

# Early Care and Learning System in Vermont – Part 2

House Committee on Ways and Means

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January 21, 2026



**JFO**

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# Outline

- Reminder of what we discussed in Part 1
- Universal Prekindergarten
  - School Incentives – Financial and non-financial incentives
- Child Care Financial Assistance Program
  - Incentives for private and community-based providers



# Recap of Presentation Part 1



# Act 73 intent - Prekindergarten

## Sec. 1. Findings, Intent, Plan

*(b) Intent, plan.*

*(2) It is further the intent of the General Assembly to:*

*(vi) establish an appropriate weight for prekindergarten students, as well as enact changes to the publicly funded prekindergarten program that ensure costs are borne by the appropriate funding source depending on the age of the student and the prekindergarten education provider;*



# Existing programs

- The early care and learning system is comprised of several core programs to support the youngest Vermonters and their families
  - Head Start (Federal Program)
  - Child Care Financial Assistance Program (CCFAP)
  - Universal Prekindergarten (UPK)
- They are interconnected and changes to one will likely impact the other – like an ecosystem

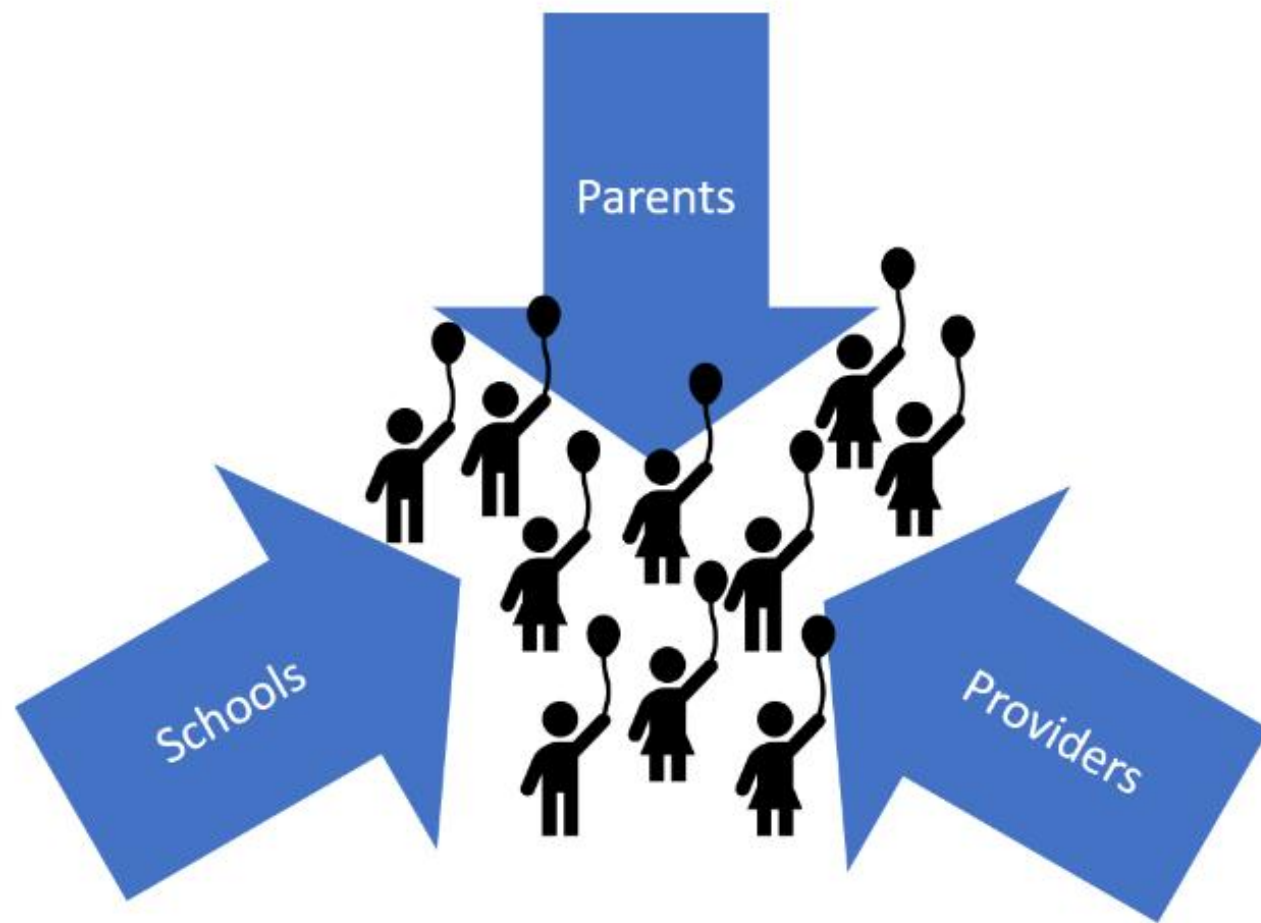


# Report language

## Section 45(b)

*(b) On or before December 15, 2025, the Joint Fiscal Office shall submit a report to the House Committee on Ways and Means, the Senate Committee on Finance, and the House and Senate Committees on Education on the current funding systems for prekindergarten education, the Child Care Financial Assistance Program, or any other early care and learning systems. **The report shall review financial incentives in these existing early care and learning systems.** As part of the report, the Joint Fiscal Office shall provide considerations for changing the funding streams associated with these early care and learning systems to align with the education transformation initiatives envisioned in this act.*







# Disclaimer on incentives

- JFO worked to understand what an entity may do when faced with the programmatic structure for early care and learning and the financial incentives they create
- The incentives **may** cause a group to behave and interact with the system in a certain way
- The incentives we discuss are likely not exhaustive and there are probably circumstances that we didn't consider
- There may be circumstances that we discuss, but we don't have any way of knowing if entities have actually behaved in the way described



# Disclaimer on incentives, continued

- All public programs create varied behaviors at the “margins”
  - It is not unique to this system
- There are a lot of Vermonters enrolled in and utilizing the existing programs, and policy makers should understand the outcomes of the system
  - JFO is not the expert on outcomes, how families and providers have been impacted by the changes in CCFAP adopted in Act 76 or what additional education outcomes have been achieved do to UPK.



# Incentives for Families

- Families have a lot to consider when they interact with the early care and learning system
- Families earning up to 575% for FPL can qualify for a state subsidy
- Families are considering their out-pocket-costs for child care tuition as it compares to the family share they would be charged based on income
  - How UPK funds are applied to the family share and tuition may change which programs a family enrolls in
- CCFAP benefit is based on the number of hours a family needs;
  - CDD accounts for UPK hours when it calculates the number of Hours a family needs.



# Recap of Universal Prekindergarten (UPK)



# Universal Prekindergarten (UPK)

- All districts are required to provide access to publicly funded PreK education for a minimum of 10 hours for 35 week per year to parents that can secure a slot at a qualified program
- Available to 3-,4-, and 5-year-olds not yet enrolled in kindergarten
- UPK may be provided in a qualified public or private program
- If a district does not offer a PreK program or if a parent chooses to enroll in a different qualified program (public or private) the district must pay the statewide UPK tuition rate to the selected program
  - The tuition payment is part of a district's Education Spending
  - Public programs (both offsetting revenues and program costs) are also part of a district's Education Spending



# Existing PreK weight

- Under current law, and in Act 73, the PreK weight is **-0.54**
- This means that if a child is enrolled in the Universal PreK program, regardless of where they attend, the district will receive at least 0.46 in their LTWADM for each child participating
  - Depending on a pupil's characteristics, they may receive additional weights
  - Possible weights include economic disadvantage, English learner, etc.
- The impact this has on districts differs under current law and Act 73
  - Currently, the 0.46 LTWADM increases a district's taxing capacity
  - Under Act 73, this increases a district's Educational Opportunity Payment (EOP)



# Who pays for UPK?

- If a child is enrolled in a UPK program in a public school in their district:
  - The cost to operate the program is part of the districts budget and treated like another grade
- If the child is enrolled in a UPK program at a qualified private provider **or** a qualified public provider outside of their district:
  - The child's sending district pays a fixed amount for 10 hours a week for 35 weeks. For the 2025/2026 school year the tuition rate is \$3,982
  - That tuition payment is part of the sending district's budget
  - If the pupil attends a public-school program, they are also part of that district's budget as both an expense (cost to educate) and a revenue (tuition payment)



# School District Incentives for UPK - Financial

Financial incentives for public schools





# What are Financial Incentives for UPK?

- Recall, a district is required to offer UPK to parents that can secure a slot at a qualified program
  - This can be provided in-house or by paying the UPK tuition rate for a student attending a qualified program elsewhere
  - Parents choose where their kid(s) attend UPK
- Under Act 73, financial incentives may arise around UPK
  - Some districts may be incentivized to only provide UPK tuition
  - Other districts may have incentive to operate a program and receive students from surrounding districts
- From a fiscal standpoint, different districts have different incentives around UPK delivery



# Current Financial Incentives for UPK

- Currently, the fiscal impact of UPK varies by district
  - As districts make different decisions on providing UPK, their overall Education Spending changes
- Under the current system, LTWADM is used to determine a district's taxing capacity
  - With Vermont's tax capacity weights, PreK weights do not directly correspond with funding amounts.
  - Due to differing district Education Spending, fiscal incentives vary



# Act 73 Financial Incentives for UPK

- Under Act 73, PreK weights do correspond with funding amounts
- Contingently effective, Act 73 will use a district's LTWADM to determine a district's Educational Opportunity Payment (EOP)
  - This EOP includes PreK students and their weights
- Act 73's base amount per PreK LTWADM (in fiscal year 2025 dollars) is \$6,915
  - In fiscal year 2025, the UPK tuition rate is \$3,884
  - Assuming no changes, this would leave \$3,031 in funding after accounting for the tuition (recall schools will need to continue administering the program)
- Any additional weights a student receives will increase this difference



# Act 73 Financial Incentives for UPK (cont.)

- With the remaining PreK funding (and assuming no changes to either the PreK weight or to UPK), a district may be incentivized to only tuition PreK students
  - As discussed later, districts may have non-financial incentives to operate an in-house program
- Some districts may financially benefit from offering an in-house program
  - This may be especially true for districts which receive many pupils from outside their district
- Aside from funding, a district will consider capacity and logistics when making financial decisions around PreK\*
  - The decision to offer or expand a PreK program will be greatly impacted by existing (or lack thereof) infrastructure suitable for PreK classrooms

\*Note, many non-financial incentives exist aside from financial ones for PreK offerings. These are discussed on the next slide



# School District Incentives for UPK – Non-Financial

Non-financial incentives for public schools



# Non-Financial Incentives for UPK

- The decision to offer PreK programs in-house is impacted by many non-financial considerations
- For example, a district may offer UPK in-house to provide enhanced service to their community
- A district may also offer PreK due to a lack of providers within or near the district
- As each district and their community is unique, the decision to provide PreK in-house or via tuition, and the reasoning around that decision, will look different across the State



# Incentives for Private Providers



# Selected incentives facing providers

- Differences in revenue per classroom at licensed centers
- UPK payments and family demographics
- Relative value of payments versus cost of UPK
- Program hours and CCFAP calculations
- NOTE: These do not reflect the full set of incentives faced by providers





# Different revenue per classroom

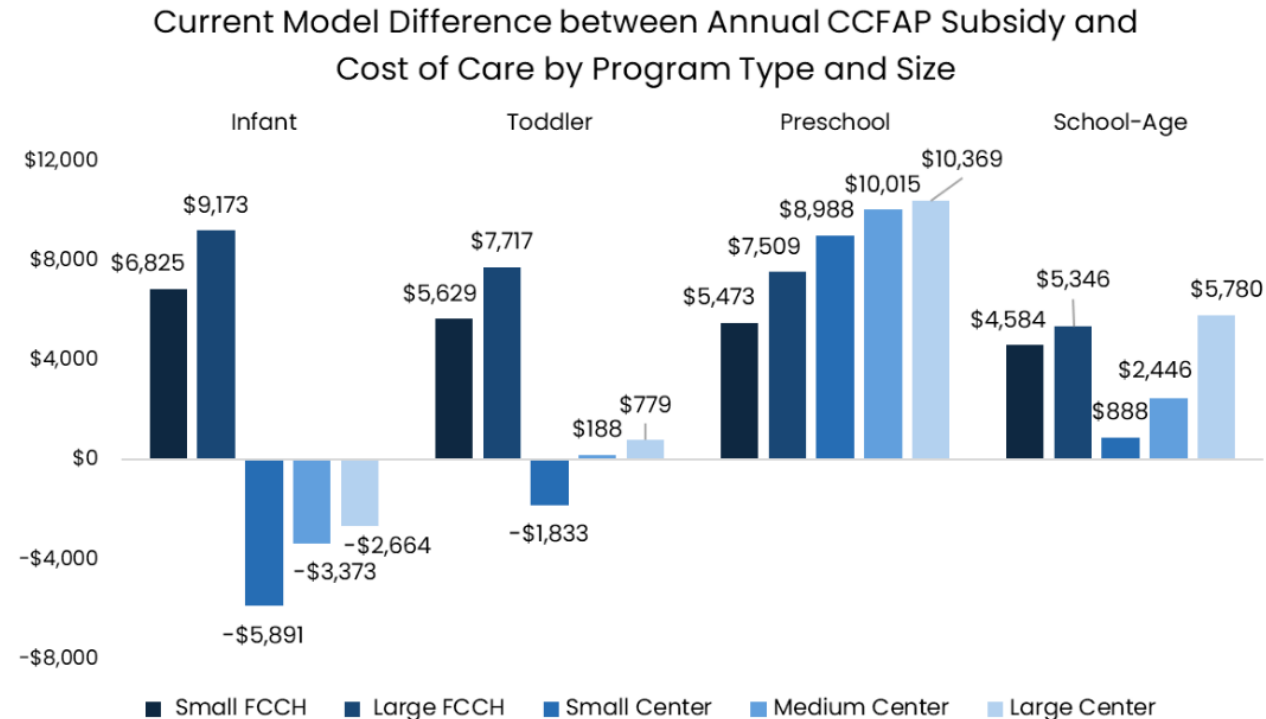
- At licensed centers, different ages have different staffing requirements. Teacher/student ratios are as follows:
  - Infants - 1:4, maximum classroom size of 8
  - Toddlers – 1:5, maximum classroom size of 10
  - Preschoolers 1:10 – maximum classroom size of 20

	Infants	Toddlers	PreK
Maximum Number of Children Per Classroom	8	10	20
State Full-time CCFAP Payment Per Child Per Week	\$471	\$443	\$439
Total Revenue Per Classroom Per Year	\$173,472	\$230,360	\$456,560

- Although CCFAP State rates (and the market) adjust for these differences, they do not fully equalize the maximum revenue that programs can receive for different age groups



# Revenue and expenses using current wages

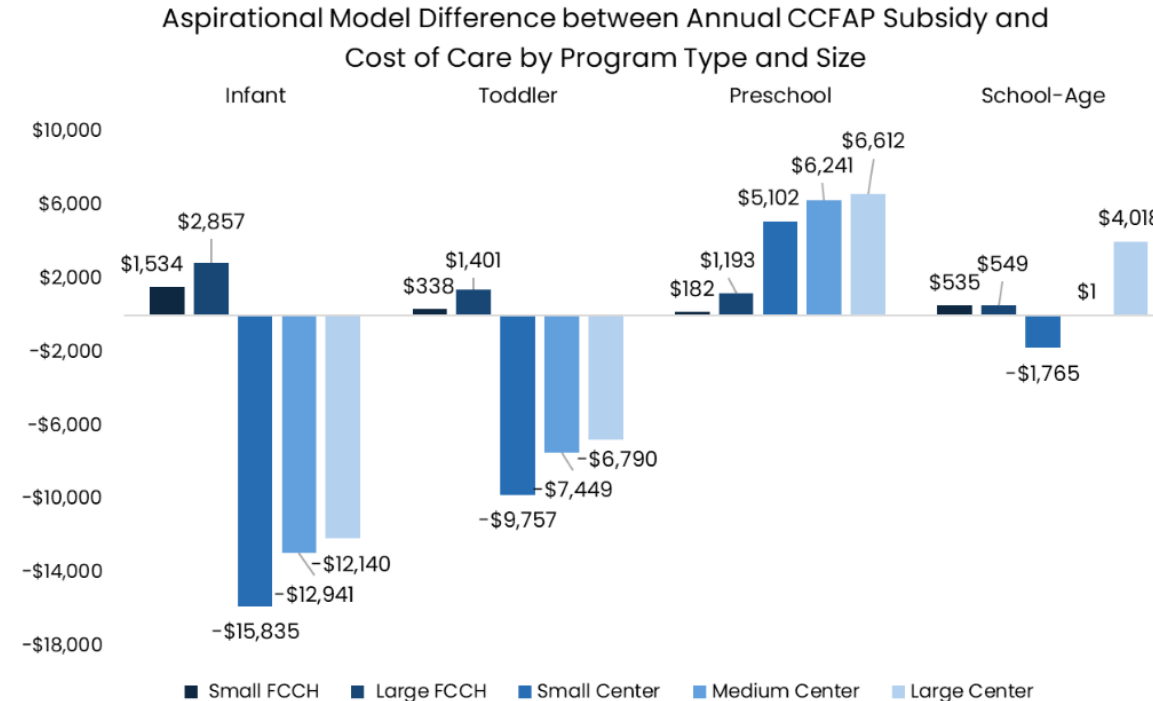


Source: First Children's Finance - Vermont Cost Modeling Report

- Differences in revenue mean that it is not economically viable to serve infants at licensed centers
- These dynamics are only present in licensed centers since Family Child Care Homes can serve multiple age groups with the same staff



# Revenue and expenses using aspirational wages



Source: First Children's Finance - Vermont Cost Modeling Report

- Aspirational wages reflect compensation structure found in the VTAEYC "Advancing ECE as a Profession Workgroup Recommended Minimum Compensation Standards" released in 2022
- In the aspirational model, both infants and toddlers are exceptionally hard to serve under current CCFAP State rates



# UPK payments and family demographics

- Programs can treat UPK programming as separate or blended into existing programming
  - This impacts how the center calculates payments and family shares, however, most providers blend UPK so this introduction will cover these types of providers
- UPK payments benefit a program differently depending on family demographics
- Two examples: If providers collect the full amount of the estimated family share and the family has a CCFAP certificate for full-time care and one child
  - 100% of care provided through CCFAP: State rate + UPK
  - Family share greater than UPK weekly payment (Family share  $\geq$  \$125): State rate, but family costs are reduced



# UPK payments and family demographics

Payment Type	Amount
Blended Program Tuition/Week	\$439
Estimated Family Share Before UPK	\$0
<i>UPK Tuition Per Week</i>	<i>\$114</i>
<i>CCEAP Payment Per Week</i>	<i>\$439</i>
<b>Center receives</b>	<b>\$114 + \$439 = \$553</b>

Payment Type	Amount
Blended Program Tuition/Week	\$439
Estimated Family Share Before UPK	\$300
<i>UPK Tuition Per Week</i>	<i>\$114</i>
<i>Estimated Family Share After UPK</i>	<i>\$186</i>
<i>CCEAP Payment Per Week</i>	<i>\$139</i>
<b>Center Receives</b>	<b>\$114 + \$186 + \$139 = \$439</b>



# UPK payments and family demographics

- The Universal Prekindergarten program has a few different requirements, including:
  - Hiring a teacher with an Early Childhood Education or Early Childhood Special Education endorsement from the Agency of Education;
  - Conducting surveys of student progress; and
  - Holding family engagement events
- Both private and public providers have challenges finding qualified teaching staff
- Requires additional staff capacity to manage surveys, billing, etc.



# UPK payments and family demographics

- For blended centers, the financial benefit for becoming a prequalified program accrues differently
  - To the center when a family receives 100% of its care through CCFAP
  - To the family in the form of a lower family share or tuition cost if the family receives less than 100% of their care covered
- Since 2019, CCFAP State rates have increased by over 50% but UPK payments have only increased by 18%
- For some providers, the relative value of the payment may not be worth the additional costs



# UPK payments and family demographics

- Like families, providers face incentives around program hours
- Recall that different amounts of care are reimbursed differently
  - Part-time: 1-25 hours
  - Full-time: 26-50 hours
  - Extended care: 51+ hours
- For providers with blended care, UPK hours are subtracted from total program hours for CCFAP calculations
- The difference between CCFAP State rates for different rates of care are larger than the weekly CCFAP payment
- Structure may not be impacting provider decision-making in large measure, but it is an element of the system





# Next Time

- The early care and learning system is a complicated ecosystem
- Changing one component of the system will impact the rest of the system
- As part of Education Transformation the Legislature will need to address the weight for UPK
  - Which could mean changing it
  - Or not

