

Early Care and Learning System in Vermont – Part 1

House Committee on Ways and Means

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The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



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 Early Care and Learning Programs in Vermont



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



Head Start

- Federal Program
- Comprehensive early childhood development program designed to promote school readiness for children from low-income families
- Serves children from birth to five years old, as well as pregnant women and their families
- Requires a local non-federal matching funds to draw down federal funds
 - In some instances, Head Start programs are using CCFAP or UPK as their non-federal match



Child Care Financial Assistance Program

- State program that helps families afford childcare, in the form of subsidy payments, made to providers based on a family's income and the number of children in the family
- Not just for early education providers
- Provides subsidies for children aged 0 to 13
 - 17 if the child has a disability
- Utilizes both State and Federal Funds to provide subsidies
 - Child Care and Development Block Grant (Federal)
 - General Funds
 - Global Commitment Funds
 - Child Care Contribution Special Fund
 - Other Special Funds (EITC)



Universal Prekindergarten

- All districts are required to provide access to publicly funded PreK education for a minimum of 10 hours for 35 week per year.
- 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 payment is part of a district's Education Spending
 - Public program 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 0.46 in their LTWADM for each child participating



Who pays for UPK?

- If a child is enrolled in a Universal Prekindergarten program in a public school
 - The cost to operate the program is part of the districts budget and treated like another grade
- If the child is enrolled in a Universal Prekindergarten program at a qualified private provider
 - 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 rates is \$3,982



Like Head Start, other programs can receive both UPK and CCFAP

- A qualified program can receive both UPK funds to operate the PreK program and CCFAP to support the remaining costs of care
- There are school districts that operate full day programs that receive CCFAP to help defer the costs of operating a full or part-time program for qualifying families
 - This would be deferred revenue for the purposes of calculating local education spending



How many kids are in these programs

- Number of 3- and 4-year-olds per July estimates from the U.S. Census in 2024 = 11,013
- Number of 3-, 4-, and 5-year-olds not yet enrolled in kindergarten, per the Agency of Education October 1, 2025 census = 7,610
- The number of preschool aged children (36 months until kindergarten enrollment) enrolled in CCFAP = 4,745

Disclaimer – the way that kids are counted varies depending on the data collection.



Reviewing and assessing program incentives

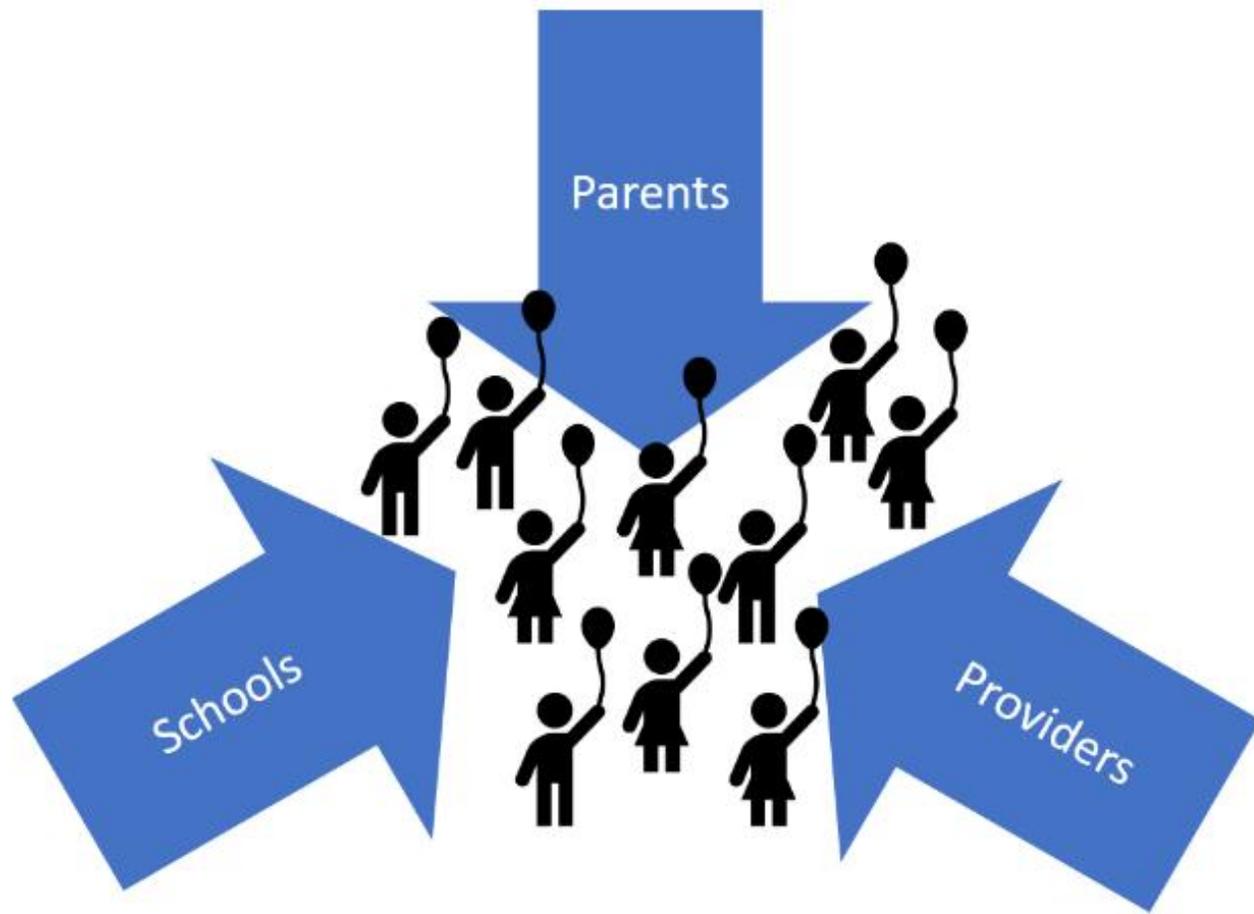


Report language

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.



Parents, caregivers, families

- When families are determining how to interact with and utilize the early care and learning system they must consider several factors, such as:
 - Supporting their children's healthy development and learning
 - Income (impacts CCFAP eligibility)
 - Tuition and location of a child care provider
 - The number of kids they have
 - Hours of care they qualify for/need; and
 - Personal preferences



Parents, caregivers, families: CCFAP

- Families up to 575% of FPL can qualify for a state subsidy
 - For example, as for March 23, 2025 a family of 4 at 575% of FPL would have an annual income of \$184,860
 - Note, FPL is dependent on family size, a family of 6 or more
 - CCFAP Income guidelines: [Link](#)
 - The family share for a family at 575% of FPL is \$425 per week, or \$22,100



Child Care Financial Assistance Income Guidelines

Effective March 23, 2025

Family Size of 4

Gross Monthly Income	Federal Poverty Level	Weekly Family Share
\$4,019	150%	\$0
\$4,689	175%	\$0
\$5,358	200%	\$50
\$6,028	225%	\$75
\$6,698	250%	\$100
\$7,368	275%	\$125
\$8,038	300%	\$150
\$8,707	325%	\$175
\$9,377	350%	\$200
\$10,047	375%	\$225
\$10,717	400%	\$250
\$11,386	425%	\$275
\$12,056	450%	\$300
\$12,726	475%	\$325
\$13,396	500%	\$350
\$14,066	525%	\$375
\$14,735	550%	\$400
\$15,405	575%	\$425



Parents, caregivers, families: CCFAP

- The incentive to enroll in CCFAP depends on the total family share as compared to the tuition charged by the provider
 - If the family share is \$375 per week and the center charges less than \$375 per week, then the family does not have an incentive to enroll in CCFAP
- The DCF 2024 Market Rate Survey put the median preschool tuition charged by licensed providers statewide at \$325 per week or \$16,900 annually
 - Note that this lower than the State rate of \$439 per week for preschool
- Providers are not required to collect the full family share and may be working with families to develop a financial arrangement that works for them



Parents, caregivers, families: intersection of UPK and CCFAP - hours

- CCFAP eligibility is based on CDD determining how many hours a family is eligible for
 - Part-time = 1 – 25 hours
 - Full-time = 25 – 50 hours
 - Extended care = 50+
 - The subsidy a family receives is based on the number hours eligible
- If a family is enrolled in UPK, DCF reduces the number of hours the family “needs” for purposes of CCFAP eligibility



Parents, caregivers, families: intersection of UPK and CCFAP – hours, continued

- If enrollment in UPK results in hours needed shifting from full time care to part time care, the subsidy that a family receives is reduced
 - If a parent is enrolled in a program for 35 hours a week and UPK, when CCFAP eligibility is calculated the family will only qualify for a part-time certificate ($35 - 10 = 25$ hours)
 - Depending on the program, the family may need pay their family share plus the difference between full time tuition and the part-time subsidy (which may be reduced by UPK tuition)
 - Programs may have discretion on how much it charges families
- The family may not have an incentive to enroll in UPK if it results in losing qualification for full time care



Parents, caregivers, families: intersection of UPK and CCFAP – UPK tuition offset

- The providers have discretion on how to apply a UPK tuition payment to a family's tuition payment
 - If a family pays out of pocket, centers reduce the tuition paid by the statewide UPK tuition rate (\$3,982 in for 2025-2026 school year)
 - Using the median rate from the DCF 2024 market rate survey, an annual cost of \$16,900 is reduced to \$12,918 per year
 - The income threshold where families will enroll in CCFAP will decrease
 - Note, this is likely only the case where there is only one child
 - A provider may reduce the family share for a family enrolled in CCFAP by the UPK tuition



Parents, caregivers, families

- There is no way to know how many families are making these decisions about program enrollment based on the outlined incentive structures
- What are the implications of these incentives?



Break until next time

Brief description



Next time we testify

- Incentives for Schools and Private Providers
- Considerations for next steps

