adjustments
20 to the Child Care Financial Assistance Program required by this act through

1 the authorization of the following 11 new permanent classified positions within
2 the Division:

3 (A) one Business Applications Support Manager;

4 (B) one Licensing Field Specialist I;

5 (C) two Child Care Business Techs;

6 (D) one Administrative Services Coordinator II;

7 (E) one Program Integrity Investigator;

8 (F) one Grants and Contracts Manager – Compliance;

9 (G) one Business Application Support Specialist;

10 (H) one Communications and Outreach Coordinator;

11 (I) one Financial Manager II; and

12 (J) one Grants and Contracts Manger.

13 (2) The Department may seek permission from the Joint Fiscal Committee
14 to replace a position authorized in this subsection with an alternative position.

15 (3) The Division shall allocate at least \$2,000,000.00 of the amount
16 appropriated in this subsection to the Community Child Care Support
17 Agencies.

18 Sec. 8. READINESS PAYMENTS; CHILD CARE FINANCIAL
19 ASSISTANCE PROGRAM

20 (a)(1) In fiscal year 2024, \$20,000,000.00 is appropriated one time from
21 the General Fund to the Department for Children and Families' Child

1 Development Division for the purpose of providing payments to child care
2 providers, as defined in 33 V.S.A. § 3511, delivering child care services to
3 children, in preparation of the Child Care Financial Assistance Program
4 eligibility expansion in Sec. 5a of this act and for the fiscal year 2024 provider
5 rate adjustment in Sec. 6 of this act. Readiness payments may be used for the
6 following:

7 (A) increasing capacity for infants and toddlers;

8 (B) expanding the number of family child care homes;

9 (C) improving child care facilities;

10 (D) preparing private prequalified providers for future changes in the
11 prekindergarten system;

12 (E) expanding hours of operation to provide full-day, full-week child
13 care services;

14 (F) addressing gaps in services and expanding capacity;

15 (G) increasing workforce capacity, including signing and retention
16 bonuses; and

17 (H) any other uses approved by the Commissioner.

18 (2) Of the funds appropriated in subdivision (1) of this subsection, up to
19 five percent may be used to contract with a third party to provide technical
20 assistance to child care providers to build or maintain capacity and to provide
21 information on the opportunities and requirements of this act.

1 (b) In administering the readiness payment program established by this
2 section, the Division shall utilize the Agency of Administration bulletin
3 pertaining to beneficiaries in effect on May 1, 2023. The Division may either
4 use the same distribution framework used to distribute Child Care
5 Development Block Grant funds in accordance with the American Rescue Plan
6 Act of 2021 or it may utilize an alternative distribution framework.

7 (c) The Commissioner shall provide a status report on the distribution of
8 readiness payments to the Joint Fiscal Committee at its November 2023
9 meeting.

10 Sec. 9. 33 V.S.A. § 3514 is amended to read:

11 § 3514. PAYMENT TO PROVIDERS

12 (a)(1) The Commissioner shall establish a payment schedule for purposes
13 of reimbursing providers for full- or part-time child care services rendered to
14 families who participate in the programs established under section 3512 or
15 3513 of this title. ~~Payments established under this section shall reflect the~~
16 ~~following considerations: whether the provider operates a licensed child care~~
17 ~~facility or a registered family child care home, type of service provided, cost of~~
18 ~~providing the service, and the prevailing market rate for comparable service.~~
19 The payment schedule shall account for the age of the children served, and all
20 providers in the same child care setting category shall receive a reimbursement
21 rate payment, which shall be dependent upon whether the provider operates a

1 child care center and preschool program, family child care home, or
2 afterschool or summer care program. The rate used to reimburse providers
3 shall be increased over the previous year’s rate annually in alignment with the
4 most recent annual average wage growth for NAICS code 611, Educational
5 Services, not to exceed five percent.

6 (2) Payments shall be based on enrollment ~~status or any other basis~~
7 ~~agreed to by the provider and the Division.~~ The Department, in consultation
8 with the Office of Racial Equity and stakeholders, shall adopt rules pursuant to
9 3 V.S.A. chapter 25 that define “enrollment” and the total number of allowable
10 absences to continue participating in the Child Care Financial Assistance
11 Program. The Department shall minimize itemization of absence categories.

12 (b) The Commissioner may establish a separate payment schedule for child
13 care providers who have received specialized training, approved by the
14 Commissioner, relating to protective or family support services.

15 ~~(c)(1) The payment schedule established by the Commissioner may~~
16 ~~reimburse providers in accordance with the results of the most recent Vermont~~
17 ~~Child Care Market Rate Survey.~~

18 ~~(2) The payment schedule shall include reimbursement rate caps tiered~~
19 ~~in relation to provider ratings in the Vermont STARS program. The lower limit~~

1 ~~of the reimbursement rate caps shall be not less than the 50th percentile of all~~
2 ~~reported rates for the same provider setting in each rate category. [Repealed.]~~

3 Sec. 9a. 33 V.S.A. § 3514 is amended to read:

4 § 3514. PAYMENT TO PROVIDERS

5 (a)(1) The Commissioner shall establish a payment schedule for purposes
6 of reimbursing providers for full- or part-time child care services rendered to
7 families who participate in the programs established under section 3512 or
8 3513 of this title. The payment schedule shall account for the age of the
9 children served, and all providers in the same child care setting category shall
10 receive a reimbursement rate payment, which shall be dependent upon whether
11 the provider operates a child care center and preschool program, family child
12 care home, or afterschool or summer care program. The adjusted
13 reimbursement rate shall then be adjusted to account for the differential
14 between family child care homes and center-based child care and preschool
15 programs by 50 percent. The rate used to reimburse providers shall be
16 increased over the previous year's rate annually in alignment with the most
17 recent annual average wage growth for NAICS code 611, Educational
18 Services, not to exceed five percent.

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Sec. 10. 33 V.S.A. § 3515 is added to read:

§ 3515. CHILD CARE QUALITY AND CAPACITY INCENTIVE PROGRAM

(a) The Commissioner shall establish a child care quality and capacity incentive program for child care providers participating in the Child Care Financial Assistance Program pursuant to sections 3512 and 3513 of this title. Annually, consistent with funds appropriated for this purpose, the Commissioner may provide a child care provider with an incentive payment for the following achievements:

(1) achieving a higher level in the quality rating and improvement system, including increasing access to and provision of culturally competent care and multilingual programming and providing other family support services similar to those provided in approved Head Start programs;

(2) increasing infant and toddler capacity;

(3) maintaining existing infant and toddler capacity;

(4) establishing capacity in regions of the State that are identified by the Commissioner as underserved;

(5) providing nonstandard hours of child care services;

(6) completing a Commissioner-approved training on protective or family support services; and

1 A child care provider shall ensure that its tuition rates are available to the
2 public. A regulated child care provider shall not impose an increase on annual
3 child care tuition that exceeds 1.5 times the most recent annual increase in the
4 NAICS code 611, Educational Services. This amount shall be posted on the
5 Department’s website annually.

6 Sec. 12a. 33 V.S.A. § 3518 is added to read:

7 § 3518. CHILD CARE PROVIDER OWNERSHIP DISCLOSURE

8 (a) As used in this section:

9 (1) “Affiliate” means a person that directly or indirectly owns or
10 controls, is owned or controlled by, or is under common ownership or control
11 with another person.

12 (2) “Applicant” means a person that applies to be eligible to receive
13 State funding for child care services pursuant to a provider rate agreement.

14 (3) “Controls,” “is controlled by,” and “under common control” mean
15 the power to direct, or cause the direction or management and policies of a
16 person, whether through the direct or beneficial ownership of voting securities,
17 by contract, or otherwise. A person who directly or beneficially owns 10
18 percent or more equity interest, or the equivalent thereof, of another person
19 shall be deemed to control the person.

20 (4) “Owner” means a person who controls an applicant.

21 (5) “Principal” means one of the following:

1 (A) the president, vice president, secretary, treasurer, manager, or
2 similar officer of a corporation as provided for by 11A V.S.A. § 8.40,
3 nonprofit corporation as provided for by 11B V.S.A. § 8.40, mutual benefit
4 enterprise as provided for by 11C V.S.A. § 822, cooperative as provided for by
5 11 V.S.A. § 1013, or worker cooperative corporation as provided for by 11
6 V.S.A. § 1089;

7 (B) a director of a corporation as provided for by 11A V.S.A. § 8.01,
8 nonprofit corporation as provided for by 11B V.S.A. § 8.01, mutual benefit
9 enterprise as provided for by 11C V.S.A. § 801, cooperative as provided for by
10 11 V.S.A. § 1006, or worker cooperative corporation as provided for by 11
11 V.S.A. § 1089;

12 (C) a member of a member-managed limited liability company as
13 provided for by 11 V.S.A. § 4054;

14 (D) a manager of a manager-managed limited liability company as
15 provided for by 11 V.S.A. § 4054; or

16 (E) a partner of a partnership as provided for by 11 V.S.A. § 3212 or
17 a general partner of a limited partnership as provided for by 11 V.S.A. chapter
18 23.

19 (b) Disclosure. The Department shall adopt procedures to require each
20 applicant to disclose, prior to entering a provider rate agreement:

21 (1) the type of business organization of the applicant;

1 (2) the identity of the applicant’s owners and principals; and

2 (3) the identity of the owners and principals of the applicant’s affiliates.

3 Sec. 12**b**. 33 V.S.A. § **3519** is added to read:

4 § **3519**. DIVERSITY, EQUITY, AND INCLUSION

5 The Department shall consult with the Office of Racial Equity in preparing
6 all public materials and trainings related to the Child Care Financial Assistance
7 Program.

8 Sec. 13. RULEMAKING; **PROGRAM** DIRECTORS

9 (a) The Department for Children and Families shall amend the following
10 rules pursuant to 3 V.S.A. chapter 25 to require that a **program** director is
11 present at the child care facility that the **program** director operates at least 40
12 percent of the time that children are present:

13 (1) Department for Children and Families, Licensing Regulations for
14 Afterschool and Child Care Programs (CVR 13-171-003); and

15 (2) Department for Children and Families, Licensing Regulations for
16 Center-Based Child Care and Preschool Programs (CVR 13-171-004).

17 (b) The Department shall **review and consider** amending its:

18 (1) rule prohibiting a person or entity registered or licensed to operate a
19 family child care home from concurrently operating a center-based child care
20 and preschool program or afterschool and summer care program; **and**

1 the responsiveness and effectiveness of the application process for special
2 accommodation grants, including:

3 (1) implementing a 12-month or longer grant cycle option for eligible
4 populations;

5 (2) improving support and training for providing inclusive care for
6 children with special needs;

7 (3) determining how to better meet the early learning needs of children
8 with disabilities within a child care setting; and

9 (4) any other considerations the Department deems essential to the goal
10 of streamlining the application process for special accommodation grants.

11 * * * Workforce Supports * * *

12 Sec. 17. 2021 Acts and Resolves No. 45, Sec. 8 is amended to read:

13 Sec. 8. REPEALS

14 (a) ~~33 V.S.A. § 3541(d) (reference to student loan repayment assistance~~
15 ~~program) is repealed on July 1, 2026. [Repealed.]~~

16 (b) 33 V.S.A. § 3542 (scholarships for prospective early childhood
17 providers) is repealed on July 1, 2026.

18 (c) ~~33 V.S.A. § 3543 (student loan repayment assistance program) is~~
19 ~~repealed on July 1, 2026. [Repealed.]~~

20 * * * Transitional Assistance and Governance * * *

21 Sec. 18. CHILD CARE; ADMINISTRATIVE SERVICE ORGANIZATIONS

1 On or before February 15, 2024, the Department for Children and Families
2 shall provide a presentation to the House Committee on Human Services and
3 to the Senate Committee on Health and Welfare regarding the feasibility of and
4 any progress towards establishing administrative service organizations for
5 child care providers.

6 Sec. 19. 33 V.S.A. § 4605 is added to read:

7 § 4605. TECHNICAL ASSISTANCE; ACCOUNTABILITY

8 In order to ensure the successful implementation of expanded child care,
9 prekindergarten, and afterschool and summer care, Building Bright Futures
10 shall be responsible for monitoring accountability, supporting stakeholders in
11 collectively defining and measuring success, maximizing stakeholder
12 engagement, and providing technical assistance to build capacity for the
13 Department for Children and Families' Child Development Division and the
14 Agency of Education. Specifically, Building Bright Futures shall:

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

19 (2) define and measure success of expanded child care, prekindergarten,
20 and afterschool and summer care related to process, implementation, and
21 outcomes using a continuous quality improvement framework and engage

1 public, private, legislative, and family partners to develop benchmarks
2 pertaining to:

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

4 (B) equitable access to high-quality prekindergarten;

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

6 (D) stability of the early child care education workforce;

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

9 (F) the impact of this act on a mixed-delivery system for
10 prekindergarten, child care, and afterschool and summer care.

11 Sec. 20. APPROPRIATION; BUILDING BRIGHT FUTURES

12 Of the funds appropriated in Sec. 7(b) (appropriation; child care financial
13 assistance program) of this act, the Department for Children and Families shall
14 allocate \$266,707.00 to Building Bright Futures for the purpose of
15 implementing its duties under 33 V.S.A. § 4605. This amount shall become
16 part of the Department’s base for the purpose of supporting Building Bright
17 Future’s work pursuant to 33 V.S.A. § 4605.

18 Sec. 21. PLAN; DEPARTMENT FOR CHILDREN AND FAMILIES;

19 GOVERNANCE

20 (a) On or before November 1, 2025, the Secretary of Human Services shall
21 submit an implementation plan to the House Committees on Appropriations,

1 on Government Operations and Military Affairs, and on Human Services and
2 to the Senate Committees on Appropriations, on Government Operations, and
3 on Health and Welfare regarding the reorganization of the Department for
4 Children and Families to increase responsiveness to Vermonters and elevate
5 the status of child care and early education within the Agency of Human
6 Services. The implementation plan shall be consistent with the goals of the
7 report produced pursuant to 2021 Acts and Resolves No. 45, Sec. 13. It shall
8 achieve greater parity in decision-making authority, roles and responsibilities,
9 and reporting structure related to early care and learning across the Agency of
10 Education and Agency of Human Services.

11 (b) The implementation plan required pursuant to this section shall contain
12 any legislative language required for the division of the Department.

13 ***** Child Care Provider Wages *****

14 **Sec. 23. WAGES FOR CHILD CARE PROVIDERS; INTENT**

15 It is the intent of the General Assembly that, upon reaching the provider
16 reimbursement rates recommended by the report produced pursuant to 2021
17 Acts and Resolves No. 45, Sec. 14:

18 (1) Vermont shall establish minimum wage rates for child care providers
19 that align with the recommendations of the Vermont Association for the
20 Education of Young Children’s recommendations in the 2021 Advancing ECE
21 as a Profession Task Force report;

1 (2) the minimum wage rates shall annually increase based on the
2 percentage increase in the average wage for NAICS code 611, Educational
3 Services; and

4 (3) the initial minimum wage rates shall be adjusted for inflation based
5 on the findings and recommendations of the report prepared pursuant to Sec.
6 23a of this act.

7 **Sec. 23a. REPORT; CHILD CARE PROVIDER WAGES**

8 On or before January 1, 2026, the Joint Fiscal Office shall submit
9 information to the House Committees on Human Services and on Ways and
10 Means and to the Senate Committees on Health and Welfare and on Finance
11 providing estimated current minimum wage levels based on Vermont and other
12 state data regarding wage levels for early care and education providers.

13 ***** Personal Income Tax Rates *****

14 **Sec. 24. PERSONAL INCOME TAX RATES; TAXABLE YEAR 2024**

15 (a) For taxable years beginning on and after January 1, 2024, after taking
16 into consideration any inflation adjustments to taxable income as required by
17 32 V.S.A. § 5822(b)(2), all personal income tax rates under 32 V.S.A.
18 § 5822(a)(1)–(5) shall be increased as follows:

19 (1) taxable income that without the passage of this act would have been
20 subject to a rate of 3.35 percent shall be taxed at the rate of 3.65 percent
21 instead;

1 (2) taxable income that without the passage of this act would have been
2 subject to a rate of 6.60 percent shall be taxed at the rate of 7.30 percent
3 instead;

4 (3) taxable income that without the passage of this act would have been
5 subject to a rate of 7.60 percent shall be taxed at the rate of 8.30 percent
6 instead; and

7 (4) taxable income that without the passage of this act would have been
8 subject to a rate of 8.75 percent shall be taxed at the rate of 9.60 percent
9 instead.

10 (b) When preparing the Vermont Statutes Annotated for publication, the
11 Office of Legislative Counsel shall revise the tables in 32 V.S.A. § 5822(a)(1)–
12 (5) as follows:

13 (1) to reflect the changes to the income tax rates made under subsection
14 (a) of this section; and

15 (2) to update the taxable income brackets to the most recent taxable year
16 amounts available that have been adjusted for inflation as required by 32
17 V.S.A. § 5822(b)(2).

18 **Sec. 25. PERSONAL INCOME TAX RATES; TAXABLE YEAR 2027**

19 (a) For taxable years beginning on and after January 1, 2027, after taking
20 into consideration any inflation adjustments to taxable income as required by

1 32 V.S.A. § 5822(b)(2), all personal income tax rates under 32 V.S.A.

2 § 5822(a)(1)–(5) shall be increased as follows:

3 (1) taxable income that without the passage of this act would have been
4 subject to a rate of 3.65 percent shall be taxed at the rate of 3.80 percent
5 instead;

6 (2) taxable income that without the passage of this act would have been
7 subject to a rate of 7.30 percent shall be taxed at the rate of 7.50 percent
8 instead;

9 (3) taxable income that without the passage of this act would have been
10 subject to a rate of 8.30 percent shall be taxed at the rate of 8.55 percent
11 instead; and

12 (4) taxable income that without the passage of this act would have been
13 subject to a rate of 9.60 percent shall be taxed at the rate of 10.05 percent
14 instead.

15 (b) When preparing the Vermont Statutes Annotated for publication, the
16 Office of Legislative Counsel shall revise the tables in 32 V.S.A. § 5822(a)(1)–
17 (5) as follows:

18 (1) to reflect the changes to the income tax rates made under subsection
19 (a) of this section; and

1 or

2 * * *

3 * * * Earned Income Tax Credit; Child Tax Credit * * *

4 **Sec. 27. 32 V.S.A. § 5828b(a) is amended to read:**

5 (a) A resident individual or part-year resident individual who is entitled to
6 an earned income tax credit granted under the laws of the United States or who
7 would have been entitled to an earned income tax credit under the laws of the
8 United States but for the fact that the individual, the individual’s spouse, or one
9 or more of the individual’s children does not have a qualifying taxpayer
10 identification number shall be entitled to a credit against the tax imposed for
11 each year by section 5822 of this title. The credit shall be 38 percent of the
12 earned income tax credit granted to the individual under the laws of the United
13 States or that would have been granted to the individual under the laws of the
14 United States but for the fact that the individual, the individual’s spouse, or one
15 or more of the individual’s children does not have a qualifying taxpayer
16 identification number, multiplied by the percentage that the individual’s ~~earned~~
17 income that is earned or received during the period of the individual’s
18 residency in this State bears to the individual’s total ~~earned~~ income.

19 **Sec. 28. 32 V.S.A. § 5828b is amended to read:**

20 **§ 5828b. EARNED INCOME TAX CREDIT**

1 (a)(1) A resident individual or part-year resident individual who is entitled
2 to an earned income tax credit granted under the laws of the United States or
3 who would have been entitled to an earned income tax credit under the laws of
4 the United States but for the fact that the individual, the individual’s spouse, or
5 one or more of the individual’s children does not have a qualifying taxpayer
6 identification number shall be entitled to a credit against the tax imposed for
7 each year by section 5822 of this title. The credit shall be ~~38 percent a~~
8 percentage, as determined under subdivision (2) of this subsection, of the
9 earned income tax credit granted to the individual under the laws of the United
10 States or that would have been granted to the individual under the laws of the
11 United States but for the fact that the individual, the individual’s spouse, or one
12 or more of the individual’s children does not have a qualifying taxpayer
13 identification number, multiplied by the percentage that the individual’s
14 income that is earned or received during the period of the individual’s
15 residency in this State bears to the individual’s total income.

16 (2) The credit under this section shall be a percentage of the earned
17 income tax credit granted to the individual under the laws of the United States,
18 which shall be determined as follows:

19 (A) for an individual who claims one qualifying child or more than
20 one qualifying children for purposes of the earned income tax credit under this
21 section during the taxable year, 55 percent; and

1 (a) The Commissioner shall provide a process for an individual to claim the
2 child tax credit or the earned income tax credit, or both, pursuant to
3 subsections 5828b(a) and 5830f(a) of this title when the individual, the
4 individual's spouse, or one or more of the individual's qualifying children does
5 not have a taxpayer identification number. The Commissioner shall not
6 inquire about or record the citizenship and immigration status of an individual,
7 an individual's spouse, or one or more of an individual's qualifying children
8 when an individual claims one or more credits pursuant to this section and
9 subsections 5828b(a) and 5830f(a) of this title.

10 (b) Upon the Commissioner's request, an individual who claims one or
11 more credits pursuant to subsections 5828b(a) and 5830f(a) of this title shall
12 provide valid documents establishing the identity and income for the taxable
13 year of the individual and, as applicable, the individual's spouse and qualifying
14 children. Upon receiving a valid Social Security number issued by the Social
15 Security Administration, the individual shall notify the Commissioner in the
16 time and manner prescribed by the Commissioner.

17 (c) All claims submitted and records created pursuant to this section and
18 subsections 5828b(a) and 5830f(a) of this title shall be exempt from public
19 inspection and copying under the Public Records Act 1 V.S.A. § 317(c)(6) and
20 shall be kept confidential as return or return information pursuant to section
21 3102 of this title.

1 **Sec. 31. 32 V.S.A. § 5830f(d) is added to read:**

2 (d)(1) The Commissioner shall establish a program to make advance
3 quarterly payments of the credit under this section during the calendar year
4 that, in the aggregate, equal 50 percent of the annual amount of the credit
5 allowed to each individual for the taxable year. The quarterly payments made
6 to an individual during the calendar year shall be in equal amounts, except that
7 the Commissioner may modify the quarterly amount upon receipt of any
8 information furnished by the individual that allows the Commissioner to
9 determine the annual amount. The remaining 50 percent of the annual amount
10 of the credit allowed to each individual shall be determined at the time of filing
11 a Vermont personal income tax return for the taxable year pursuant to section
12 5861 of this title.

13 (2) The Commissioner shall provide a process by which individuals may
14 elect not to receive advance payments under this subsection.

15 ***** SALT deduction cap workaround *****

16 **Sec. 32. 32 V.S.A. chapter 151, subchapter 10C is added to read:**

17 **Subchapter 10C. Elective Pass-Through Entity Income Tax**

18 § 5921a. DEFINITIONS

19 As used in this subchapter:

1 (1) “Distributive proceeds” means the net income, dividends, royalties,
2 interest, rents, guaranteed payments, and gains of a pass-through entity derived
3 from or connected with sources within the State.

4 (2) “Member” means:

5 (A) a member of a limited liability company taxed as a partnership or
6 S corporation for federal and state income tax purposes; a partner in a general,
7 limited, or limited liability partnership; or a shareholder of an S corporation,
8 provided the member is a natural person;

9 (B) a grantor trust that passes all income through to a grantor who is
10 subject to personal income tax on that income under section 5822 of this title;
11 or

12 (C) a single-member limited liability company disregarded for
13 federal income tax purposes.

14 (3) “Pass-through entity” means a limited liability company taxed as a
15 partnership or S corporation for federal and state income tax purposes, a
16 partnership, or an S corporation. “Pass-through entity” does not mean a
17 publicly traded partnership or a single-member limited liability company.

18 (4) “Pass-through entity business income tax” means the tax imposed
19 under this subchapter.

1 (5) “Share of distributive proceeds” means the portion of distributive
2 proceeds attributable to a member of a pass-through entity during a taxable
3 year.

4 § 5921b. PASS-THROUGH ENTITY INCOME TAX; ELECTION

5 (a) A pass-through entity may elect to be liable for and pay a pass-through
6 entity income tax during the taxable year, provided:

7 (1) at least one member of the entity is liable for income tax under this
8 chapter on that member’s share of distributive proceeds of the pass-through
9 entity during a taxable year;

10 (2) each member of the pass-through entity is a natural person, a single-
11 member limited liability company disregarded for federal income tax purposes,
12 or a grantor trust that passes all income through to a grantor who is subject to
13 personal income tax on that income under section 5822 of this title;

14 (3) no member is a C corporation or another pass-through entity; and

15 (4) consent is given by:

16 (A) each member of the electing entity who is a member at the time
17 the election is filed; or

18 (B) any officer, manager, or member of the electing entity who is
19 authorized, under law or the entity’s organizational documents, to make the
20 election and who represents having such authority under penalties of perjury.

1 (b) The tax imposed on a pass-through entity under this section shall be
2 equal to the sum of each member’s share of taxable distributive proceeds
3 attributable to the pass-through entity for the taxable year, multiplied by the
4 second-highest marginal tax rate in section 5822 of this chapter.

5 (c) The election under this section shall be made annually, on or before the
6 due date for filing the entity’s return as established by the Commissioner, and
7 shall not apply retroactively. An election made under this section shall be
8 binding on all members of the pass-through entity for the year in which the
9 election is made. If the members decide to revoke an election, that revocation
10 shall occur on or before the due date for filing the entity’s return.

11 (d) Each pass-through entity that makes an election for a taxable year under
12 this section shall annually report to each of its members the member’s share of
13 distributive proceeds for the taxable year.

14 (e) Each pass-through entity that makes an election for a taxable year under
15 this section shall file an entity tax return and make payments on or before the
16 15th day of the third month following the close of each entity’s taxable year as
17 determined for federal income tax purposes. A pass-through entity shall make
18 estimated entity tax payments as provided under subchapters 10A and 10B of
19 this chapter except that a pass-through entity shall make the estimated entity
20 tax payments for residents and nonresidents alike.

1 (f) An individual who is a member or who receives income from a
2 disregarded entity that is a member as defined in section 5921a of this title
3 shall not be liable for the personal income tax imposed under section 5822 of
4 this chapter and shall not be required to file a personal income tax return as
5 prescribed under section 5861 of this chapter, provided:

6 (1) the individual is a nonresident of this State; and

7 (2) the individual's only Vermont income during the taxable year is
8 derived from a pass-through entity that has paid the tax imposed under this
9 section on the individual's Vermont income.

10 § 5921c. REFUNDABLE INCOME TAX CREDIT; INDIVIDUAL

11 MEMBERS OF PASS-THROUGH ENTITIES

12 An individual taxpayer of this State shall be entitled to a refundable credit
13 against the income tax paid under this chapter for the taxable year, provided
14 the individual is a member or receives income from a disregarded entity that is
15 a member of a pass-through entity that elects under section 5921b of this
16 chapter to be liable for and pay the pass-through entity income tax during the
17 taxable year. For each pass-through entity of which the individual is a
18 member, the amount of the credit shall equal 87.5 percent of the individual's
19 pro rata share of the tax paid under section 5921b of this chapter for the
20 taxable year, and that credit shall be available to the individual during the same
21 taxable year. The credit under this section shall be available after the

1 application of all other credits allowed by law and claimed by the individual
2 during the taxable year.

3 **Sec. 33. 32 V.S.A. § 5825 is amended to read:**

4 **§ 5825. CREDIT FOR TAXES PAID TO OTHER STATES AND**
5 **PROVINCES**

6 * * *

7 (c) The credit claimed under this section shall include an amount of the tax
8 paid to another state that imposes a tax on the distributive proceeds of a pass-
9 through entity, provided the other state’s tax is substantially similar to the pass-
10 through entity income tax imposed under subchapter 10C of this chapter. The
11 nonrefundable credit under this subsection shall equal 87.5 percent of the
12 taxpayer’s pro rata share of tax paid to another state, provided the amount of
13 the credit does not exceed the amount of pass-through entity business income
14 tax owed or that would have been owed if the pro rata share of tax paid were
15 subject to the pass-through entity income tax under subchapter 10C of this
16 chapter. As used in this subsection, “distributive proceeds” and “pass-through
17 entity” have the same meanings as under section 5921a of this chapter.

18 **Sec. 34. REPEALS; SALT DEDUCTION CAP WORKAROUND**

19 (a) 32 V.S.A. chapter 151, subchapter 10C (elective pass-through entity
20 income tax) is repealed.

1 (4) Sec. 5b (Child Care Financial Assistance Program; eligibility), Sec.
2 9a (payment to providers), and Sec. 10 (child care quality and capacity
3 incentive program) shall take effect on July 1, 2024, except that the
4 Commissioner for Children and Families shall initiate any rulemaking
5 necessary prior to that date in order to perform the Commissioner’s duties
6 under this act.

7 (5) Sec. 5c (Child Care Financial Assistance Program; eligibility) shall
8 take effect on October 1, 2024.

9 (6) Secs. 24 (personal income tax rates; taxable year 2024), 26 (32
10 V.S.A. § 5832; corporate income tax rates), and 28 (32 V.S.A. § 5828b; earned
11 income tax credit) shall take effect on January 1, 2024 and shall apply to
12 taxable years beginning on and after January 1, 2024.

13 (7) Sec. 25 (personal income tax rates; taxable year 2027) shall take
14 effect on January 1, 2027. Sec. 25 shall apply to taxable years beginning on
15 and after January 1, 2027.

16 (8) Notwithstanding 1 V.S.A. § 214, Secs. 27 (earned income tax credit;
17 taxpayer identification numbers), 29 (child tax credit; taxpayer identification
18 numbers), 30 (taxpayer identification numbers; credits), and 32 and 33 (SALT
19 deduction cap workaround) shall take effect retroactively on January 1, 2023
20 and shall apply to taxable years beginning on and after January 1, 2023.

1 (9) Sec. 31 (child tax credit; advance payments) shall take effect on the
2 later of July 1, 2023 or the first day of the second quarter of the State fiscal
3 year after the requirement to include recurring or nonrecurring State payments
4 of income tax refunds, rebates, or credits in income-based eligibility
5 determinations for any federal public assistance program, including the
6 Supplemental Nutrition Assistance Program; the Special Supplemental
7 Nutrition Program for Women, Infants, and Children; federal child care
8 assistance; and Supplemental Security Income, is abrogated by one or more of
9 the following federal actions:

10 (A) enactment of federal legislation;

11 (B) a decision by a controlling court from which there is no further
12 right of appeal; or

13 (C) publication of federal regulations, guidelines, memorandum, or
14 any other official action taken by the relevant federal agency with the authority
15 to alter income-based eligibility determinations for federal public assistance
16 programs.

17 (10) Sec. 34 (repeals; SALT deduction cap workaround) shall take effect
18 on the later of December 31, 2025 or the date on which the federal limitation
19 on individual deductions for state and local taxes under 26 U.S.C. § 164(b)(6)
20 is repealed or otherwise abrogated.

21

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4 (Committee vote: _____)

5

6

Representative _____

7

FOR THE COMMITTEE