



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

MEMORANDUM

To: House Committee on Appropriations
Senate Committee on Appropriations

From: Emily Byrne, Deputy Fiscal Officer, Joint Fiscal Office

Date: January 2, 2025

Subject: Child Care Change in the Governor's Fiscal Year 2025 Budget Adjustment Proposal

The Governor's fiscal year 2025 budget adjustment proposal makes two roughly \$13 million changes (approximately \$26.28 million total) to the funding for the Child Care Financial Assistance Program (CCFAP). Budget adjustment changes are onetime in nature and do not affect CCFAP's future year base appropriations. The two changes proposed in the Governor's budget adjustment proposal are:

- Caseload: caseload has been lower than expected. As such, the Governor's proposal includes a spending reduction of \$13.08 million for the remainder of fiscal year 2025.
- Additional special fund revenue: the updated Child Care Contribution Special Fund consensus revenue forecast is higher than anticipated in the fiscal year 2025 budget as passed. As such, the Governor's proposal shifts \$13.20 million in spending from the General Fund to the Special Fund instead. This is net neutral.

More detailed information on these changes, as well as some additional considerations, are below:

- 1) Reducing the General Fund appropriation to CCFAP by \$13.08 million due to lower than expected caseload and utilization rates.
 - a. In [Sec. E.318 of Act 113 \(2024\)](#), the fiscal year 2025 budget, the General Assembly instructed the Joint Fiscal Office (JFO) and the Administration to come to consensus on the costs related to CCFAP.
 - b. JFO reviewed the current and projected caseload and utilization of CCFAP and agreed with the Administration that lower than expected caseload and utilization rates would result in lower than anticipated fiscal year 2025 CCFAP spending.
 - c. Because of this, the Administration proposes to reduce CCFAP's General Fund appropriation and redirect those funds to other needs. This would be a one-time adjustment in fiscal year 2025, not a change to CCFAP's base funding.
 - d. While the proposed reduction is one-time in nature, the General Assembly should consider long-term program needs and investments (one-time vs base) as more information on program utilization is available.

- e. It should also be noted that CCFAP is an entitlement program, meaning if caseload exceeds the adjusted projections, individual families will continue to receive subsidies.
- 2) Shifting \$13.20 million of CCFAP spending from the General Fund to the Child Care Contribution Special Fund.
- a. Background:
 - i. In [Sec. 7 of Act 76 \(2023\)](#), the General Assembly made a \$47.80 million base appropriation to the Department for Children and Families' Child Development Division (DCF-CDD) to expand CCFAP eligibility and increase provider rates beginning in fiscal year 2024.
 - ii. The Act also included the adoption of the Child Care Contribution (i.e. the Payroll Tax) to support further eligibility expansion and rate increases. JFO estimated that the Child Care Contribution would raise \$81.9 million in fiscal year 2025. In the fiscal year 2025 budget, DCF-CDD included \$79.60 million of additional spending authority from the Child Care Contribution Special Fund. The Department of Taxes included \$2.19 million for administrative costs.
 - iii. On July 31, 2024, and again on January 22, 2025, the Emergency Board adopted an updated estimate for the Child Care Contribution (Payroll Tax) of \$92.80 million.
 - iv. The difference between the updated consensus revenue forecast (\$92.80 million), and the spending authority (\$79.60 million) in the DCF-CDD base budget from the Child Care Contribution Special Fund is \$13.20 million dollars.
 - b. The updated consensus revenue forecast projects additional capacity in the Child Care Contribution Special Fund. As such, the Governor's budget adjustment proposal includes a one-time reduction in the General Fund appropriation and corresponding one-time increase in the Child Care Contribution Special Fund appropriation.
 - c. This shift is net neutral for CCFAP – it does not change the amount of funding available, it only changes the source of funds.
 - d. Note, [the final fiscal note for Act 76](#) projected that there would be more revenue available than projected expenses in fiscal year 2025. This was based on projected collections less projected uptake in the program initially. But the Act and the letters of legislative intent were silent on what to do with the additional anticipated revenue, likely due to uncertainty around uptake and program needs.

Note About Revenue Collections to Date:

To date, collections to the Child Care Contribution Special Fund have been sluggish. This is likely due to compliance issues. Given wage performance, it is anticipated that the forecasted revenue will be collected before the end of the fiscal year. If not, the \$8.0 million in transferred funds can be utilized until collections catch up with expenditures.