

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 after school 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 after school 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. As used in this
14 section, “child” or “children” means a child or children who are four years of
15 age on the date by which the child’s school district requires kindergarten
16 students to have attained five years of age or who are five years of age and not
17 yet enrolled in kindergarten, unless otherwise specified.

18 (b)(1) Membership. The Committee shall be composed of the following
19 members:

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

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

3 (C) the Executive Director of the Vermont Principals' Association or
4 designee;

5 (D) the Executive Director of the Vermont Superintendents
6 Association or designee;

7 (E) the Executive Director of the Vermont School Board Association
8 or designee;

9 (F) the Executive Director of the Vermont National Education
10 Association or designee;

11 (G) the Chair of the Vermont Council of Special Education
12 Administrators or designee;

13 (H) the Executive Director of the Vermont Curriculum Leaders
14 Association or designee;

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

16 (J) a representative of a prequalified private provider as defined in 16
17 V.S.A. § 829, operating a licensed center-based child care and preschool
18 program, appointed by the Speaker of the House;

19 (K) a representative of a prequalified private provider as defined in
20 16 V.S.A. § 829, providing prekindergarten education at a regulated family
21 child care home, appointed by the Committee on Committees;

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

2 (M) the Executive Officer of Let’s Grow Kids or designee;

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

4 (O) a representative, appointed by the Vermont Association for the

5 Education of Young Children;

6 (P) a regional prekindergarten coordinator, appointed by the Vermont

7 Principals’ Association;

8 (Q) two family representatives, one with a child three years of age or

9 younger when the Committee initially convenes and the second with a

10 prekindergarten-age child when the Committee initially convenes, appointed

11 by the Building Bright Futures Council.

12 (2) The Committee shall consult with any stakeholder necessary to

13 accomplish the purposes of this section, including stakeholders with

14 perspectives specific to diversity, equity, and inclusion.

15 (c) Powers and duties. The Committee shall examine the delivery of

16 prekindergarten education in Vermont and make recommendations to expand

17 access for children through the public school system or private providers under

18 contract with the school district, or both. The Committee shall examine and

19 make recommendations on the changes necessary to provide prekindergarten

20 education to all children by or through the public school system on or before

21 July 1, 2026, including transitioning children who are three years of age from

1 the 10-hour prekindergarten benefit to child care and early education. The

2 Committee’s recommendation shall consider:

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

4 (2) benchmarks and best practices to ensure high quality prekindergarten
5 education;

6 (3) measures to ensure capacity is available to meet the demand for
7 prekindergarten education;

8 (4) special education services for children participating in
9 prekindergarten in both public and private settings;

10 (5) any necessary infrastructure changes to expand prekindergarten;

11 (6) costs associated with expanding prekindergarten, including fiscally
12 strategic options to sustain an expansion of prekindergarten;

13 (7) recommendations for the oversight of the prekindergarten system;

14 and

15 (8) any other issue the Committee deems relevant.

16 (d) Assistance. The Committee shall have the administrative, technical,

17 fiscal, and legal assistance of the Agencies of Education and of Human

18 Services. If the Agencies are unable to provide the Committee with adequate

19 support to assist with its administrative, technical, fiscal, or legal needs, then

20 the Agency of Education shall retain a contractor with the necessary expertise

21 to assist the Committee.

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

7 (f) Meetings.

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

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

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

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

18 (h) Appropriations.

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

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

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

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

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

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

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

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

17 On or before December 1, 2023, the Agency of Education, in consultation
18 with the Prekindergarten Education Implementation Committee, shall analyze
19 and issue a written report to the General Assembly regarding whether the cost
20 of educating a prekindergarten student is the same as educating a kindergarten
21 student in the context of a full school day. The report shall include a detailed

1 analysis, recommendation, and implementation plan for the sufficient weight to
2 apply to prekindergarten students, in alignment with the weights under current
3 law, for the purposes determining weighted long-term membership of a school
4 district under 16 V.S.A. § 4010. The report shall include draft legislative
5 language to support the recommended prekindergarten pupil weight and
6 implementation plan.

7 **Sec. 2c. AGENCY OF EDUCATION DATA COLLECTION AND**
8 **SHARING**

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

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

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

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

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

18 (A) the total resources needed to operate a public prekindergarten
19 education program that would serve each prekindergarten child in the district;

20 (B) the number of prekindergarten children by year of age;

1 (C) the total education spending and other funds spent in fiscal year
2 2023 for children attending public prekindergarten education programs;

3 (D) the total education spending and other funds spent in fiscal year
4 2023 for prekindergarten children receiving prekindergarten education through
5 a prequalified private provider to whom the district pays tuition;

6 (E) if the school district operates a public prekindergarten education
7 program:

8 (i) the number of hours and slots offered in the public
9 prekindergarten education program;

10 (ii) the number of students residing in the district enrolled in the
11 public prekindergarten education program;

12 (iii) the number and cost of students residing in the district
13 enrolled in a prequalified private provider for whom the district pays tuition for
14 prekindergarten education; and

15 (iv) the number of students enrolled in the public prekindergarten
16 education program who reside outside the district and the corresponding
17 revenues associated with the nonresident student tuition; and

18 (F) if the school district does not operate a prekindergarten education
19 program:

20 (i) the number of hours of prekindergarten education provided to
21 each prekindergarten child; and

1 * * * Child Care and Child Care Subsidies * * *

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

3 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

4 ELIGIBILITY

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

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

1 have a family co-payment. Families with an annual gross income up to and
2 including 350 XXX percent of current federal poverty guidelines, adjusted for
3 family size, shall be eligible for a subsidy authorized by the subsection. The
4 scale shall be structured so that it encourages employment. If the federal
5 poverty guidelines decrease in a given year, the Division shall maintain the
6 previous year's federal poverty guidelines for the purpose of determining
7 eligibility and benefit amount under this subsection.

8 (3) Earnings deposited in a qualified child education savings account,
9 such as the Vermont Higher Education Investment Plan, established in
10 16 V.S.A. § 2877, or any similar plan qualified under 26 U.S.C. § 529, shall be
11 disregarded in determining the amount of a family's income for the purpose of
12 determining continuing eligibility.

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

20 * * *

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

1 § 3512. CHILD CARE FINANCIAL ASSISTANCE PROGRAM;

2 ELIGIBILITY

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

9 * * *

10 (5) The Department shall ensure that applications for the Child Care
11 Financial Assistance Program use a simple, plain-language format.
12 Applications shall be available in both electronic and paper formats and shall
13 comply with the Office of Racial Equity’s most recent Language Access
14 Report.

15 (6) A Vermont resident who has a citizenship status that would
16 otherwise exclude the resident from participating in the Child Care Financial
17 Assistance Program shall be served under this Program, provided that the
18 benefit for these residents is solely State-funded. The Department shall not
19 retain data on the citizenship status of any applicant or participant once a child
20 is no longer participating in the program, and it shall not request the citizenship
21 status of any members of the applicant’s or participant’s family. Any records

1 created pursuant to this subsection shall be exempt from public inspection and
2 copying under the Public Records Act.

3 * * *

4 Sec. 5b. FISCAL YEAR 2024; FAMILY CONTRIBUTION

5 In fiscal year 2024, a weekly family contribution for participants in the
6 Child Care Financial Assistance Program established in 33 V.S.A. §§ 3512 and
7 3513 shall begin at \$27.00 for families at 151 percent of the federal poverty
8 level and increase progressively for families at a higher percentage of the
9 federal poverty level as determined by the Department.

10 Sec. 6. PROVIDER RATE ADJUSTMENT; CHILD CARE FINANCIAL
11 ASSISTANCE PROGRAM

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

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

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

19 (b)(1) On January 1, 2024, the Department for Children and Families shall
20 provide an adjustment to the base child care provider reimbursement rates in
21 the Child Care Financial Assistance Program for child care services provided

1 by center-based child care and preschool programs, family child care homes,
2 and afterschool and summer care programs. The adjusted reimbursement rate
3 shall account for the age of the children served and be 38.5 percent higher than
4 the fiscal year 2023 five-STAR reimbursement rate in the Vermont STARS
5 system. The adjusted reimbursement rate shall then be adjusted to account for
6 the differential between family child care homes and center-based child care
7 and preschool programs by 50 percent. All providers in the same child care
8 setting category shall receive a reimbursement rate payment, which shall be
9 dependent upon whether the provider operates a regulated child care center and
10 preschool program, regulated family child care home, or afterschool or
11 summer care program.

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

14 Sec. 7. APPROPRIATION; CHILD CARE FINANCIAL ASSISTANCE
15 PROGRAM

16 (a) In addition to fiscal year 2024 funds appropriated for the Child Care
17 Financial Assistance Program in other acts, in fiscal year 2024,
18 \$XX,XXX.XXX.00 is appropriated from the General Fund to the Department
19 for Children and Families' Child Development Division for:

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

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

1 (b)(1) In addition to fiscal year 2024 funds appropriated for the
2 administration of the Department for Children and Families' Child
3 Development Division in other acts, in fiscal year 2024, \$4,000,000.00 is
4 appropriated from the General Fund to the Division to administer adjustments
5 to the Child Care Financial Assistance Program required by this act through
6 the authorization of the following eleven new permanent classified positions
7 within the Division:

8 (A) one Business Applications Support Manager;

9 (B) one Licensing Field Specialist I;

10 (C) two Child Care Business Techs;

11 (D) one Administrative Services Coordinator II;

12 (E) one Program Integrity Investigator;

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

14 (G) one Business Application Support Specialist;

15 (H) one Communications and Outreach Coordinator;

16 (I) one Financial Manager II; and

17 (J) one Grants and Contracts Manger.

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

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

4 Sec. 8. READINESS PAYMENTS; CHILD CARE FINANCIAL
5 ASSISTANCE PROGRAM

6 (a)(1) In fiscal year 2024, \$XXX,XXX,XXX.00 is appropriated one time
7 from the General Fund to the Department for Children and Families' Child
8 Development Division for the purpose of providing payments to child care
9 providers, as defined in 33 V.S.A. § 3511, delivering child care services to
10 children, in preparation of the Child Care Financial Assistance Program
11 eligibility expansion in Sec. 5 of this act and for the fiscal year 2024 provider
12 rate adjustment in Sec. 6 of this act. Readiness payments may be used for the
13 following:

- 14 (A) increasing capacity for infants and toddlers;
15 (B) expanding the number of family child care homes;
16 (C) improving child care facilities;
17 (D) preparing private prequalified providers for future changes in the
18 prekindergarten system;
19 (E) expanding hours of operation to provide full-day, full-week child
20 care services;
21 (F) addressing gaps in services and expanding capacity;

1 (G) increasing workforce capacity, including signing and retention
2 bonuses; and

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

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

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

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

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

18 § 3514. PAYMENT TO PROVIDERS

19 (a)(1) The Commissioner shall establish a payment schedule for purposes
20 of reimbursing providers for full- or part-time child care services rendered to
21 families who participate in the programs established under section 3512 or

1 3513 of this title. ~~Payments established under this section shall reflect the~~
2 ~~following considerations: whether the provider operates a licensed child care~~
3 ~~facility or a registered family child care home, type of service provided, cost of~~
4 ~~providing the service, and the prevailing market rate for comparable service.~~
5 The payment schedule shall account for the age of the children served, and all
6 providers in the same child care setting category shall receive a reimbursement
7 rate payment, which shall be dependent upon whether the provider operates a
8 child care center and preschool program, family child care home, or
9 afterschool or summer care program. The rate used to reimburse providers
10 shall be increased over the previous year's rate annually in alignment with the
11 most recent annual average wage growth for NAICS code 611, Educational
12 Services, not to exceed five percent.

13 (2) ~~Payments shall be based on enrollment status or any other basis~~
14 ~~agreed to by the provider and the Division.~~ The Department, in consultation
15 with the Office of Racial Equity and stakeholders, shall adopt rules pursuant to
16 3 V.S.A. chapter 25 that define “enrollment” and the total number of allowable
17 absences to continue participating in the Child Care Financial Assistance
18 Program. The Department shall minimize itemization of absence categories.

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

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

4 ~~(2) The payment schedule shall include reimbursement rate caps tiered~~
5 ~~in relation to provider ratings in the Vermont STARS program. The lower limit~~
6 ~~of the reimbursement rate caps shall be not less than the 50th percentile of all~~
7 ~~reported rates for the same provider setting in each rate category. [Repealed.]~~

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

9 § 3515. CHILD CARE QUALITY AND CAPACITY INCENTIVE

10 PROGRAM

11 (a) The Commissioner shall establish a child care quality and capacity
12 incentive program for child care providers participating in the Child Care
13 Financial Assistance Program pursuant to 33 V.S.A. §§ 3512 and 3513.
14 Annually, consistent with funds appropriated for this purpose, the
15 Commissioner may provide a child care provider with an incentive payment
16 for the following achievements:

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

21 (2) increasing infant and toddler capacity;

1 fee for child care services if it is later determined that the applying child
2 qualified for the Child Care Financial Assistance Program at the time the fee or
3 fees were paid.

4 Sec. 12. 33 V.S.A. § 3517 is added to read:

5 § 3517. CHILD CARE TUITION RATES

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

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

12 § 3518. CHILD CARE PROVIDER OWNERSHIP DISCLOSURE

13 (a) As used in this section:

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

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

19 (3) “Controls,” “is controlled by,” and “under common control” mean
20 the power to direct, or cause the direction or management and policies of a
21 person, whether through the direct or beneficial ownership of voting securities,

1 by contract, or otherwise. A person who directly or beneficially owns 10
2 percent or more equity interest, or the equivalent thereof, of another person
3 shall be deemed to control the person.

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

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

6 (A) the president, vice president, secretary, treasurer, manager, or
7 similar officer of a corporation as provided for by 11A V.S.A. § 8.40,
8 nonprofit corporation as provided for by 11B V.S.A. § 8.40, mutual benefit
9 enterprise as provided for by 11C V.S.A. § 822, cooperative as provided for by
10 11 V.S.A. § 1013, or worker cooperative corporation as provided for by 11
11 V.S.A. § 1089;

12 (B) a director of a corporation as provided for by 11A V.S.A. § 8.01,
13 nonprofit corporation as provided for by 11B V.S.A. § 8.01, mutual benefit
14 enterprise as provided for by 11C V.S.A. § 801, cooperative as provided for by
15 11 V.S.A. § 1006, or worker cooperative corporation as provided for by 11
16 V.S.A. § 1089;

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

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

1 (E) a partner of a partnership as provided for by 11 V.S.A. § 3212 or
2 a general partner of a limited partnership as provided for by 11 V.S.A. chapter
3 23.

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

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

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

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

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

10 § **3519**. DIVERSITY, EQUITY, AND INCLUSION

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

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

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

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

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

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

5 * * * Transitional Assistance and Governance * * *

6 Sec. 18. CHILD CARE; ADMINISTRATIVE SERVICE ORGANIZATIONS

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

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

13 § 4605. TECHNICAL ASSISTANCE; ACCOUNTABILITY

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

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

5 (2) define and measure success of expanded child care, prekindergarten,
6 and afterschool and summer care related to process, implementation, and
7 outcomes using a continuous quality improvement framework and engage
8 public, private, legislative, and family partners to develop benchmarks
9 pertaining to:

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

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

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

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

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

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

18 Sec. 20. APPROPRIATION; BUILDING BRIGHT FUTURES

19 Of the funds appropriated in Sec. 7(b) (appropriation; child care financial
20 assistance program) of this act, the Department for Children and Families shall
21 allocate \$266,707.00 to Building Bright Futures for the purpose of

1 implementing its duties under 33 V.S.A. § 4605. This amount shall become
2 part of the Department’s base for the purpose of supporting Building Bright
3 Future’s work pursuant to 33 V.S.A. § 4605.

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

5 GOVERNANCE

6 (a) On or before November 1, 2025, the Secretary of Human Services shall
7 submit an implementation plan to the House Committees on Appropriations,
8 on Government Operations and Military Affairs, and on Human Services and
9 to the Senate Committees on Appropriations, on Government Operations, and
10 on Health and Welfare regarding the reorganization of the Department for
11 Children and Families to increase responsiveness to Vermonters and elevate
12 the status of child care and early education within the Agency of Human
13 Services. The implementation plan shall be consistent with the goals of the
14 report produced pursuant to 2021 Acts and Resolves No. 45, Sec. 13. It shall
15 achieve greater parity in decision-making authority, roles and responsibilities,
16 and reporting structure related to early care and learning across the Agency of
17 Education and Agency of Human Services.

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

20 * * * * Child Care Provider Wages * * *

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

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

4 (1) Vermont shall establish minimum rates of compensation for child
5 care providers that align with the recommendations of the Vermont
6 Association for the Education of Young Children’s recommendations in the
7 2021 Advancing ECE as a Profession Task Force report;

8 (2) the rates of compensation shall annually increase based on the
9 percentage increase in the average wage for NAICS code 611; and

10 (3) the initial rates of compensation shall be adjusted for inflation based
11 on the findings and recommendations of the report prepared pursuant to Sec.
12 23a of this act.

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

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

19 *** * * Personal Income Tax Rates * * ***

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

1 (a) For taxable years beginning on and after January 1, 2024, after taking
2 into consideration any inflation adjustments to taxable income as required by
3 32 V.S.A. § 5822(b)(2), all personal income tax rates under 32 V.S.A.
4 § 5822(a)(1)–(5) shall be increased as follows:

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

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

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

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

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

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

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

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

5 (a) For taxable years beginning on and after January 1, 2027, after taking
6 into consideration any inflation adjustments to taxable income as required by
7 32 V.S.A. § 5822(b)(2), all personal income tax rates under 32 V.S.A.
8 § 5822(a)(1)–(5) shall be increased as follows:

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

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

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

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

| | | |
|---|---------------------|---|
| 1 | \$ 0–10,000.00 | 6.00% <u>6.5%</u> |
| 2 | 10,001.00–25,000.00 | \$600.00 plus 7.0% <u>8.0%</u> of the |
| 3 | | excess over \$10,000.00 |
| 4 | 25,001.00 and over | \$1,650.00 plus 8.5% <u>10.0%</u> of the |
| 5 | | excess over \$25,000.00 |

6 or

7 * * *

8 * * * Earned Income Tax Credit; Child Tax Credit * * *

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

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

1 income that is earned or received during the period of the individual's
2 residency in this State bears to the individual's total ~~earned~~ income.

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

4 **§ 5828b. EARNED INCOME TAX CREDIT**

5 (a)(1) A resident individual or part-year resident individual who is entitled
6 to an earned income tax credit granted under the laws of the United States or
7 who would have been entitled to an earned income tax credit under the laws of
8 the United States but for the fact that the individual, the individual's spouse, or
9 one 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 a~~
12 percentage, as determined under subdivision (2) of this subsection, of the
13 earned income tax credit granted to the individual under the laws of the United
14 States or that would have been granted to the individual under the laws of the
15 United States but for the fact that the individual, the individual's spouse, or one
16 or more of the individual's children does not have a qualifying taxpayer
17 identification number, multiplied by the percentage that the individual's
18 income that is earned or received during the period of the individual's
19 residency in this State bears to the individual's total income.

1 taxable year of the taxpayer begins. For a part-year resident individual, the
2 amount of the credit shall be multiplied by the percentage that the individual's
3 income that is earned or received during the period of the individual's
4 residency in this State bears to the individual's total income.

5 **Sec. 30. 32 V.S.A. § 5830 is added to read:**

6 **§ 5830. TAXPAYER IDENTIFICATION NUMBERS; CREDITS**

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

16 (b) Upon the Commissioner's request, an individual who claims one or
17 more credits pursuant to subsections 5828b(a) and 5830f(a) of this title shall
18 provide valid documents establishing the identity and income for the taxable
19 year of the individual and, as applicable, the individual's spouse and qualifying
20 children. Upon receiving a valid Social Security number issued by the Social

1 Security Administration, the individual shall notify the Commissioner in the
2 time and manner prescribed by the Commissioner.

3 (c) All claims submitted and records created pursuant to this section and
4 subsections 5828b(a) and 5830f(a) of this title shall be exempt from public
5 inspection and copying under the Public Records Act 1 V.S.A. § 317(c)(6) and
6 shall be kept confidential as return or return information pursuant to section
7 3102 of this title.

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

9 (d)(1) The Commissioner shall establish a program to make advance
10 quarterly payments of the credit under this section during the calendar year
11 that, in the aggregate, equal 50 percent of the annual amount of the credit
12 allowed to each individual for the taxable year. The quarterly payments made
13 to an individual during the calendar year shall be in equal amounts, except that
14 the Commissioner may modify the quarterly amount upon receipt of any
15 information furnished by the individual that allows the Commissioner to
16 determine the annual amount. The remaining 50 percent of the annual amount
17 of the credit allowed to each individual shall be determined at the time of filing
18 a Vermont personal income tax return for the taxable year pursuant to section
19 5861 of this title.

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

1 * * * SALT deduction cap workaround * * *

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

3 Subchapter 10C. Elective Pass-Through Entity Income Tax

4 § 5921a. DEFINITIONS

5 As used in this subchapter:

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

9 (2) “Member” means:

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

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

16 or

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

19 (3) “Pass-through entity” means a limited liability company taxed as a
20 partnership or S corporation for federal and state income tax purposes, a

1 partnership, or an S corporation. “Pass-through entity” does not mean a
2 publicly traded partnership or a single-member limited liability company.

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

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

8 § 5921b. PASS-THROUGH ENTITY INCOME TAX; ELECTION

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

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

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

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

19 (4) consent is given by:

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

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

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

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

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

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

1 this chapter except that a pass-through entity shall make the estimated entity
2 tax payments for residents and nonresidents alike.

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

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

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

12 § 5921c. REFUNDABLE INCOME TAX CREDIT; INDIVIDUAL

13 MEMBERS OF PASS-THROUGH ENTITIES

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

1 taxable year, and that credit shall be available to the individual during the same
2 taxable year. The credit under this section shall be available after the
3 application of all other credits allowed by law and claimed by the individual
4 during the taxable year.

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

6 **§ 5825. CREDIT FOR TAXES PAID TO OTHER STATES AND**

7 **PROVINCES**

8 * * *

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

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

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

4 (b) 32 V.S.A. § 5825(c) (credit for taxes paid to other states and provinces)
5 is repealed.

6 * * * Effective Dates * * *

7 Sec. 35. EFFECTIVE DATES

8 (a) Except as provided in subsection (b) of this section, this act shall take
9 effect on July 1, 2023.

10 **(b)(1) Sec. 3 (determination of weighted long-term membership and per**
11 **pupil education spending) shall take effect on July 1, 2026, subject to the**
12 **contingency provisions in Sec. 3a.**

13 (2) Sec. 5 (Child Care Financial Assistance Program; eligibility), Sec.
14 5b (fiscal year 2024; family contribution), Sec. 6 (provider rate adjustment;
15 Child Care Financial Assistance Program), Sec. 9 (payment to providers), and
16 **Sec. 12 (child care tuition rates)** shall take effect on January 1, 2024, except
17 that the Commissioner for Children and Families shall initiate any rulemaking
18 necessary prior to that date in order to perform the Commissioner's duties
19 under this act.

1 (3) Sec. 5a (Child Care Financial Assistance Program; eligibility) and
2 Sec. 10 (child care quality and capacity incentive program) shall take effect on
3 July 1, 2024.

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

8 (5) Sec. 25 (personal income tax rates; taxable year 2027) shall take
9 effect on January 1, 2027. Sec. 25 shall apply to taxable years beginning on
10 and after January 1, 2027.

11 (6) Notwithstanding 1 V.S.A. § 214, Secs. 27 (earned income tax credit;
12 taxpayer identification numbers), 29 (child tax credit; taxpayer identification
13 numbers), 30 (taxpayer identification numbers; credits), and 32 and 33 (SALT
14 deduction cap workaround) shall take effect retroactively on January 1, 2023
15 and shall apply to taxable years beginning on and after January 1, 2023.

16 (7) Sec. 31 (child tax credit; advance payments) shall take effect on the
17 later of July 1, 2023 or the first day of the second quarter of the State fiscal
18 year after the requirement to include recurring or nonrecurring State payments
19 of income tax refunds, rebates, or credits in income-based eligibility
20 determinations for any federal public assistance program, including the
21 Supplemental Nutrition Assistance Program; the Special Supplemental

1 Nutrition Program for Women, Infants, and Children; federal child care
2 assistance; and Supplemental Security Income, is abrogated by one or more of
3 the following federal actions:

4 (A) enactment of federal legislation;

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

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

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

15

16

17

18

19 (Committee vote: _____)

1

2

Representative _____

3

FOR THE COMMITTEE