

To: Senate Committee on Finance; Senate Committee on Appropriations

From: Stephanie Yu, Public Assets Institute  
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Re: S. 56 Draft No. 1.5 3/21/23

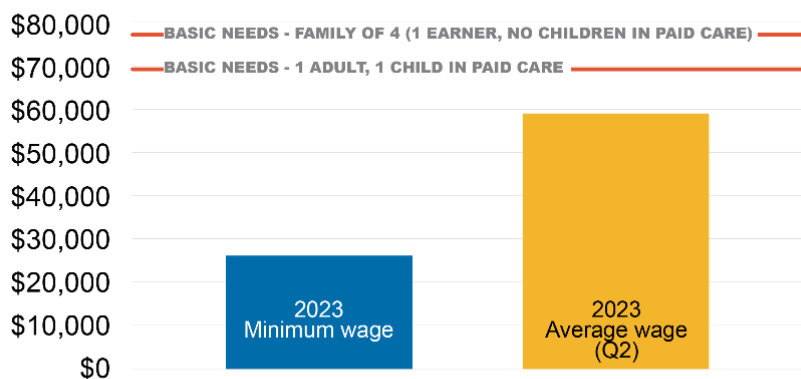
The need for additional investment in Vermont's child care system is [well established](#). We know parents are stretched, early childhood educators are underpaid and current subsidies are inadequate. We appreciate the hard work of your committees and many across state government to try to address this issue, and your commitment to the kids of Vermont.

We do have concerns about the proposal this week to repeal the new Vermont Child Tax Credit (CTC) to redirect funds to child care. Vermont was one of 11 states leading the way in passing state-level credits after the 2021 expanded federal child tax credit [dramatically reduced poverty](#) among kids, and many other states have them in the works. The federal expansion demonstrated very clearly the value of getting cash to families, not just for those families, but for [the broader economy](#). Vermont's credit is one of the most robust in the country and was intended to be a permanent source of support for Vermont families. Vermonters are just beginning to see the effects as they file their 2022 taxes.

Yesterday, Public Assets published an [explainer](#) of the new child tax credit which contained the chart here. What's critical to understand about this chart is that **even when they're not paying for child care, families earning the average wage in Vermont cannot meet their basic needs**. While child care

### Average Vermont wages don't meet families' basic needs

Annual wages and 2022 total basic needs budget for select households



Data sources: Joint Fiscal Office, Vermont Department of Labor  
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is a big expense for families that use it, there are many other costs associated with children, including housing, food, and clothing that cannot be met at Vermont wage levels.

In his testimony to the Senate Committee on Finance yesterday, Tax Commissioner Bolio pointed out “those folks who are under 150% of the federal poverty level have no co-pay for child care, and it's not entirely clear to me what they would gain in the new structure in child care, but they would lose a \$1,000 a child per year for everyone, for every child 5 and under. And again, these are the lowest income Vermonters who are at or below 150% of the federal poverty level.”

It's clear that repealing the Vermont CTC would hurt many families regardless of whether they're paying for child care. The wage analysis in the explainer underscores the importance of a standalone child tax credit – one that's not tied to child care but recognizes the many other costs children bring and that Vermont wages are too low to meet many families' basic needs.

There are many ways we invest in our kids: the pre-k-12 public education system (the single biggest use of state funds), quality, affordable early education for kids under 5, afterschool programming, Dr. Dynasaur. Ensuring that all families can meet their basic needs is a critical part of that investment. The new Vermont child tax credit is a big step in that direction. Investing more in child care is necessary, and we can do that without taking resources away from families that need them.