First Children's Finance

Vermont Cost Modeling Report

Report on the Cost of Providing Child Care in Vermont to the Department for Children and Families

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Executive Summary

The Vermont Department for Children and Families (DCF) has engaged with First Children's Finance (FCF) to create an annual update of Vermont's child care cost model. Cost models estimate the costs associated with providing care for children in regulated early care and education (ECE) and afterschool programs. Vermont's cost model reflects the costs associated with meeting health, safety, and licensing standards and providing high quality care, as defined by a 5 STAR rated program in Vermont's STep Ahead Recognition System (STARS). Annual cost model updates aim to better understand the current business landscape for child care providers and the extent to which Child Care Financial Assistance Program (CCFAP) subsidy rates support equitable access to child care for Vermont families.

This cost model update builds on the previous cost modeling work completed in Vermont, including the 2024 Market Rate Survey and Cost of Care report and the 2023 Early Care and Education Financing Study. FCF updated the previous cost models to reflect inflation and recent policy changes, including impacts of Act 76 (H.217). FCF also adjusted assumptions related to the provision of transportation, high-quality meals, and substitute care in consultation with DCF. These updates limit direct comparability to previous cost modeling.

FCF developed two sets of cost models: one with aspirational wages and the other with estimated current wages. The aspirational wages and benefits for the ECE workforce align with the Vermont Association for the Education of Young Children's Advancing ECE as a Profession workgroup. Aspirational wages are modeled on other recognized professions with similar education and experience requirements. FCF also created models with estimated current wages for the ECE workforce. The table below shows the annual wage for teaching staff roles.

FCF also created cost models that estimate the costs associated with being a Universal Prekindergarten Education (UPK) partner. Center UPK models include higher wages for UPK classroom lead teachers and additional administrative time. Family Child Care Home (FCCH) UPK models include a higher FCCH provider wage, to reflect additional administrative time, and the cost of engaging with a consulting teacher.

Comparison of Wages Included in the Current and Aspirational Cost Models

Teaching Staff Role	Current Annual Wage	Aspirational Annual Wage
Center lead teacher	$47,237	$76,372
Center UPK lead teacher	$52,070	$76,372
Center assistant teacher	$37,790	$55,172
Center floater	$37,790	$43,711
FCCH provider	$49,093	$76,372
FCCH UPK provider	$55,074	$76,372
FCCH assistant	$37,790	$55,172

Cost Model Results

The per-child costs shown below reflect what it costs to provide year-round care, not the tuition that programs charge. School age care costs reflect part-time care in the school year and full-time care in the summer.

Center Annual Per-Child Costs

Age Group	Small Current	Small Aspirational	Medium Current	Medium Aspirational	Large Current	Large Aspirational
Infant	$30,383	$40,327	$27,865	$37,433	$27,156	$36,632
Toddler	$24,869	$32,793	$22,848	$30,485	$22,257	$29,826
Preschool	$13,840	$17,726	$12,813	$16,587	$12,459	$16,216
School Age	$12,559	$15,212	$11,001	$13,446	$7,667	$9,429

Family Child Care Home Annual Per-Child Costs

Age Group	Small Registered FCCH Current	Small Registered FCCH Aspirational	Large Licensed FCCH Current	Large Licensed FCCH Aspirational
Age 0-5	$13,299	$18,590	$15,319	$21,635
School Age	$7,033	$11,082	$8,101	$12,898

Additional Per-Preschooler Annual Cost for UPK Partner Programs

Centers (all sizes)	Small Registered FCCH	Large Licensed FCCH
$736	$4,839	$2,420

Modeled Programs Net Revenue and Profit Margin

Modeled Program	Current Wages: Net Revenue	Current Wages: Profit Margin	Aspirational Wages: Net Revenue	Aspirational Wages: Profit Margin
Small Registered FCCH	$10,620	9%	-$37,319	-31%
Large Licensed FCCH	$8,951	5%	-$62,336	-36%
Small Center	-$133,591	-17%	-$404,587	-51%
Medium Center	-$82,310	-6%	-$570,876	-39%
Large Center	$223,362	10%	-$425,987	-19%

These cost modeling results show important signs of progress for the fiscal health of the ECE field in Vermont. They also highlight opportunities for continued investment, support, and attention.

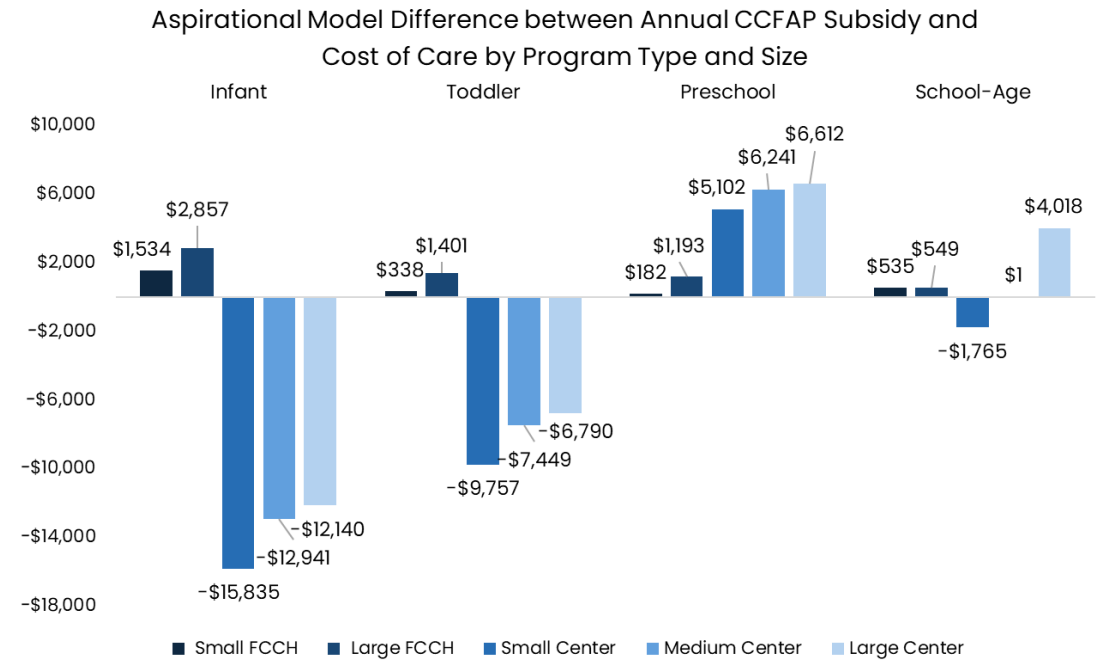
Findings include:

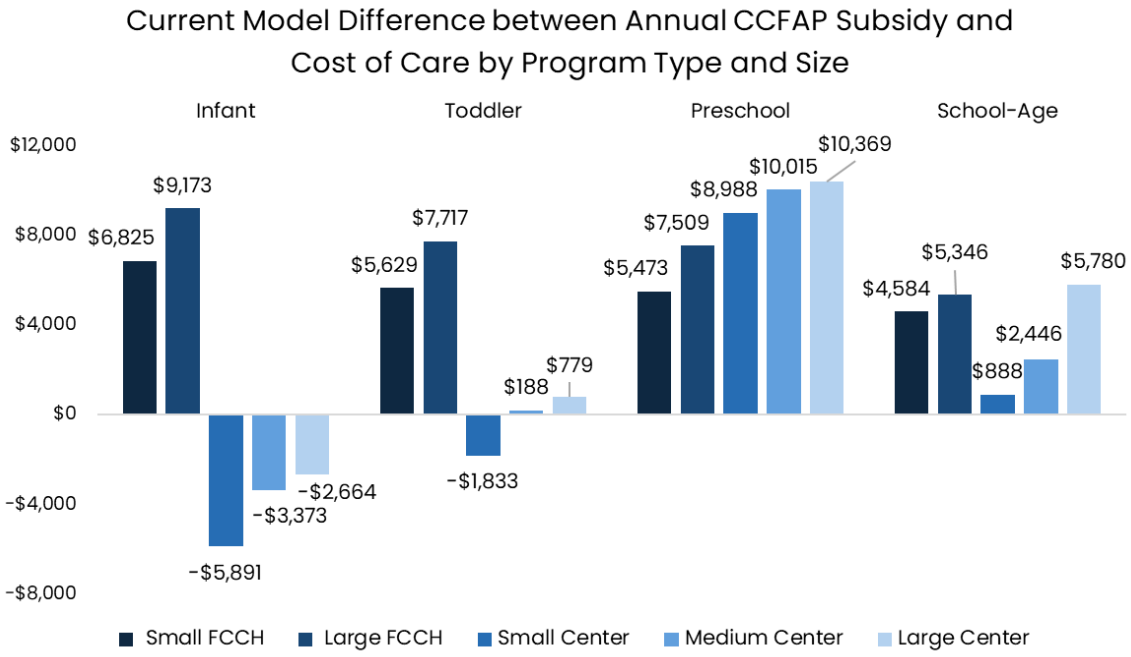
- The small and medium center models resulted in negative net revenue. FCF recognizes that small and medium centers across the state would not continue to operate with consistent negative net revenues. Programs are creative and resourceful in finding ways to manage expenses. However, some of these measures limit child care sustainability and supply.

- The profitability of child care centers is driven by their preschool classrooms. This is seen in the positive net revenue of the large center, which includes a higher ratio of preschool to infant and toddler classrooms. Healthy preschool enrollment is essential for program sustainability.
- Both small registered and large licensed FCCHs have positive net revenues in the current wages model. Median market tuition (private pay) does not cover the cost of care. However, CCFAP rates do cover the current cost of care across all age groups. The FCCHs modeled have strong CCFAP enrollment which drives the positive net revenues. Supporting CCFAP participation among FCCH providers and their enrolled families increases FCCH revenue and sustainability, a positive sign for the health of the ECE field in Vermont.
- The negative net revenue that results from inclusion of aspirational wages and benefits in the cost models indicates a need for continued investment in the ECE field for the ECE workforce to fully realize parity to other recognized professions.
- Modeled UPK programs reflect additional staffing costs related to UPK participation. The additional cost per-preschooler varies significantly between UPK-partner FCCHs and centers. This additional cost per-preschooler is the total additional staffing cost associated with being a UPK partner divided by the number of preschoolers enrolled. The smaller preschool enrollment in a FCCH leads to higher additional per-preschooler costs. Blended funding from the enrollment of children participating in CCFAP and UPK provides necessary revenue to cover increased programmatic costs.

CCFAP Rate Setting Considerations

The following graphs compare annualized CCFAP rates to the annual per-child costs for models with current wages and aspirational wages. Comparing per-child cost estimates to current CCFAP rates can provide context for understanding the impact of recent rate increases and identifying ongoing gaps.





These findings inform the following rating setting considerations:

- While current CCFAP rates support current wages across most age groups and program structures, in centers they do not support aspirational wages that reflect parity with other recognized professions with similar education and experience requirements. Rates for small registered FCCHs and large licensed FCCHs meet the aspirational cost of care but require nearly 100% CCFAP participation for a program to

break even. Vermont has made important progress toward meeting aspirational wage goals though additional CCFAP rate increases and high program participation will be needed to achieve this goal.

- Even with significant recent increases in CCFAP rates, current center rates do not meet the cost of care for infants across any center size in the current wage models. This is due to the low child-to-staff licensing ratios needed to safely care for infants. Future rate increases should prioritize infant care.
- Preschool CCFAP rates for centers exceed the current per-child cost across all center sizes. This reflects longstanding dynamics in the child care business model where profits generated from preschool classrooms offset substantial losses from operating infant classrooms, as well as toddler classrooms that experience small losses or roughly breakeven. State leaders should consider the profits and losses generated at the per-child level within the context of a full center enrollment. The current funding model maintains reliance on strong preschool enrollment to support overall child care business sustainability. Shifts in enrollment of preschool children to programs within K-12 systems may upend this balance. Increasing infant and toddler rates could begin to unwind this dynamic.
- Current CCFAP rates exceed the per-child cost of care for school age children in the current wage model. However, input from partners suggests that many community-based child care programs are not able to maximize school age enrollment to the extent included in the model. Data collection and engagement with school age providers will inform more nuanced school age cost modeling in future cost model updates.
- Recent increases in CCFAP rates for FCCHs result in rates that cover current and aspirational wage per-child costs. If a FCCH has an assistant and is a licensed FCCH, the higher CCFAP rate for licensed programs covers the additional staffing cost of an assistant. Supports to help programs through the process of becoming a licensed FCCH and hire an assistant could incentivize the start up or conversion of homes to this larger enrollment model as a supply-building strategy.

The updated cost models produced for this report provide context for DCF and the legislature in a time of significant change for the ECE field in Vermont. Cost modeling can inform understanding of areas for continued investment, policy changes, and future priorities.

Introduction

The Vermont Department for Children and Families (DCF) has engaged with First Children's Finance (FCF) to create an updated Vermont child care cost model. Cost models estimate the costs associated with providing care for children in regulated early care and education (ECE) and afterschool programs. Vermont's cost model reflects the costs associated with meeting health, safety, and licensing standards and providing high quality care, as defined by a 5 STAR rated program in Vermont's STep Ahead Recognition System (STARS). The annual update of a cost model aims to better understand the business landscape for child care businesses in the state and potentially inform subsidy rate setting.

Vermont has completed a series of child care cost models over recent years including their 2024 Market Rate Survey and Cost of Care report, and the 2023 Early Care and Education Financing Study ("ECE Financing Study"). This past work serves as a foundation for updated cost modeling. This report provides an updated cost model that reflects changes in policy, inflation and other factors over the last year. The following section summarizes the benefits and limitations of cost modeling to inform CCFAP rates. Then, the methodology section details FCF's approach to modeling and the updates made to the ECE Financing Study cost models. Next, the resulting cost model outputs are presented alongside key takeaways. Finally, FCF presents considerations for DCF and the legislature for using cost data to inform Child Care Financial Assistance Program (CCFAP) rate setting.

About First Children's Finance

Founded in 1991, First Children's Finance addresses the business and finance needs of child care in three different ways: building the financial sustainability of child care entrepreneurs, partnering with communities to preserve and grow their child care supply, and influencing state and federal systems to provide supports and investments needed to sustain child care businesses.

We are unique in working at all three levels: child care businesses, communities, and systems – and where they intersect. Our holistic approach ensures policies, practices, planning, and systems are informed by community and child care business owner needs while leveraging national resources, connections, and expertise.

For more information, visit www.firstchildrensfinance.org and follow FCF on Facebook and LinkedIn.

Uses of Cost Models

Cost modeling can be used for multiple purposes. State agencies administering child care assistance programs under the Child Care and Development Block Grant (CCDBG) Act of 2014 must consider cost information as part of their process to certify that child care assistance payment rates provide equal access to child care for eligible children when

compared with children accessing care through the private child care market. This report and related cost model can be used to meet this requirement.

Most states, including Vermont, now conduct cost studies in conjunction with market rate surveys/market rate studies (MRS) to inform child care subsidy rate setting. Cost of care studies are different from MRS in important ways. While the MRS provides information about the prices charged for child care services, a cost study focuses on the actual expenses associated with caring for children. For many child care programs, the price of tuition does not reflect the full cost of providing care, especially high-quality care. Most child care programs set tuition rates based on what local families can afford and rely on various cost-cutting measures to balance their budgets. Some cost-cutting strategies, such as depending on donated facility space, fundraising, or volunteer labor, limit child care supply in communities where these resources are not readily available. Other measures, such as offering low wages and few benefits to staff, limit child care supply and impact the quality of care. Setting policies like CCFAP payment rates based only on price, without understanding costs, can perpetuate inequity and misalignment. Better understanding program costs, through the development and use of a cost model, can inform state leaders and ECE programs' transition to a high-quality system that doesn't rely on cost-cutting measures that limit supply and reduce quality.

Vermont made historic investments in the child care sector in 2023 and 2024 through Act 76, including increased CCFAP rates. Completion of an updated cost model can help the legislature understand how increased payment rates compare to the costs that programs are currently experiencing to operate. Similarly, ongoing cost modeling updates can be an evaluation tool in understanding the impact of investments on the overall health of child care businesses in Vermont.

Cost models can also be used to better understand the costs that programs experience when offering particular types of care such as universal prekindergarten (UPK), school age care, inclusive care for children with special needs, or extended day care. Understanding unique costs can inform CCFAP rates as well as contracts, grants, or other financial supports that encourage these types of care. Cost models can also be used as part of a systems-level financing study, as was done in the ECE Financing Study.

Limitations of Cost Models

The cost model aims to reflect the average or "typical" program in the state. This means that it will not reflect the costs and revenue of all or any one specific program. Cost modeling requires making assumptions about many aspects of the modeled program. FCF engaged with partner organizations across the state to align assumptions with the experiences and realities of child care programs in Vermont. Some assumptions included in the updated cost model reflect aspirations for ways that child care programs could operate in a high quality, well-funded, and supported environment.

Cost models provide information that can inform a wide range of policy questions. However, the information produced by the cost models is too generalized to be appropriate for programs to use to make individual business choices. Child care programs should make individualized choices about program quality and other business investments.

Future Directions

As is discussed below, FCF relied on administrative data for updates to this cost model. FCF will engage with child care programs and partner organizations across the state for more robust data collection and cost modeling in 2025 for an updated 2026 cost modeling report. Significant assumptions like staffing and enrollment patterns may change from the current model, as a result.

Additional data collection and partner engagement will facilitate the development of a highly customizable Vermont-specific cost model. Potential areas of exploration for the 2026 cost models include:

- More detailed and current data on wages and benefits
- Geographic differences
- Potential economies of scale across different program sizes
- Current enrollment patterns and classroom sizes
- UPK-related costs, in more detail
- Unique realities of school age care
- Extended day costs
- Tuition payment practices and discounts that programs offer for families

Methodology

FCF's process for updating Vermont's cost model began by analyzing the current political and policy landscape in the state. FCF conducted a deep review of the 2023 Vermont Early Care and Education Financing Study ("ECE Financing Study"), conducted by RAND. Review of cost modeling materials focused on the underlying assumptions that informed previous estimates of programmatic costs. FCF also reviewed materials provided by DCF, including past cost models aligned with the Blue Ribbon Commission. Engagement with Let's Grow Kids, Hunger Free Vermont, and the FCF Vermont office provided additional context and detail to understand and use these past documents.

For this report, First Children's Finance recreated the ECE Financing Study cost models in FCF's cost modeling tool. Given the timeline for this initial cost model update, FCF relied on administrative data and aligned with the underlying assumptions from cost models produced and used for the ECE Financing Study. This included maintaining the assumed center configurations featured in the ECE Financing Study, details of which can be found in the table below. The ECE Financing Study modeled a small and large FCCH. FCF maintained the number of children enrolled in the small and large FCCHs, six children age 0-5 in a small

FCCH and twelve children in the large FCCH. FCF made the assumption that small FCCHs were registered FCCHs and large FCCHs were licensed FCCHs.

Table 1: Number of Classrooms by Age Group for Center Programs

Center Size	Small Center	Medium Center	Large Center
Infant Classrooms	1	2	2
Toddler Classrooms	1	2	2
Preschool Classrooms	1	2	4

Changes from Previous Modeling

The following section will outline the changes made to cost model inputs, data sources used, and rationale. In place of one model designed to reflect the true cost of high-quality care, FCF produced two sets of cost models: one with aspirational wages, aligned with the VTAEYC's Advancing ECE as a Profession Workgroup recommended minimum compensation standards, and one with estimated current wages. In consultation with DCF, FCF made the following changes across both the aspirational wage and estimated current wage models to better align the models with the current practices of Vermont child care businesses. The impact of the change on the resulting per-child cost, in comparison to the previous approach, is also noted.

- FCF did not include a per-child transportation cost that reflected transporting children to and from their program. This decreased the per-child cost. This exclusion was made with guidance from DCF partners that daily transportation is not a reality for most programs in Vermont and limits opportunities for regular family-teacher engagement.
- FCF estimated food costs that reflect programs serving breakfast, lunch, and a snack. FCF included the cost of a cook as a staff member for centers. FCF also included estimated Child and Adult Care Food Program (CACFP) revenue for centers and FCCH. FCF used Vermont census data to estimate what percentage of children are eligible for each tier of CACFP reimbursement rates. This increased the revenue in the model. Per-child costs remained roughly the same. Some food-related costs shifted from non-personnel costs to staff costs to reflect the wages and benefits for a cook. The inclusion of estimated food costs and a program cook reflected DCF's desire to model programs that provide high-quality, nutritious meals and snacks as a part of their programming.
- In addition to the high-quality program modeled in the ECE Financing Study, FCF modeled the costs of being a UPK partner program. Additional details on the UPK models are included below.

FCF also produced a set of cost models that begin to reflect the current experience of programs, rather than the aspirational state modeled by the ECE Financing Study. FCF retained many of the underlying model assumptions used in the ECE Financing Study, like

modeling a five STAR rated program. Changes from the ECE Financing Study model in the estimated current wage model include:

- Estimates of current wages for all staff within centers and FCCH. Information below outlines the data sources used to estimate these wages. This resulted in decreased per-child costs from the ECE Financing Study approach.
- FCF adjusted the benefits offered in the estimated current wage models. These are discussed in more detail below. FCF used estimates for health insurance costs that reflect limited employee uptake in the benefit, a lower employer retirement match, and slightly less paid time off available to staff. These changes result in lower employer benefit costs per-staff and lower per-child costs.
- The ECE Financing Study cost model included substitute compensation for FCCH where substitutes were represented as 0.4 FTE. Instead of this high level of substitute coverage, FCF included substitute coverage for 10 closure dates for FCCH. This is in addition to the 20 paid closure days allowable through CCFAP. This decreased the per-child cost.

The following sections detail the updates made to the cost model. Additional details on the other assumptions, staffing patterns, and inputs used in the models can be found in the ECE Financing Study.

School Age Care

The ECE Financing Study did not estimate the per-child cost of school age care. To inform CCFAP rate setting, FCF estimated the costs of school age care in this update. Cost models assume part-time enrollment during the school year and full-time enrollment during the summer. Table 2 shows the school age enrollment across each program structure and size and the updated total enrollment, with school age children included.

Table 2: School Age and Total Enrollment Across Cost Models

Program	School Age Enrollment	Updated Total Enrollment
Small Registered FCCH	4 school age children	10
Large Licensed FCCH	3 school age children	12
Small Center	1 classroom, 13 school age children	51
Medium Center	1 classroom, 13 school age children	89
Large Center	1 classroom, 26 school age children	142

Beyond enrollment and staffing patterns, FCF did not model any unique school age costs or revenues. Future engagement and data collection about school age care can inform more nuanced school age cost modeling in 2026.

Wages & Benefits

The ECE Financing Study cost model included aspirational wages for the workforce. These aspirational wages were modeled on the Vermont Association for the Education of Young

Children (VTAEYC) Advancing ECE as a Profession initiative. Minimum compensation standards for the field were derived from wages from recognized professions with similar education and training requirements, rather than current ECE workforce data.

Aspirational Wages: The ECE Financing Study provides additional detail on alignment between program roles and the Advancing ECE as a Profession minimum compensation standards. FCF used inflation adjusted wages and benefits information, provided by the Advancing ECE as a Profession Initiative workgroup, for cost model updates. Administrative roles were not included in the Advancing ECE as a Profession materials. These were updated from the ECE Financing Study values for inflation using the Consumer Price Index (CPI) general inflation value. Table 3 below outlines aspirational wages across roles.

Table 3: Wages in aspirational models, by role, using full-time equivalent staffing structure

Staff Role	**FTE Allocation**	**Small Center**	**Medium Center**	**Large Center**	**Small Registered FCCH**	**Large Licensed FCCH**	**Annual Salary**
Lead teacher/ FCCH owner	Per Class	1	1	1	1	1	$76,372
Assistant teacher	Per Class	1	1	1	0	1	$55,172
Floater/sub	Per Class	1.25	1.25	1.25	0.4	0.4	$43,711
Center director	Per Site	1	1	1	0	0	$82,966
Center associate director/ curriculum coordinator	Per Site	0	0.25	0.5	0	0	$76,732
Center office manager[1]	Per Site	0.35	0.5	0.5	0	0	$55,172
Center administrative assistant	Per Site	1	1	1	0	0	$40,265
Center cook	Per Site	0.5	0.75	1	0	0	$39,356

Aspirational Benefits: The cost model aligns with the compromise benefits package defined by the Advancing ECE as a Profession work group. This included health insurance, employer retirement contribution, short-term disability, unemployment insurance (for centers only), and paid time off. The Advancing ECE as a Profession work group provided estimates of the cost of these benefits that FCF used in the cost models. FCF used health care costs that

[1] An additional 0.15 FTE per UPK classroom is added to this role for UPK partner programs.

reflected selecting a plan on the health care marketplace and a higher contribution to an individual retirement plan, rather than an employer match, for FCCH providers.

Current Wages: As wages are a major driver of program costs, shifting to model current wages is an important step in modeling the current experience of programs. There are a variety of data sources available to understand the current experiences of wages for the ECE workforce. No individual data source provides all the information needed. Given this, FCF used data from the Bureau of Labor Statistics (BLS), the Head Start Vermont Early Childhood Wage and Fringe Benefit Comparability Study ("Wage Comparability Study"), and First Children's Finance Vermont team to inform wage inputs in the model. The FCF Vermont team completed financial analyses with child care businesses across the state in 2024. Financial analyses are primarily used to inform business-level strategic planning. However, financial analyses also provide detailed data on the costs that programs are currently experiencing. FCF aggregated wage data from these financial analyses to identify trends in wages for different staff positions.

Table 4: Benefits and limitations of data sources used to estimate current wages

Data Source	**Benefits**	**Limitations**
Bureau of Labor Statistics	Updated annually (2023), Largest sample size	Does not reflect roles within a center. Data only available for "child care worker" and "preschool teacher."
Head Start Vermont ECE Wage and Fringe Benefit Comparability Study	Role-specific wages, Larger sample size	2020 data
First Children's Finance Vermont Team	Most recent data (2024), Role specific	Small sample size

FCF used data from the Bureau of Labor Statistics (BLS) for the basis of current wages, though the most recent data is from 2023. Given recent investments in the child care sector, FCF felt that using the more recent, larger data set, even though it doesn't align with license-defined roles, was appropriate. To update for wage growth and inflation, FCF increased BLS values by 5%, the 12-month moving average of wage growth for hourly workers from May 2023-2024.[2] This reflects broader national trends in wage growth and will not capture the unique impact of Act 76 on the child care workforce in Vermont.

The BLS Vermont median hourly wage for "child care workers" is aligned with FCF Vermont team data on hourly wages for aides and assistants. Neither the Wage Comparability Study nor FCF Vermont team data demonstrate significant differences in wages between assistant

[2]Federal Reserve Bank of Atlanta, Wage Growth Tracker, Accessed at https://www.atlantafed.org/chcs/wage-growth-tracker

teachers, aides, floaters, and substitutes. As a result, FCF used the 2024-adjusted BLS median wage for “child care workers” as the input for aides and assistants in the model.

Data from the Wage Comparability study and FCF Vermont team show wages for aides and assistants that are 32% and 19% lower than lead teachers wages, respectively. Absent lead teacher-specific data from the BLS, FCF used a lead teacher hourly wage that is 20% higher than the assistant hourly wage. FCF is aligning with the percent difference seen in FCF Vermont team data (19% lower wages for assistants) to capture any potential trends that have happened in assistant teacher wage growth as a result of post-pandemic workforce dynamics or Act 76-related investments in the field.

To reflect the additional educational license needed to be a UPK teacher and the potential labor force competition with school districts, FCF modeled a higher wage for UPK lead teachers. To estimate this wage, FCF averaged the 2024-adjusted BLS wage for “preschool teachers” and “kindergarten teachers”. Taking the midpoint reflects the higher credential of UPK teachers and the wage constraints of child care programs that compete with school districts for certified teachers. Additional data collection in 2026 may shift the assumptions used around UPK.

Family child care home (FCCH) providers hold a unique role as business owner, lead teacher, and program administrator. As a result, BLS data does not provide a helpful correlate for FCCH provider wages. Without a more recent available data point, FCF used the adjusted annual FCCH provider wage reported in the Wage Comparability Study. Child care worker wages saw 23% growth between 2020 and the 2024-adjusted BLS data. Given this, FCF increased the FCCH provider annual wage from the Wage Comparability study by 23% to estimate 2024 wages. This estimated annual wage is aligned with the recently-collected FCF Vermont team wage data.

FCF used similar data sources to estimate center administrative staff wages. FCF began by looking at wage data for similar roles within Bureau of Labor Statistics data. There were instances where cross-sector BLS data did not seem like an appropriate fit for a child care context. For example, median annual wages for administrative assistants, reflecting wages for administrative assistants working in a variety of non-child care settings, were higher than the aspirational wages modeled in the ECE Financing Study. In those cases, different data sources were used. Table 5 notes the sources used to estimate current administrative wages.

Tables 5 and 6 below show the estimated current annual salaries for the ECE workforce in the current wage cost model. Additional data collection may change these inputs significantly in the next iteration of the cost model.

Table 5: Estimated current wages for center staff, by role using full-time equivalent staffing structure

Staff Role	FTE Allocation	Small Center	Medium Center	Large Center	Annual Salary	Data Source
Lead teacher	Per Class	1	1	1	$47,237	Bureau of Labor Statistics, FCF Vermont Financial Analyses
UPK lead teacher	Per Class	1	1	1	$52,070	Bureau of Labor Statistics
Assistant teacher	Per Class	1	1	1	$37,790	Bureau of Labor Statistics
Floater	Per Class	1.25	1.25	1.25	$37,790	Bureau of Labor Statistics
Center director	Per Site	1	1	1	$66,397	FCF Vermont Financial Analyses
Center associate director/ curriculum coordinator	Per Site	0	0.25	0.5	$52,070	Equivalent to UPK Lead Teacher (aligned with ECE Financing Study approach)
Center office manager[3]	Per Site	0.35	0.5	0.5	$52,051	Bureau of Labor Statistics
Center administrative assistant	Per Site	1	1	1	$40,265	ECE Financing Study
Center cook	Per Site	0.5	0.75	1	$39,356	Bureau of Labor Statistics

[3] An additional 0.15 FTE per UPK classroom is added to this role for UPK partner programs.

Table 6: Estimated current wages for FCCH programs, by role using full-time equivalent staffing structure

Staff Role	**Small Registered FCCH**	**Large Licensed FCCH**	**Annual Wage[4]**	**Data Source**
FCCH Provider	1	1	$49,093	Bureau of Labor Statistics, FCF Vermont Financial Analyses
UPK Partner FCCH Provider	1	1	$55,074	Bureau of Labor Statistics
Assistant teacher	0	1	$37,790	Bureau of Labor Statistics
Substitute	10 days of 10 hours of coverage	10 days of 10 hours of coverage for both provider and assistant	$18.17/hour	Bureau of Labor Statistics

Current Benefits: The Wage Comparability Study included analyses of benefits available to staff across ECE settings. FCF included benefits that are offered to 50% or more of teachers or assistant teachers at UPK and/or private centers in the current state model. This results in a current wage and benefit model that includes health insurance, paid time off, and employer retirement contributions.

The ECE Financing Study included a 3% employer retirement contribution in their model. While the Wage Comparability Study included the rate at which benefits were offered, it did not present details on those benefits, such as average retirement contribution and uptake rates. Absent this detail on current average benefit offerings, the current state model includes a 2% employer retirement match with full uptake. The Advancing ECE as a Profession workgroup included this as a retirement benefit approach in their proposal. The ECE Financing Study model included 27 paid days off per staff, including holidays, vacation, and sick days. The estimated current wages model reflects one fewer day of vacation time than the aspirational benefits (11 holidays, 10 vacation days, 5 sick days.)

FCF used industry data to identify an average employer contribution for health insurance that reflects average enrollment in the offered health insurance plan. The model assumes 61% of all staff are enrolled in the health insurance benefit.[5] Using this lower uptake rate results in a

[4] The annual wage for center-based positions reflects staff working 40 hours/week (2,080 hours/year). Wage Comparability study data found that FCCH worked around 2,220 hours a year. The annual wage reflects this higher number of hours worked.

[5] KFF, Employer Health Benefits: 2024 Annual Survey, Accessed at https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2024-Annual-Survey.pdf

lower health insurance cost for the employer, in comparison to the aspirational state where FCF modeled higher health insurance uptake.

For FCCH educators, FCF modeled current benefits that include health insurance and retirement contributions. To estimate annual health care costs for FCCH providers, FCF used data related to provider location and annual salary inputs to research available plans on the Vermont Health Connect. An average of available plans' yearly cost estimations was then used for FCCH providers. FCF included a stipend for the FCCH assistant to purchase health insurance on the marketplace. FCF modeled 10% retirement contributions for the FCCH provider that reflect personal savings for retirement. Employer retirement contributions for the FCCH assistant were not included.

Non-Personnel Inflation Adjustments

To update values from the ECE Financing Study cost model, FCF made inflation-informed adjustments to more accurately reflect costs incurred by providers in 2024.

Informed by the ECE Financing Study, FCF used October 2022 as a baseline to make appropriate inflation adjustments. The primary source for adjustments was the Consumer Price Index (CPI) from the Bureau of Labor Statistics. The CPI measures average price changes for consumer goods and services nationally. Whenever possible, regional CPI data for the Northeast was employed to enhance the accuracy of adjustments.

FCF calculated the percentage of total expenses each cost input represents in the model cost. A structured decision protocol was used to identify significant costs to prioritize for updates based on their relative budget share. Industry reports, state and federal data sources, as well as data collected from the FCF Vermont team were used to guide inflation adjustments for insurance, health care costs, rent/mortgage payments, benefits information and other significant costs. These data sources are documented in the Appendix.

For cost model inputs with relevant CPI series- such as Telephone and Internet costs- direct adjustments were made based on the applicable CPI series. For all remaining cost model inputs, which fall under the significance threshold and do not have relevant CPI series, the overall CPI inflation index from the identified timepoints was applied to appropriately estimate inflationary costs.

The methodology ensures a systemic and comprehensive approach to adjusting cost model inputs for inflation, aligning with industry standards and reflecting the most current economic conditions. By focusing on significant inputs and relevant data sources, FCF aimed to provide a more accurate representation of provider costs in 2024.

Universal Prekindergarten Partners

FCF created cost models for Universal Prekindergarten Education (UPK) partner programs to estimate the costs for providing UPK programming in a private child care program setting. As

is discussed above, FCF modeled a higher wage for UPK lead teachers in centers in the current wages model. FCCH UPK models include the cost of contracting a mentor teacher for 105 hours each year, as detailed in the program requirements for FCCH providers in Act 166.

Participating as a UPK partner requires additional administration to manage reporting and program requirements. To account for this additional responsibility, FCF modeled a higher wage for FCCH providers in UPK partner programs and increased the office manager role in centers by 0.15 FTE per UPK classroom. All other programmatic requirements of UPK are aligned with a 5 STAR rating in Vermont STARS. Because the ECE Financing Study exclusively modeled 5 STAR rated programs both UPK and non-UPK program models include equivalent costs for high quality care, other than lead teacher certification. The current cost model update does not include additional or higher costs for insurance related to UPK partnership. Future iterations of the cost model will explore insurance and other program administration-related costs associated with UPK participation.

FCF estimated UPK revenue for partner programs. No additional revenue was included for private pay preschoolers, as UPK revenue is functionally passed on to families as tuition savings. FCF assumed that preschoolers with CCFAP subsidy would have a care need of 45 hours per week. Subtracting the ten hours of care that is provided by UPK would still result in a full-time subsidy certificate. As a result, FCF modeled additional revenue to the program for preschool children receiving CCFAP subsidy in UPK partner programs.

Revenue Updates

FCF used the 50th percentile tuition rates, as outlined in the 2024 Market Rate Survey, as the private tuition inputs in the model. To reflect recent policy changes, FCF used the June 30, 2024 CCFAP subsidy payment rates as the subsidy input in the cost model. FCF used subsidy enrollment estimates, as provided by DCF, in both current wage and aspirational models and assumed all children with subsidy had a full time certificate. 35% of children in the center models and 55% of children in FCCH models participate in CCFAP. Aligned with Act 76, the model reflects a program receiving the full subsidy rate when it is above the private pay tuition input.

FCF estimated Child and Adult Care Food Program (CACFP) revenue for the modeled programs, assuming the program offered breakfast, lunch, and snack. Economic demographics in the state informed the estimates of the portion of children that were in each applicable CACFP revenue tier. FCCH CACFP revenue reflected tier 2 reimbursement with a portion of children who are eligible for free or reduced lunch being reimbursed at a tier 1 rate.

Additional revenue sources included STARS renewal grants from the Child Care Quality and Capacity Incentive Program and additional CCFAP revenue for Specialized Child Care Programs. FCF estimated the STARS renewal grant for a 5 STAR program at each applicable program size. Data from DCF on the number of current CCFAP certificates that include the 10%

addition for specialized child care informed revenue estimates in the model. Specialized Child Care Programs caring for children with special needs have access to the Special Accommodation Grant to offset costs related to safe and successful inclusion. Because of the variable and unique needs and grant awards for this program, FCF did not include Special Accommodation Grant revenue in the cost model.

Cost Model Results

Tables that illustrate the cost model outputs are shown below. As previously described, these models represent an average child care program in Vermont and will not reflect the costs of every or any one program. Cost models are built on assumptions, many of which are outlined above. These assumptions do not represent the experience of every program. Adjusted assumptions between the ECE Financing Study cost model and the current model updates make direct comparisons of per-child costs challenging.

The following key themes emerge from the cost model outputs:

- The per-child cost of infant and toddler care is higher than preschool and school age children in centers. The per-child cost of infant care exceeds current CCFAP rates.
- In the current wage model, only large centers have positive net revenue. This is driven by the preschool enrollment patterns.
- Registered and licensed family child care homes have positive net revenue in the current wage models. This is driven by CCFAP participation.
- Implementing aspirational wages drastically alters the revenue profitability of child care programs of all sizes.

The tables below outline the net revenue and per-child costs across center and family child care home cost models. Given that FCCH programs operate as a mixed age classroom, per-child FCCH costs are split into per-child costs for children 0-5 and school age children. To calculate these per child costs, FCF estimated the total amount of time each child in the model spent in care annually. This reflected school age children being in care part time during the school year and full time in the summer. Hours in care were then multiplied by the number of children in the two age groups to determine what percentage of the providers' time is spent with children 0-5 and school age children. Those percentages were then applied to the general per-child cost to determine the most appropriate values for children 0-5 and those who are school age.

As noted above, FCF modeled school age care that reflects a part time classroom in centers and part time enrollment in FCCH during the school year with full time enrollment and classrooms during the summer. The resulting per-child costs reflect this decreased time in care. The school age per-child costs do not reflect the costs for providing care in an

afterschool-only program. Future iterations of the cost model can explore unique costs related to school age care across settings.

Current Wage Cost Model Outputs

Table 7: Annual per-child cost of care by center size and child age in current wages cost model

Center Size	Infant	Toddler	Preschooler	Preschooler: UPK Partner	School-Age
Small	$30,383	$24,869	$13,840	$14,576	$12,559
Medium	$27,865	$22,848	$12,813	$13,549	$11,001
Large	$27,156	$22,257	$12,459	$13,195	$7,667

Table 8: Annual per-child cost of care by FCCH size and child age in current wages cost model

FCCH Size	Ages 0-5	Preschooler: UPK Partner	School-Age
Small Registered	$13,299	$18,139	$7,033
Large Licensed	$15,319	$17,739	$8,101

Aspirational Wage Cost Model Outputs

Table 9: Annual per-child cost of care by center size and child age in aspirational wages cost model

Center Size	Infant	Toddler	Preschooler	Preschooler: UPK Partner	School-Age
Small	$40,327	$32,793	$17,726	$18,234	$15,212
Medium	$37,433	$30,485	$16,587	$17,096	$13,446
Large	$36,632	$29,826	$16,216	$16,727	$9,429

Table 10: Annual per-child cost of care by FCCH size and child age in aspirational wages cost model

FCCH Size	Ages 0-5	Preschooler: UPK Partner	School-Age
Small Registered	$18,590	$20,140	$11,082
Large Licensed	$21,635	$22,410	$12,898

Net Revenue Across Cost Models

The following tables show the net revenues from the cost models across both estimated current wage and aspirational wage models. For centers in the estimated current wage models, only large centers have a positive net revenue. Savings from economies of scale do not account for this positive net revenue. Rather, this illustrates the impact of profit from operating preschool classrooms offsetting losses from operating infant and toddler classrooms. Large centers in the cost model operate four preschool classrooms, in

comparison to the two and one modeled in medium and small centers. The larger proportion of preschool classes in the large center drives the positive net revenue.

FCF recognizes that small and medium centers could not continue to operate across the state with regular net revenue losses. Models represent assumptions that attempt to reflect a typical experience and will not reflect the experience of every center in the state. Differences in enrollment structure, staffing, wages, and tuition will result in a different net revenue picture. Programs are creative and resourceful in managing their budgets to remain in operation within currently available revenue streams. Some of these strategies, such as lower wages or limited benefits for staff, limit the sustainability and quality of child care programs.

FCCH providers are business owners and entrepreneurs who make independent and diverse decisions about how to operate their business in a way that aligns with their personal and professional goals. FCF chose to model FCCH programs that aim to maximize revenue to understand if the business model is possible or sustainable given current available revenue. The positive net revenues in the small and large FCCHs model suggest that the business model can be sustainable. This is a positive sign for the health of the ECE system in Vermont. However, contributions to rainy day funds or investments in expansion or improvement are not included as business expenses in the model. The net revenue in the models reflects the funding available to address these longer-term purposes.

The large licensed FCCH model includes a full-time assistant, resulting in increased wages and benefits costs in the model. Because the large FCCH is a licensed program, the large FCCH accesses higher CCFAP rates than the small registered FCCH. The higher CCFAP rate helps offset the additional staffing and benefits costs. This highlights the importance of CCFAP participation and licensing to support the sustainability of a FCCH with an assistant. FCF did not model a registered FCCH with an assistant. Future iterations of the cost model may explore different enrollment and staffing structures for FCCHs.

All models result in negative net revenues when aspirational wages and benefits are included. This speaks to the need for continued investment to support compensation and benefits for the ECE workforce that reflect parity with other recognized professions.

Table 11: Net revenue and profit margin for centers, by size and UPK partner status, in current wages and aspirational wages cost models

Center Size and UPK Partner Status	Current Model Net Revenue	Current Model Profit Margin	Aspirational Model Net Revenue	Aspirational Model Profit Margin
Small UPK	-$ 121,128	-15%	-$ 387,576	-47%
Small Non-UPK	-$ 133,591	-17%	-$ 404,587	-51%
Medium UPK	-$ 57,385	-4%	-$ 536,856	-35%
Medium Non-UPK	-$ 82,310	-6%	-$ 570,876	-39%
Large UPK	$ 273,056	11%	-$ 358,101	-15%
Large Non-UPK	$ 223,362	10%	-$ 425,987	-19%

Table 12: Net revenue and profit margin for FCCH, by size and UPK partner status, in current wages and aspirational wages cost models

FCCH Size and UPK Partner Status	Current Model Net Revenue	Current Model Profit Margin	Aspirational Model Net Revenue	Aspirational Model Profit Margin
Small Registered UPK	$ 5,213	4%	-$ 36,146	-29%
Small Registered Non-UPK	$ 10,620	9%	-$ 37,319	-31%
Large Licensed UPK	$ 7,747	4%	-$ 56,891	-32%
Large Licensed Non-UPK	$ 8,951	5%	-$ 62,336	-36%

Universal Prekindergarten Costs

FCF modeled a UPK partner program across all settings. As discussed above, the only changes from the standard 5 STAR modeled center were increased lead teacher wages in the current wages model and increased administrative time. FCCH models included an increased provider wage in the current wage model to account for program administration and the cost of engaging with a consulting teacher. Because FCF modeled a 5 STAR program, both the UPK partner models and non-UPK models include quality-related costs like curriculum and child assessments. The table below shows the additional per-preschooler cost of being a UPK partner from the current wage model.

The number of preschoolers in the participating program has a large impact on the resulting additional per-child cost for UPK, as seen in the difference between center and FCCH UPK-specific costs. The current model reflects two preschoolers in the small registered FCCH and four preschoolers in the large licensed FCCH. Providers may choose different enrollment

structures, shaping the per-child UPK cost and program-level revenue. Table 13 shows the total annual per-child cost for a UPK preschooler.

Table 13: Additional per-preschool cost for UPK partner programs

Per-Child Cost	Small Center	Medium Center	Large Center	Small Registered FCCH	Large Licensed FCCH
Cost of Care for Preschooler	$13,840	$12,813	$12,459	$13,299	$15,319
Additional UPK Related Cost	+$736	+$736	+$736	+$4,839	+$2,420
Total UPK Preschooler Cost	$14,576	$13,549	$13,195	$18,139	$17,739

As discussed above, current UPK tuition revenue is intended to result in tuition savings for private pay families. As a result, programs only experience additional revenue for UPK students that also have a full-time CCFAP certificate. Given this, centers need four of every 20 preschoolers to participate in CCFAP for the additional revenue to offset UPK-related costs. The additional per-preschool cost for the modeled small registered FCCH program is higher than the 23-24 UPK tuition rate. Because the large licensed FCCH program modeled has more preschoolers enrolled, the per-preschool cost for UPK is lower than a small registered FCCH. A FCCH would need to have three preschoolers with a CCFAP certificate enrolled in the program to break even on UPK-specific costs and revenue.

CCFAP Rate Setting Considerations

The following section explores considerations for using cost modeling data to inform CCFAP rate setting. First, general considerations and approaches to using cost modeling are discussed. Finally, approaches to rate setting for FCCH and age-specific family child care costs are discussed.

Using Cost Modeling for Rate Setting

Using cost modeling for subsidy rate setting may involve a different set of decisions than the traditional market rate survey (MRS) approach. While the Office of Child Care requires some consideration of the costs to provide care in the subsidy rate setting process, states are not required to set rates to meet the full cost of care.[6] There is currently no federal benchmark,

[6] "Guidance on Alternative Methodologies and Cost Analyses for Purposes of Establishing Subsidy Payment Rates: Program Instruction CCDF-ACF-PI-2018-04," US Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Care (OCC), memorandum to the State and Territory Lead Agencies administering child care programs under the Child Care and Development Block Grant (CCDBG) Act of 2014 and other interested parties, February 26, 2018, https://www.acf.hhs.gov/sites/default/files/documents/occ/ccdf_acf_pi_2018_01.pdf

like setting rates at the 75th percentile of the price of care, for where to set rates based on the cost of care. Cost data can provide context for understanding Vermont's current rates and inform areas of focus for future exploration, policy action, or additional investment.

States make decisions about what types of care they want to incentivize through the subsidy rates they set. For example, Washington DC has chosen to incentivize both FCC and infant and toddler care through their rate setting process.[7] As a result, their subsidy rates for FCC providers cover a higher percentage of the cost of care than for centers, and infant and toddler rates are closer to the cost of care than other age groups. Similarly, when first transitioning to an alternative methodology approach, Virginia chose to differentiate payment rates to reimburse care for infants and toddlers at a higher proportion of the cost of care based on feedback from family day home providers that equal rate setting across age groups would disincentivize infant and toddler care.[8]

Differences Between CCFAP Rates and Cost of Care

The estimated per-child costs outlined earlier in this report can provide some context for understanding the impact of recent CCFAP rate increases. The graphs below illustrate the differences between current annualized CCFAP subsidy rates and the estimated cost of care across age groups and settings with both aspirational and current wages. DCF and the legislature could use this information to identify age groups or settings where there is an interest or need to prioritize child care supply and target rate increases or other policy interventions. Regular data collection on the gaps between child care supply and demand would support this targeted approach.

[7] "Let's Talk About Alternative Methodologies #7 How can I continue to improve my use of cost data" Administration for Children and Families, April 3, 2024, https://www.youtube.com/watch?v=9Owwx-nF7s8

[8] "Let's Talk About Alternative Methodologies #8: Crafting Your Detailed Report" Administration for Children and Families, April 5, 2024, https://www.youtube.com/watch?v=AFv5duHmVF8

Figure 1: Aspirational wage model differences between annual CCFAP subsidy rate and cost of care by center size

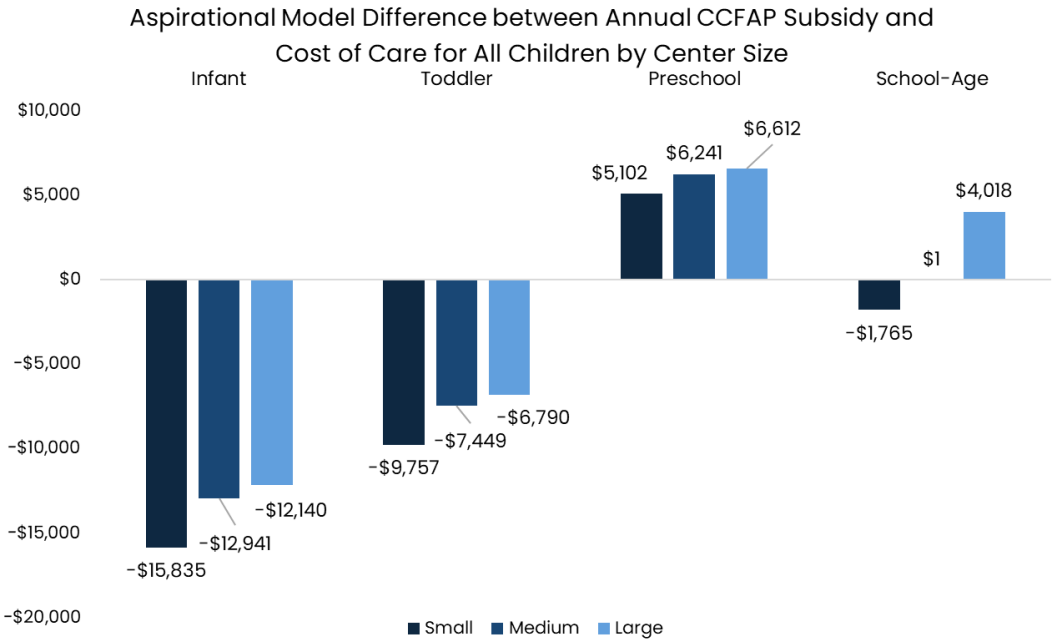
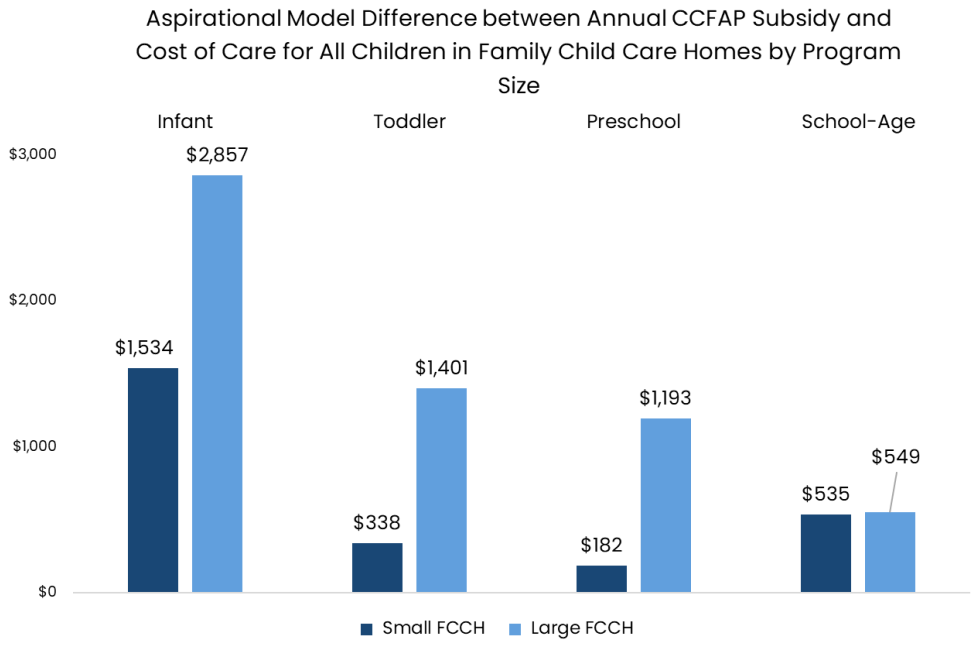


Figure 2: Aspirational model difference between annual CCFAP subsidy rates and cost of care in FCCH by program size



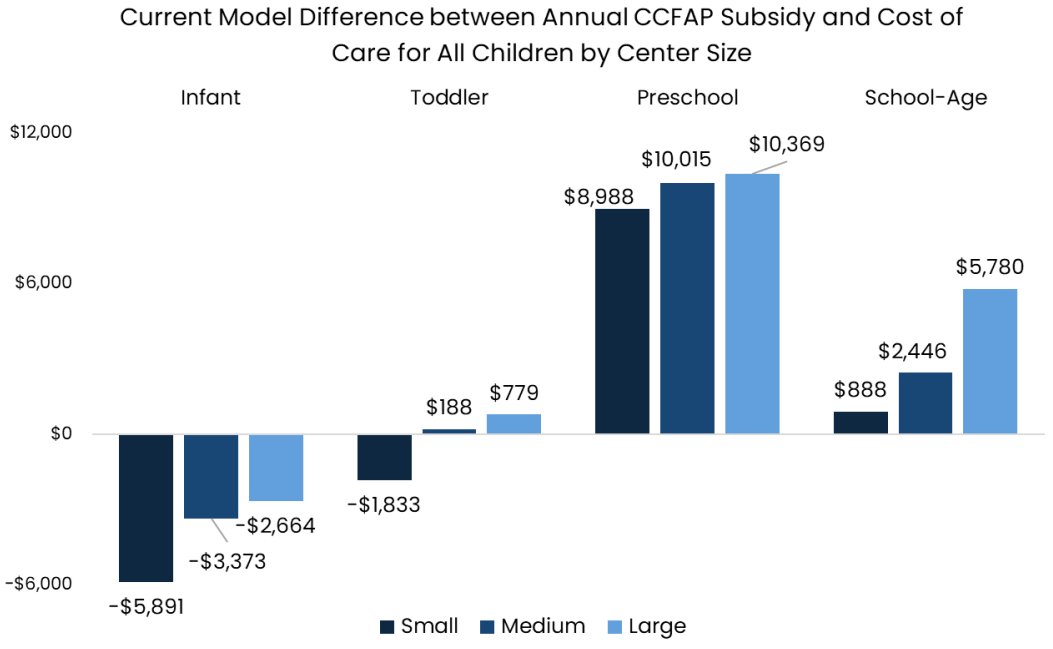
The impacts of Act 76 on wages and benefits for the ECE workforce are still being understood. FCF estimated current wages using available administrative data. These wages were relatively low and likely do not yet represent the full impact of Act 76 implementation. FCF assumes that to meet the increased demand for care created by Act 76, wages will likely rise

to recruit and retain the needed workforce. Cost modeling will be a helpful tool to track changes in wages and benefits over time and the impact on program financial health.

The aspirational model includes wages and benefits that represent a professionalized field that are comparable with other recognized professions with similar education and training requirements. The gap between current CCFAP rates and the aspirational wage per-child cost can clarify if current rates and policies would be sufficient to support a fairly compensated workforce, anticipating increases in CCFAP participation over time. For FCCHs, current CCFAP rates could support aspirational wages and benefits. However, the aspirational models had negative net revenue at current CCFAP participation levels. Higher family participation rates in CCFAP are needed for FCCH programs to achieve and offer these higher wages and benefits.

For centers, current CCFAP rates cover the preschool per-child cost in the aspirational state but are insufficient to cover the infant or toddler cost across all program sizes. The aspirational model suggests that current CCFAP rates and participation levels would not enable most child care businesses to offer the aspirational wages. If all children enrolled in the large center model participated in CCFAP, the program could sustain the aspirational wages and benefits. Again, this reflects the impact of preschool enrollment on overall program viability. This also suggests that the aspirational wage and benefits picture is attainable for Vermont child care programs in certain circumstances. However, additional rate increases would be necessary to achieve the aspirational wages and benefits across all center models.

Figure 3: Difference between annual CCFAP rates and per-child costs, by age group and center size



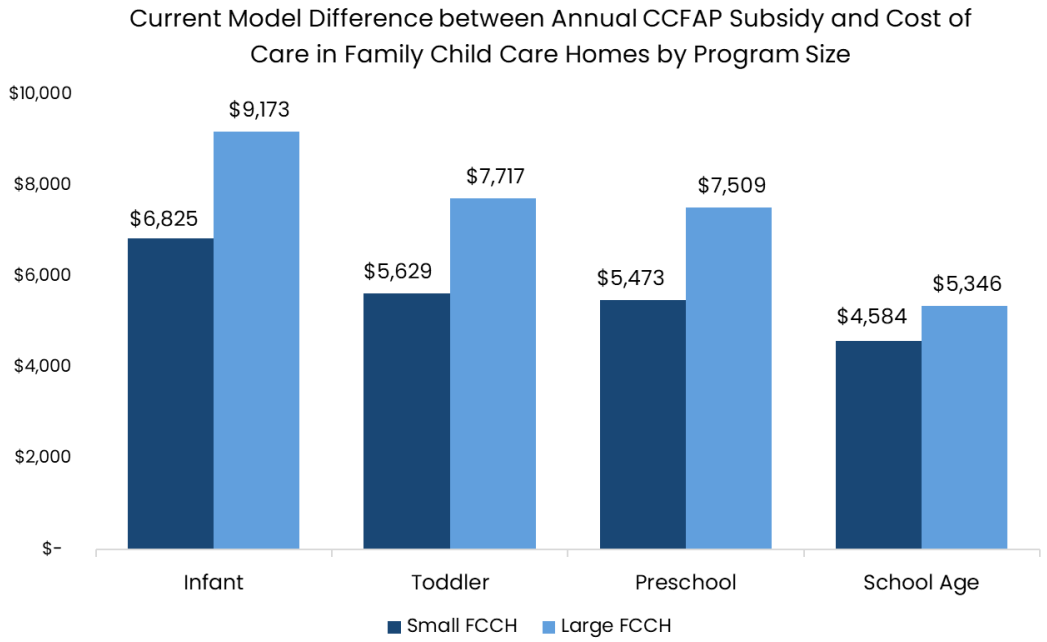
Current preschool annual full time weekly rates are higher than the modeled current wage cost-per child across all center sizes. This reflects longstanding dynamics in the child care business model where profits generated from preschool classrooms offset substantial losses from operating infant classrooms, as well as toddler classrooms that experience small losses or roughly breakeven. The different required ratios to safely care for these age groups drive the difference in classroom operation costs. Because current CCFAP rates are based on market rate tuition prices, rates continue to reflect this dynamic. This is a dynamic seen in child care centers across the country.

State leaders should consider the profits and losses generated at the per-child level within the context of a full center enrollment. The current funding model maintains reliance on strong preschool enrollment to support overall child care business sustainability. Shifts in enrollment of preschool children to programs within K-12 systems may upend this balance. Increasing infant and toddler rates could begin to unwind this dynamic. As discussed above, this dynamic is why the large center model in the current state has a positive net revenue while the small and medium centers do not. Given current CCFAP rates, the small center model needs approximately 90% participation in CCFAP to breakeven. The medium center needs approximately 55% participation in CCFAP to breakeven.

School age annual CCFAP revenue also exceeds the current wage model cost per-child. However, input from partners suggests that many community based child care programs are not able to maximize school age enrollment to the extent included in the model. Data collection and engagement with school age providers will inform more accurate school age cost modeling in future cost model updates.

Even with rate increases, current CCFAP rates do not cover the per-child cost of infant care across any center size. Because rates are driven by the price of care, this reflects constraints on what families can afford to pay for infant care and demonstrates the disconnect between price and cost of care. Rate increases have made important progress toward covering the cost of care. The profit produced by rate increases for other age groups supports the center's overall financial health. If DCF or the legislature wish to incentivize or grow the supply of infant care, additional attention or growth to infant CCFAP rates may be warranted.

Figure 4: Difference between annual CCFAP rates and per-child costs, by age group and FCCH size



As is shown in the graphs above, the current annualized full time weekly CCFAP rates for FCCH exceed the cost of care across all age groups and program sizes. The difference between CCFAP rates and median tuition values is larger for FCCH programs than for centers. Median tuition rates do not cover the cost of care for infants, toddlers, or preschoolers in small registered FCCH or any age group in large licensed FCCH. As a result, increasing family participation in CCFAP has a larger impact on program finances for FCCHs than for centers. In the small registered FCCH model, approximately 37% of children need to be participating in the CCFAP to result in the program breaking even. Strategies to encourage and increase CCFAP participation among families enrolled with FCCH providers may be particularly impactful to support the sustainability and supply of FCCH and realize the benefits of rate increases.

Per-Child Family Child Care Home Costs and Rate Setting

Both the ECE Financing Study and the current cost model update provide a 0-5 and school age per-child cost for family child care homes (FCCH). Because FCCH programs operate as one mixed age classroom, this per-child cost is not differentiated by specific age groups. FCF produced separate 0-5 and school age costs to reflect the part time care that school age children receive during the school year.

Rate Setting Using Per-Child FCCH Costs

To move from a generalized 0-5 per-child cost to a subsidy rate approach, DCF and the legislature should consider the goals they have for CCFAP. These goals may include sustaining and growing the supply of infant and toddler care, among others. Engagement

with FCCH providers may help inform this process. This may result in a variety of approaches to subsidy rate setting for FCCH including:

- Equal rate setting at a set percentage of the aspirational cost of care across age groups. This approach could disincentivize care for infants and toddlers.
- A graduated approach to rate setting where infant rates cover the highest percentage of the cost of care and decrease as age groups get older. This would mirror the current rate structure.
- To further incentivize care for infants and toddlers, DCF could identify age-specific rates that would ensure equal program revenue across different enrollment patterns. For example, DCF and the legislature could explore what infant or toddler rates would be necessary to reach equal revenue for a program with the maximum number of infants and toddlers enrolled compared to a program maximizing total enrollment. FCF could support this exploration using the existing cost models.

While the aspirational wage cost model resulted in negative net revenue, current FCCH CCFAP rates exceed the aspirational wage per-child cost of care. All three of the above approaches could maintain some per-child rates that are higher than the aspirational cost-per child. DCF and the legislature could consider the anticipated CCFAP participation rate to understand what rates are needed to support healthy net revenue at the program-level when private pay tuition does not cover the cost of care.

DCF will need to consider the overall program budget, current and potential subsidy enrollment, family copays and eligibility, and associated policy levers in making this decision. In addition to consultation with FCF about cost modeling, technical assistance is available on the rate setting process from the Office of Child Care and the National Center on Early Childhood Quality Assurance.

The updated cost models produced for this report provide important context for DCF and the legislature in a time of significant change for the ECE field in Vermont. Cost modeling can inform understanding of areas for continued investment, policy changes, and future priorities. Future cost model updates will engage partners across Vermont and be informed by these uses and needs.

Appendix

Cost Model Input Summary: Centers

The following table outlines the non-personnel costs for the 2025 cost model update. For comparison, the values used in the 2022 ECE Finance Study and the source used to inform inflation adjustments are included.

Cost Category	Allocation	2025 Value	Source	ECE Finance Study Value	Notes
Online Orientation Finger Printing, Background Checks	Per Staff Cost	$26.25	VT Crime Identification Center	Not included in values	Assumes 75% of staff receive checks annually (renewals & turnover)
Professional Development	Per Staff Cost	$ 244	CPI: General	$ 230	
Equipment	Per Child Cost	$ 135	CPI: General	$ 128	
Educational Supplies	Per Child Cost	$ 169	CPI: General	$ 160	
Food and Food Preparation	Per Child Cost	$ 1,742	CACFP Estimated Costs	$ 1,660	
Kitchen Supplies	Per Child Cost	$ 67	CPI: General	$ 63	
Transportation	Per Child Cost	N/A	See Below	$ 470	Reflected in site-level costs, not per-child costs in 2025 update
Office and Medical Supplies	Per Child Cost	$135	CPI: General	$ 128	
Office Equipment	Per Child Cost	$ 68	CPI: General	$ 64	
Insurance (Liability, Accident)	Per Child Cost	$ 218	Industry Report: Commercial Property/ Casualty Market Index: General	$ 144	

			Liability Insurance Percent		
Curricula, Assessment and Screening Materials	Per Child Cost	$ 88	CPI: General	$ 83	
Advertising	Per Child Cost	$ 28	CPI: General	$ 26	
Professional Memberships	Per Child Cost	$ 85	CPI: General	$ 80	
Rent/ Lease/ Mortgage	Per Square Foot Cost	$ 19.25	American Community Survey, Median Rent Percent change from 2022-24	$ 18.40	
Utilities	Per Square Foot Cost	$ 4.69	CPI: Energy Services in Northeast	$ 4.63	
Building Insurance	Per Square Foot Cost	$ 7.16	Industry Report: Commercial Property/ Casualty Market Index: Commercial Property Insurance Percent Change	$ 2.30	
Maintenance, Repair, Cleaning	Per Square Foot Cost	$ 4.99	CPI: General	$ 4.71	
Phone and Internet	Per Site Cost	$ 6,224	CPI: Phone & Internet	$ 5,874	
Transportation	Per Site Cost	$ 1,742	Standard Mileage Reimbursement Rates (2024)	$ 289	Assumes 50 miles per week of travel for supplies

Legal Fees	Per Site Cost	$ 4,150	CPI: General	$ 3,916	
Licensing, Accreditation, Permits & Fees	Per Site Cost	$ 2,948	CPI: General	$ 2,782	
Payroll Processing	Per Site Cost	$ 3,179	CPI: General	$ 3,000	

Cost Model Input Summary: Family Child Care Homes

The following table outlines the non-personnel costs for the 2025 cost model update. For comparison, the values used in the 2022 ECE Finance Study and the source used to inform inflation adjustments are included.

The ECE Finance study did not publish any FCCH-specific inputs. For inputs where the study data that was used for centers seemed an inappropriate fit, FCF relied on data from the Vermont FCF team's business analysis tool. This is specifically the case with costs related to FCCH space and per square foot calculations.

Cost Category	Allocations	2025 Value	Source	ECE Finance Study Value	Notes
Online Orientation Finger Printing, Background Checks	Per Staff Cost	$18	VT Crime Identification Center	Not included in 2022 values	Assume Provider and Sub complete background checks every 5 years
Professional Development	Per Staff Cost	$ 244	CPI General	$ 230	
Equipment & Curriculum	Per Child Cost	$ 135	CPI: General	$ 128	
Educational Supplies	Per Child Cost	$ 169	CPI: General	$ 160	
Food and Food Preparation	Per Child Cost	$ 1,742	CACFP Estimated Costs	$ 1,660	
Kitchen Supplies	Per Child Cost	$ 67	CPI: General	$ 63	
Transportation	Per Child Cost	N/A	See Below	$ 470	Reflected in site-level costs, not per-child costs in 2025 update

Office and Medical Supplies	Per Child Cost	$ 135	CPI: General	$ 128	
Office Equipment	Per Child Cost	$ 68	CPI: General	$ 64	
Insurance (Liability, Accident)	Per Child Cost	$ 159	VT Provider Cost Survey	$ 144	
Curricula, Assessment and Screening Materials	Per Child Cost	$ 88	CPI: General	$ 83	
Advertising	Per Child Cost	$ 28	CPI: General	$ 26	
Professional Memberships	Per Child Cost	$ 85	CPI: General	$ 80	
Mortgage Interest, Property Taxes	Site Cost	$ 5,047	FCF VT Business Analysis Data	N/A	
Utilities	Site Cost	$ 1,814	FCF VT Business Analysis Data	N/A	
Homeowners or Renters Insurance	Site Cost	$ 617	FCF VT Business Analysis Data	N/A	
Maintenance, Repair, Cleaning	Site Cost	$ 2,157	FCF VT Business Analysis Data	N/A	
Phone and Internet	Site Cost	$ 1,023	FCF VT Business Analysis Data	$ 5,874	
Transportation	Site Cost	$ 1,742	Standard Mileage Reimbursement Rates (2024)	$ 289	Estimated 50 miles of driving per week for supplies

Professional Services and Legal Fees	Site Cost	$ 4,150	CPI: General	$ 3,916	
Licensing, Accreditation, Permits & Fees	Site Cost	$ 2,948	CPI: General	$ 2,782	
Depreciation of Equipment	Site Cost	$ 60	FCF VT Business Analysis Data	N/A	Not in ECE Finance Study

Revenue Input Summary

The following tables outline the tuition and CCFAP values used in the cost models. Median tuition values from the 2024 Child Care Market Rate Survey and Cost of Care Report were used for private pay tuition inputs. Child Care Financial Assistance State Rates, effective June 30, 2024, were used as the subsidy rates.

CCFAP Weekly Rate Inputs

Age Group	**Center (all sizes)**	**Large Licensed FCCH**	**Small Registered FCCH**
Infant	$471	$471	$387
Toddler	$443	$443	$364
Preschool	$439	$439	$361
School Age: Summer	$371	$371	$321
School Age: School Year	$204	$204	$176

Private Pay Tuition Weekly Rate Inputs

Age Group	**Center (all sizes)**	**Large Licensed FCCH[9]**	**Small Registered FCCH**
Infant	$349	$225	$225
Toddler	$330	$225	$225
Preschool	$325	$225	$225
School Age: Summer	$275	$200	$200
School Age: School Year	$151	$125	$125

[9] As licensed programs, licensed FCCH providers access the same CCFAP rates as centers. The 2024 Market Rate Survey analyzed tuition data for licensed FCCH and centers together to produce median tuition values for "licensed programs". Given the small number of licensed FCCH, FCF believed that trends in their data would be lost in this calculation. FCF and DCF assumed that tuition at licensed FCCHs would be more similar to registered FCCH than centers, so the registered FCCH median tuition values were used in the cost model.