



VERMONT LEGISLATIVE
Joint Fiscal Office

Review of Vermont's Early Care and Learning System

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Executive Summary

Act 73 (2025), an act relating to transforming Vermont's education governance, quality, and finance systems, charged the Joint Fiscal Office (JFO) with preparing a report on Vermont's early care and learning system. This report was requested to help the General Assembly understand what changes, if any, may be necessary to align the Universal Prekindergarten (PreK) Program created by Act 166 (2014) and the overall early care system with any changes to public education associated with education transformation.

Structure and Funding

This report first aims to provide the General Assembly with context regarding the structure and funding of early care and Universal PreK education in the state. Overall, there are two main State-supported funding programs for child care: the Child Care Financial Assistance Program (CCFAP) and the Universal PreK Program.

- **CCFAP:** CCFAP provides providers with weekly payments depending on a qualifying families' income, the number of children in the family, the age of the child, and the amount of care a child needs. CCFAP payments are supported by the General Fund, federal funds, the Child Care Contribution Special Fund (payroll tax), Global Commitment funds, and State Earned Income Tax Credit (EITC) dollars.
- **Universal PreK:** Act 166 required school districts to provide at least 10 hours of PreK education per week for 35 weeks per year for children who are enrolled in private or public prequalified programs. Some districts have chosen to operate Universal PreK programs in their local schools and incorporate costs into local school budgets. Others pay providers or schools outside the district a set, statewide tuition rate for those 10 hours of education. Some do both.

In FY 2025, Vermont publicly funded approximately 81,700 students. Of those students, approximately 7,530 were publicly funded PreK students, meaning that students in Universal PreK make up a little more than 9% of the overall PreK-12 student population in Vermont.¹

In addition to these State-funded programs, the federally funded Head Start Program is an essential part of Vermont's child care landscape. Head Start providers also receive CCFAP and Universal PreK funding.

Incentives

Parents, families, caregivers, public schools, and private providers respond to complicated incentives inherent to how the various pieces of the system work together. These incentives can be challenging to navigate.

Parents and Families: Parents and families face different financial incentives depending on their income, family size, and estimated CCFAP payments. In some cases, family shares under CCFAP would be higher than private tuition rates, creating disincentives for parents to enroll in CCFAP.

¹ These counts are reported by the Agency of Education and refer to the FY2025 Average Daily Membership (ADM).

Public Schools: Public schools can choose whether to offer Universal PreK programs in-house or tuition PreK students to private providers or other schools outside of the district. Decisions by school districts impact local school budgets and property tax rates.

Providers: Providers are often able to use additional revenues generated by preschool students to support the higher staff costs of infant and toddler classrooms. Providers must also be mindful of parent demographics and how Universal PreK payments intersect with CCFAP subsidies in different ways.

Policy Options and Considerations

Understanding the current structure and the overall incentives in that structure will help the General Assembly determine how early care and learning fits into the larger policy discussion around education transformation. As a part of that conversation, the General Assembly could:

- **Focus primarily on the Universal PreK weight and make limited changes if desired.**
 - While there may need to be policy work to align Universal PreK with the foundation formula, the system could operate largely unaltered until education transformation has been further realized and the new state of public education is established.
- **Take a more comprehensive approach and evaluate programs and funding streams in-depth.**
 - It is important to note that more comprehensive changes would likely introduce new incentives within the early care and learning policy ecosystem.
- **Anything in between**
 - The General Assembly could make minor changes, address some particular incentives, or focus its policy work on any number of facets of the early care and learning system.

This report presents three options for potential changes to certain aspects of the current Universal PreK system and some policy considerations associated with those options.

- **Option 1:** Adopt a “money follows the student” policy similar to the tuition policy for independent schools.
- **Option 2:** Prorate Universal PreK weights based on the number of hours provided, where schools’ long-term weighted average daily membership (LTWADM) PreK count is based on the number of Universal PreK hours provided either in school or by private providers.
- **Option 3:** Change how Universal PreK is counted when calculating CCFAP reimbursement.

It is important to note that the early care and learning system in Vermont is the result of years of intensive policy work done by the General Assembly in coordination and consultation with many stakeholders including parents and families, public schools, and private child care providers. The financial changes to CCFAP adopted in Act 76 (2023) began less than two years ago. Over the years, several different policy initiatives were layered on top of each other to achieve different goals; from affordability of child care, to increased access to PreK education, to improving access and quality of child care, to stabilizing the child care workforce.² The resultant patchwork system can be hard to understand – for parents and families, for public schools, for private providers, and even for policymakers, administrators, and analysts.

² [Act 76 \(2023\)](#) an act relating to child care, early education, workers’ compensation and unemployment insurance outlined several legislative goals for early education and learning goals.

Despite the complicated intersections between these policies, each helped to push the early care and learning system forward and resulted in significant progress toward the General Assembly's goals. While the current system may not satisfy all interested parties and may present many opportunities for improvement, what has been accomplished in terms of expanding care and coverage for Vermont's youngest residents over the preceding years should not be taken for granted.

Introduction

In 2025, the General Assembly passed Act 73, which made numerous changes to Vermont's education system. The Act made significant education finance changes, including a contingent change that would move the State to a foundation formula for funding education. Under the foundation formula, schools would receive payments from the statewide Education Fund based on the number of students served, the specific characteristics of those students, and the characteristics of the schools they are attending. Act 73 identified parts of the public education system that may not fit neatly into the new funding formula in their current state for one reason or another (current geographic distribution, governance structure, funding, etc.). One of those parts is Universal Prekindergarten (PreK) and early care, which Act 73 called for the Joint Fiscal Office (JFO) to prepare a report on.

Act 73 Sec. 45(b) states:

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 PreK 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.

The early care and learning system is layered and complex. It includes different programs supported by different funding streams including Universal PreK, public PreK offerings beyond the 10-hour minimum, Head Start, and the Child Care Financial Assistance Program (CCFAP). This report examines the existing financial and structural components of Vermont's early care and learning system to assess what elements may, or may not, need to be reexamined to align with the foundation formula and the General Assembly's education transformation initiatives more broadly. JFO met with relevant stakeholders and reviewed reports to get a better sense of the early care and learning system that is currently in place.

There has been a lot of policy work in the last two decades to expand State support for early care and learning in Vermont. As a result of that work, according to the National Institute for Early Education Research's 2024 State of Preschool year book, Vermont is currently number two in the nation for access to PreK education for 3- and 4-year-olds.³ Universal PreK, as established in Act 166 (2014), created a program to support 10 hours of PreK education of 3-, 4- and 5-year-olds not yet enrolled in kindergarten, for 35 weeks per year funded by the Education Fund. Fully federally funded Head Start programs help children get ready to succeed through learning experiences tailored to their changing needs and abilities.⁴ Act 76 (2023), in part through CCFAP, increased access to and the quality of child care and helped stabilize the child care system.

However, these policies were made with different goals in mind and were layered on top of each other. This resulted in a complex early care and learning system with multiple funding streams and different behavioral incentives for different stakeholders. Depending on the circumstances, different types of financial assistance available may either work in conjunction or at odds with each other.

³ National Institute for Early Education Research. State of Preschool 2024 Yearbook.

<https://nieer.org/yearbook/2024/state-profiles/vermont>

⁴ Headstart.gov. <https://headstart.gov/programs/article/head-start-approach>

There is tension between different types of providers around how much funding flows to different parts of the system. There is an ongoing debate regarding what State funding source should pay for what services, if the distribution of resources between public and private providers is “fair,” how many hours of services should be provided by which type of provider, and so on.

Disentangling the various funding streams and behavioral incentives for stakeholders is a significant and complicated task. Ultimately, the General Assembly should consider establishing its goals regarding the provision of PreK education and early care before any policy changes are adopted. This report does not provide thorough analysis for any policy change; rather, it outlines the incentives in the current system and provides some considerations for the General Assembly as it continues its education transformation work.

Some key definitions are highlighted below (others are included in Appendix A of this report):

1. **Child care:** Generally refers to care for children 0-5 not yet enrolled in kindergarten. It can include care provided in Head Start, licensed centers, and Family Child Care Homes (FCCHs) outside of Universal PreK hours.
2. **Preschool:** In the Child Care Financial Assistance Program (CCFAP), preschool refers to 3-, 4-, and 5-year-olds not yet enrolled in kindergarten. This report will use that convention to refer to care that is provided to children of that age outside of the Universal PreK program. However, some children in this age group may also be enrolled in Universal PreK.
3. **Universal PreK:** Provides at least 10 hours of publicly-funded education programming to 3-, 4-, and 5-year-olds not yet enrolled in kindergarten for 35 weeks per year. Both private providers and public schools can become a prequalified program.

This report is organized into four sections:

1. **The Current Structure of Vermont’s Early Care and Learning System**
The first section provides an overview of the major early care and learning financial programs that exist in Vermont, including the CCFAP, Universal PreK, and Head Start.
2. **Financial Incentives and Impacted Stakeholders**
The second section provides a review of the sometimes competing financial incentives these programs create for parents and families, public schools, and private providers.
3. **Gaps in Coverage of Care Before and After Act 76**
The third section discusses the financial challenges that existed in the early care and learning landscape prior to and following Act 76.
4. **Policy Considerations**
Finally, this report concludes with a section on policy considerations for the General Assembly to contemplate while it continues its education transformation work.

Part 1: The Current Structure of Vermont's Early Care and Learning System

There are several programs in Vermont that support parents and families and child care providers to ensure that there is a robust and affordable early care and learning system in Vermont. The following section provides some details on the existing programs as they operate today. The programs are CCFAP, Universal PreK, and Head Start. These programs assist families in accessing early care programs and learning opportunities for young children at centers, public schools and home-based care.

Child Care Financial Assistance Program (CCFAP)

Program Structure and Data

CCFAP was established in Act 205 (1988) to help low-income families afford childcare in the form of subsidy payments made directly to providers. This program resembles similar financial assistance programs in other states. Funding for CCFAP comes from both federal and State sources. The amount of funding a family receives is based on their household income as a percent of the federal poverty level (FPL) and the number of children in the household.

The Program has continuously evolved since its inception.⁵ Most recently, Act 76 expanded the Program to provide a weekly child care subsidy for qualifying families that meet the following requirements:

- The child served must be younger than 13 (if the child has a disability, CCFAP is available up to age 17);
- have an approved service need, such as all parents working;
- have pre-tax income that does not exceed 575% of the federal poverty level (FPL);
- have less than \$1 million in assets; and
- live in Vermont.

Child care providers receive different payments for the children that they serve. Generally, there are two rates for each provider that may not necessarily be the same.⁶

- **Market Rate:** The rate child care providers charge families if they are not enrolled in CCFAP as determined by providers. This rate is also sometimes referred to as the provider's tuition rate.
- **State Rate (CCFAP rate):** The reimbursement rates, set by the State, that providers receive for children enrolled in CCFAP. The rates vary by the age of the child and are differentiated between licensed centers and home-based programs. The State rate is comprised of a payment from families and a payment from the State:
 - *Family Share:* Families pay different family shares to providers depending on their income, the number of children in the family, and the amount of care for which they qualify. This works like a copay – it reflects the amount the State determines is a reasonable payment and is calculated by the Department for Children and Families' Child Development Division (DCF CDD). However providers can choose how much of the family share to collect. Universal PreK enrollment *may* impact family shares in some cases.⁷

⁵ In Act 45 (2021) weekly family shares were established and went into effect in July of 2022.

⁶ Generally, the State rate (CCFAP) is higher than the market rate. CCFAP rates are based on historical market rates for different ages and settings, and have been adjusted through legislation. They do not reflect the cost of care.

⁷ The relationship between family share and Universal PreK enrollment is discussed later in the report.

- *CCFAP Payment:* The State pays a subsidy payment equal to the difference between the State rate and the estimated weekly family share.

The amount of the State subsidy varies depending on the:

1. Age of the child (infant, toddler, preschool, school age): The younger the child, the more money a family is eligible for. Infants, being the most expensive to care for, have the highest State rates; school age children receive the lowest.
2. Length of care provided to the child:
 1. Part-time (1-25 hours per week)
 2. Full-time (26-50 hours per week)
 3. Extended care (50+ hours per week)
3. Type of program (center-based, home-based): center-based programs have higher rates than home-based programs, reflecting their larger overhead costs.

Table 1 provides an overview of the weekly State rates paid based on the number of hours received, the age of the child, and the type of program.

Table 1: Weekly CCFAP State Rates (in effect as of July 13, 2025)

Center-based Child Care Programs			Home-based Child Care Programs		
Age	Schedule	State Rate	Age	Schedule	State Rate
Infant	Part Time	\$271	Infant	Part Time	\$212
	Full Time	\$495		Full Time	\$387
	Extended Care	\$672		Extended Care	\$527
Toddler	Part Time	\$255	Toddler	Part Time	\$200
	Full Time	\$465		Full Time	\$364
	Extended Care	\$632		Extended Care	\$494
Preschool	Part Time	\$240	Preschool	Part Time	\$198
	Full Time	\$439		Full Time	\$361
	Extended Care	\$597		Extended Care	\$491
School age	Part Time	\$204	School age	Part Time	\$176
	Full Time	\$371		Full Time	\$321
	Extended Care	\$505		Extended Care	\$436

Source : [CCFAP State Rates⁸](#)

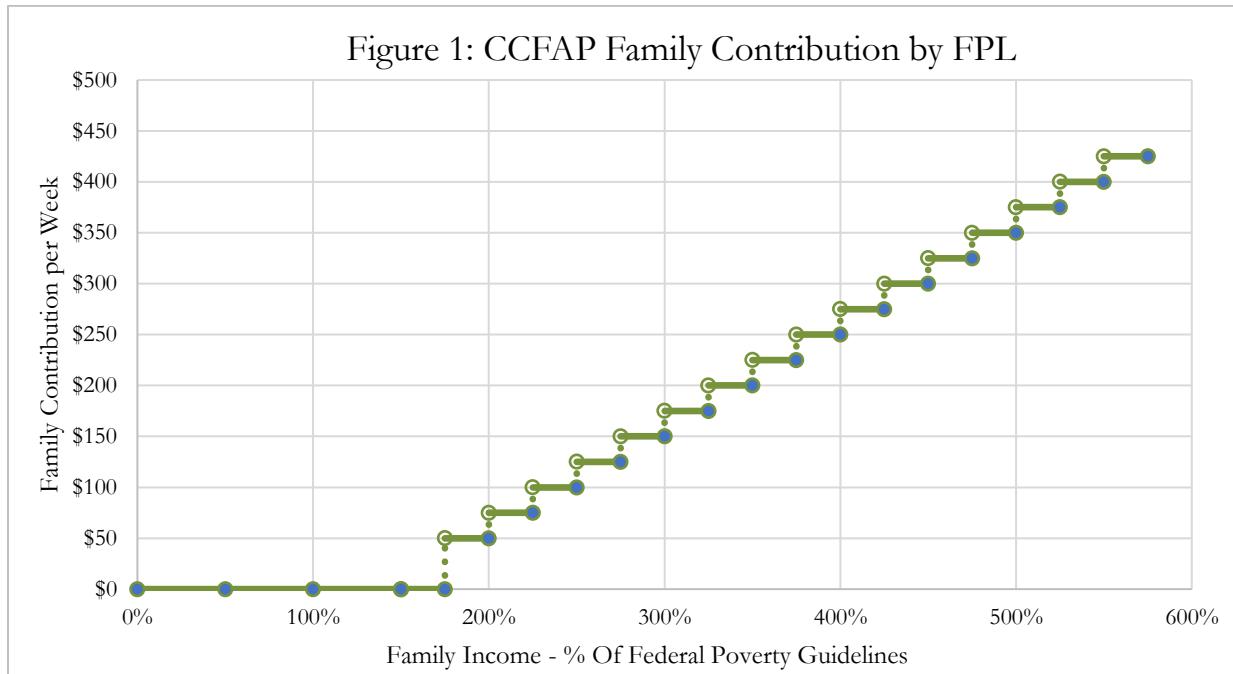
An individual family's level of support from CCFAP depends on their income and the number of children in the household. Depending on these variables, CDD calculates an estimated weekly family share ranging from \$0 for families with incomes below 175% of FPL to \$425 for families with incomes between 550% and 575% of FPL (families above 575% of FPL do not qualify).⁹ Note, there is no requirement that a program collect the family share; an individual program can choose to collect, some, all, or none of the family share, so long as all families are treated equally. The State then covers the balance between the CDD calculated estimated weekly family share and the State rate outlined in

⁸ The difference between homes and licensed is largely because their staff to child ratios are different and they can provide care for different age groups students in the same classroom.

⁹ CDD changed to the current calculation method in 2022. Previously, a level of support CCFAP was attached to each child in the family.

Table 1. Both payments are made to the licensed program in which the child is enrolled. Figure 1 provides an overview of the estimated family contribution by family income.¹⁰

The number of child care hours a child qualifies for is based on a family's need, which is determined by CDD. For example, if a family has a parent that is staying home with an infant child, they may not qualify for any hours of CCFAP because there is a parent at home who could be providing care to the older child.¹¹



As of September 2025 more than 11,800 children are enrolled in CCFAP, of which:¹²

- 2,098 (18%) are infants (2 weeks to 23 months);
- 1,648 (14%) are toddlers (24 to 35 months);
- 4,745 (40%) are preschool age (36 months until enrolled in kindergarten); and
- 3,397 (28%) are school age (K-13 years; 17 if the child has a disability).

5,493 of these children, representing nearly 47% of children enrolled, are in families that pay no family share. Most of these family pay no family share because of family income, but there are some that do not have a weekly family share because of their service need, such as children in foster care.

According to September 2025 data from CDD, there are currently 367 in-state center-based programs, 26 licensed in-state family child care homes, and 369 registered in-state family child care homes that can receive CCFAP.¹³ There are also 141 afterschool child care programs (though center-based programs and child care homes can also have licensed capacity for school age children).

¹⁰ Child Care Financial Assistance Income Guidelines. (2025). CDD. Details also in Appendix B

¹¹ CDD has other programs that assist some specific groups with child care including individuals with housing instability as well as families connected to protective services.

¹² CCFAP Child Demographics. September 2025. <https://embed.clearimpact.com/Scorecard/Embed?Id=87631>

¹³ Vermont Department for Children and Families. (n.d.). *CDD data and reports*. Child Development Division. <https://dcf.vermont.gov/cdd/data>

Funding for CCFAP

Money for CCFAP comes from three main sources: the Child Care Contribution Special Fund, the General Fund, and federal funds. In fiscal year 2025, CDD spent a total of \$141.6 million on CCFAP subsidies and program operating costs. Table 2 shows the breakdown of these different revenue sources in fiscal years 2024 and 2025.

Child Care Contribution Special Fund

Act 76 established a payroll tax; the revenues from this tax are deposited into the Child Care Contribution Special Fund to be used to expand CCFAP eligibility and increase provider rates. The anticipated revenue from the payroll tax was expected to only partially fund the costs and assumed that the General Fund and federal funds would continue to support CCFAP as well.

Starting in October of 2024, a payroll tax of 0.44% on wage income and 0.11% on net self-employment income of Vermont workers funds the Child Care Contribution Special Fund. Employers pay at least three quarters of the tax, and can elect to pay more. Employees pay the remaining amount which could range from zero to one quarter.. Based on the 2025 first quarter large county average weekly wages in Chittenden County (\$1,462), the payroll tax owed for an average individual for the year would be \$334.51. For a self-employed individual, the payroll tax owed for the year would be \$83.63.¹⁴

In fiscal year 2025, \$80.4 million in revenue was deposited into the Child Care Contribution Special Fund, representing 11 months of collections. The January 2026 Consensus Revenue Forecast estimates that the payroll tax will raise \$88.6 million in fiscal year 2026 and \$92.2 million in fiscal year 2027.

General Fund

Prior to the passage of Act 76, the General Fund was the primary source of funding for CCFAP. The rate of the payroll tax was initially established to only partially fund the costs of CCFAP; it was assumed that the General Fund contribution (approximately \$50 million in fiscal year 2024) would continue going forward.¹⁵

Federal Funds

The Child Care and Development Fund is the primary federal grant program that provides funding to states for child care assistance programs.¹⁶ States have flexibility in how to use these funds to best meet the needs of children, families, and child care providers. Vermont directs these funds to CCFAP. In federal fiscal year 2025, Vermont received \$17.7 million from the Child Care and Development Fund.¹⁷ Additionally, states can receive federal funding for other sources such as Title IV-E and IV-B, the Social Services Block Grant (SSBG), and the Temporary Assistance for Needy Families (TANF) block grant. In total, Vermont utilized \$33 million in federal funding to support CCFAP in federal fiscal year 2025.

Global Commitment Funds

¹⁴ According to the U.S. Bureau of Labor Statistics, the average large county wage (only Chittenden County) in Vermont was \$1,462 in the first quarter of 2025.

https://www.bls.gov/regions/northeast/news-release/countyemploymentandwages_vermont.htm

¹⁵ Note this was an increase over the prior year budget.

¹⁶ The Child Care and Development Block Grant: In Brief. (2025). <https://www.congress.gov/crs-product/R47312>

¹⁷ FY2025 CCDF Funding Allocations (Based on Appropriations). (2025, September 22). <https://acf.gov/occ/data/gy-2025-ccdf-allocations-based-appropriations#>

A small amount of expenses for CCFAP are eligible Global Commitment fund expenses. These include additional expenses for child who have Specialized Child Care status – typically children with protective services agreements or a special health need.

Other Special Funds

In addition, \$15 million of federal funds is used by DCF to pay child care expenses for Reach Up participants. This is done via a federal-State fund swap. State funds that would have been used to pay for the State Earned Income Tax Credit (EITC) are instead swapped for federal TANF funds, since paying for the State EITC is an allowable use of those federal funds. The switch allows the State to count \$15 million as TANF maintenance of effort, which buys down Vermont's work requirements for federal TANF funding. These funds are shown as "Other Special Fund (EITC)" line in Table 2.

Table 2: CCFAP Funding by Source (\$ in millions)

	FY 2024	FY 2024	FY 2025	FY 2025
	FY 2024	% of Total	FY 2025	% of Total
Child Care Contribution Special Fund	-		51.81	36.6%
General Fund	49.87	53.1%	39.91	28.2%
Federal Funds	27.45	29.2%	32.99	23.3%
Global Commitment	1.61	1.7%	1.90	1.3%
Other Special Fund (EITC)	15.00	16.0%	15.00	10.6%
Total	93.93		141.61	

Universal PreK

In 2014, the General Assembly enacted Act 166, which established the Universal PreK Program. The Act mandated that all school districts within Vermont offer “access to publicly funded PreK education” for a minimum of 10 hours a week for 35 weeks. This program is available to 3-year-olds, 4-year-olds, and 5-year-olds not yet enrolled in kindergarten.¹⁸

Universal PreK education may be provided in a qualified public or private program. If a district does not offer a Universal PreK program, or if the parent chooses to enroll their child in a different qualified public or private program (regardless if a district offers a program), the district must pay the statewide Universal PreK tuition rate to the selected program. As of 2024, there are 393 PreK providers serving publicly-funded students.¹⁹ The programs offered by public schools can vary greatly, from the minimum 10 hours per week to full-day programs.

Universal PreK funding flows through the Education Fund. If a Universal PreK student attends a program provided by their home district, the cost of that program is reflected in that district’s budget. If the student attends another program, whether at a different public school or private provider, the home district is required to provide a tuition payment to the providing program, reflected as a cost in the home district’s budget and as revenue for the service-providing entity. The tuition rate for Universal PreK was initially established in Act 166 and is increased annually by the National Income and Product Accounts (NIPA) implicit price deflator for state and local government consumption expenditures and gross investment. Table 3 summarizes the Universal PreK tuition rates for fiscal years 2025-2027.

***Table 3: Universal PreK Tuition Rates;
Fiscal Year 2025 through 2027***

Fiscal Year	Universal PreK Tuition Rates	Year Over Year Increase
2025	\$ 3,884	-
2026	\$ 3,982	\$ 98
2027	\$ 4,106	\$ 124

To account for the costs of tuition payments and/or in-school programs in their budget, the home district counts the students in their average daily membership (ADM) and long-term weighted average daily membership (LTWADM). Universal PreK students receive a negative grade level weight of -0.54, meaning they are counted as 0.46 for LTWADM. The grade level weight only applies to their Universal PreK status; Universal PreK students are still eligible for a full weight in other weighting categories, such as English Learners and economically disadvantaged students.²⁰ All else equal, a district with a higher LTWADM has lower education spending per pupil, which in turn helps to lower the district’s tax rate. The weights that are currently provided are intended to support the provision of 10 hours of Universal PreK, including the administration of payments to private providers.

¹⁸ Recall that Universal PreK refers to a prequalified educational program, where preschool refers to kids receiving child care who are between the ages of 3 and kindergarten enrollment.

¹⁹ AOE. Universal Prekindergarten Report 2024. June 16, 2025. <https://education.vermont.gov/sites/aoe/files/edu-2024-universal-prekindergarten-legislative-report.pdf>

²⁰ In JFO’s research it was not clear that all districts collect sufficient data from Universal PreK students to qualify for additional weights. For example, school districts may not collect income information for Universal PreK students which would be required to determine economic disadvantage weighting.

As with other students used in calculating LTWADM, including Universal PreK students in a district's LTWADM does not result in the automatic transfer or exchange of any additional dollars between the home district and the Education Fund. It only changes the calculation of education spending per pupil and the subsequent tax rate for the district.

In FY 2025, Vermont publicly funded approximately 81,700 students. Of those students, approximately 7,530 were publicly funded PreK students, meaning that students in Universal PreK made up a little more than 9% of the overall PreK-12 student population in Vermont.²¹ Table 4 shows the count by county where students were physically attending

Table 4: Fiscal Year 2025 Universal PreK ADM

Fiscal Year 2025 PreK ADM by County		
County	Count	% of total
Addison	466	6.2%
Bennington	404	5.4%
Caledonia	335	4.5%
Chittenden	2213	29.4%
Essex	61	0.8%
Franklin	716	9.5%
Grand Isle	81	1.1%
Lamoille	322	4.3%
Orange	259	3.4%
Orleans	324	4.3%
Rutland	580	7.7%
Washington	685	9.1%
Windham	440	5.8%
Windsor	644	8.6%
Total	7,528	100%

Source: Agency of Education

Universal PreK Funding and Data

One of the challenges with understanding and analyzing the Universal PreK system is determining how much is currently spent by public school districts from the Education Fund on Universal PreK. As of the writing of this report, specific data on the programs that individual districts provide is not available. Supervisory unions and districts currently provide Universal PreK differently. Some districts tuition all the kids to community providers, some provide an in-house program, others have a combination of both. Some districts provide full-day programs, some only the 10-hour minimum. Some districts that have programs that exceed the weekly 10 hours and require families to pay for additional hours provided, either out of pocket or through CCFAP. Because districts operate Universal PreK differently, and there is no data on the number of children a district serves in the school versus the number of children a district tuitions out, there is no easy way to determine how changes to Universal PreK would impact education expenditures. Additionally, without information

²¹ These counts are reported by the Agency of Education and refer to the FY2025 Average Daily Membership (ADM).

on the types of programs each school provides, there is no way to know if the school is bringing in offsetting revenue to reduce education spending. Because of these data constraints, it is very difficult to estimate how a policy change may impact districts' decisions and overall education spending.

Federal Head Start Program

The federal Head Start program is a comprehensive early childhood development program designed to promote school readiness for children from low-income families. Started in 1965, Head Start is a multifaceted program that extends beyond academic instruction. It employs a “whole child” approach by providing services in four key areas²²:

1. early learning and development;
2. health care;
3. family well-being; and
4. social services.

Head Start serves children from birth to five years old, as well as pregnant women and their families. It is administered by the Office of Head Start within the U.S. Department of Health and Human Services and operates through a “federal to local” model. It provides funding to a network of approximately 1,600 local public and private organizations across the country.

Program Types and Services in Vermont

Head Start: This program primarily serves children ages three to five and their families. It offers a range of services designed to prepare them for kindergarten. These services include early education, health screenings, nutritional support, and social and emotional development support.²³

Early Head Start: This program focuses on infants, toddlers (birth to age three), and pregnant women. It provides similar services but is tailored to the needs of this younger population. These services can include home-based visits and support for new and expectant parents.

Eligibility and Funding

Eligibility for Head Start is primarily based on federal poverty guidelines. To be eligible for Head Start, a family’s income must be at or below the FPL – \$32,150 for a family of four in 2025.²⁴ Some children are considered categorically eligible, such as those in foster care or experiencing homelessness. The program is funded through annual Congressional appropriations and requires a local non-federal match that can be in the form of cash or in-kind services, such as volunteer hours. **In some instances, Head Start programs in Vermont use CCFAP funding or Universal PreK dollars as the non-federal match.** The majority of funding is spent on staff, including teachers, family service workers, home visitors, cooks, and many others necessary to operate the Head Start program. Any remaining funds are spent on other necessary and allowable costs such as supplies and facilities.

²² *Face of Head Start; Charting Children’s Learning and Development During Head Start. Fall 2006 Cohort (FACES ACF-OPRE)* (2012). https://acf.gov/sites/default/files/documents/opre/faces_findings2006.pdf

²³ *Head Start Vermont. First Five Years Fund.* (2025) https://www.ffyf.org/wp-content/uploads/2025/09/HeadStart_VERMONT.pdf

²⁴ FPL varies by family size. See Appendix B.

Head Start in Vermont

Head Start is a critical component of Vermont's early childhood education and family support system. Seven regional Head Start programs manage 60 centers across the state, some of which are in public schools. In 2024, there were a total of 1,273 children enrolled in Head Start. Of those children, 732 were PreK age and 541 were younger than PreK age. In 2024, Vermont received \$27.7 million in federal Head Start funding.

Table 5: Head Start funding in Vermont 2019-2024²⁵

	2019	2020	2021	2022	2023	2024
Head Start Funding (in millions)	\$22.40	\$23.50	\$24.40	\$25.00	\$26.90	\$27.70
Enrollment ²⁶	1,447	1,392	1,419	1,419	1,383	1,273
Funding Per Enrollee	\$15,456	\$16,891	\$17,176	\$17,607	\$19,443	\$21,760

²⁵ Head Start Program Annual Facts Sheet. <https://headstart.gov/browse/series/head-start-program-annual-fact-sheets>

²⁶ “Funded slots and cumulative enrollment may differ since cumulative enrollment represents all children enrolled throughout the program year (e.g., child turnover and transition)” <https://headstart.gov/program-data/article/head-start-investments-state>

Part 2: Financial Incentives and Impacted Stakeholders

As discussed in the first section of this report, there are several State and federal early care and learning programs in Vermont. While there is frequently an overlap in services and clientele amongst these programs, they each have distinct policy goals, regulations, governance, and funding streams. The ultimate result is a patchwork early care and learning system.

Many families, providers, and public schools interact with this system daily. As noted before, this system has improved and grown significantly in recent years. The number of families utilizing CCFAP continues to increase. In 2025, more child care slots were created than eliminated for the first time in several years. Over 7,000 3- and 4-year olds are currently enrolled in a Universal PreK program, improving kindergarten readiness for the youngest Vermonters.²⁷

Given the patchwork nature of the early care and learning system in Vermont, there are also overlaps in services and funding in some instances and gaps in others. This is the nature of policymaking; modifications to a system create unintended or unforeseen impacts. While further changes to Vermont's early care and learning system may also do the same, this section focuses on some of the overlaps, gaps, and behavioral incentives that currently exist.

While the different incentives described in this section may exist in the current system, by and large they do not reflect how most stakeholders actually interact with it. The current uptake of Universal PreK and CCFAP – coupled with the increased child care slots throughout the state – likely indicates that many families are successfully accessing these programs. The examples used in this section are simply meant to illustrate how certain entities might behave under specific circumstances.

Within the early care and learning system there are three main stakeholder groups:

1. parents and families;
2. public schools; and
3. private providers.

These three groups may have different or competing interests depending on circumstance, but their behaviors all impact the service population – Vermont's children. This section addresses how each of these stakeholder groups are affected and incentivized by the current overlaps and gaps in the early care and learning system

It is important to note that fiscal incentives discussed in this section are not an exhaustive list of all incentives these groups must navigate. Stakeholders must consider and respond to a multitude of other factors beyond the scope of this report, including program quality, local community impacts, and access.

²⁷ "Vermont's Bold Investment in Childcare is Largely Paying Off". Alison Novak. Seven Days November 19, 2025 <https://www.sevendaysvt.com/news/education-news/vermonts-bold-investment-in-childcare-is-largely-paying-off/>

Parents and Families

Parents and families must weigh a number of factors when determining how to interact with and utilize the early care and education system. Their choices are driven by a multitude of factors, including:

1. their children's health, development, and learning;
2. their income;
3. the tuition rate of the child care provider;
4. the number of children in their family;
5. the number of hours of care they qualify for/need;
6. disability status and need for wrap around services; and
7. personal preferences.

For many families, minimizing out-of-pocket costs is a significant driver of decision-making. Families will likely weigh the benefits of enrolling in CCFAP, Universal PreK, and other programs and choose how to engage with the system with affordability in mind. The system as it currently exists may incentivize families, particularly those at the higher end of the income scale, who want to minimize out-of-pocket expenses to enroll in different parts and pieces of State-run programs.

CCFAP – Family Share Contribution

As outlined in Part 1, families enrolled in CCFAP that make more than 175% FPL may be required to pay a family share contribution. Recall, the family share is determined on a per family basis *not* on a per child basis. This means that families only pay one share contribution regardless of the number of children they have. For many families, CCFAP works the way that the system intended. It significantly reduces the cost of care and makes child care more accessible.

However, recall that there are two rates for a program: market rate and State rate. It may be cheaper for a family to pay the market rate rather than pay their share of the CCFAP State rate. This depends on the number of children that they have in child care, their income, the hours of care they qualify for, the resulting CCFAP subsidy, and the market rate of the child care they are seeking.

For example, assume a family of three:

- has an income of 475% FPL; and
- has one preschool age child enrolled full-time at a center-based child care program

That family would qualify for a CCFAP subsidy of \$439 per week and have a required family share contribution of \$325 per week, or \$16,900 per year. In this case, enrolling in CCFAP is “worth it” if the market rate of that program is greater than \$16,900 per year. If a family has one child, and the market rate is less than the family share, it might not make sense to enroll in CCFAP.

If instead that family has the same income (475% FPL) but has two children under 13, their family share would still be \$325. The family may now have an incentive to enroll in CCFAP – if the combined market rate cost for the two children’s care exceeds \$16,900 per year.

According to DCF’s 2024 Child Care Market Rate Survey, the average weekly market rate statewide for full-time care at a licensed center ranged from around \$360 for infants to \$272 for school age

children.²⁸ Market rates are typically lower for registered home-based care programs given their (typically) lower overhead costs. For a family with one child, their CCFAP family share may be more than the market rate of local programs, effectively meaning there is no financial reason for them family to enroll in CCFAP. **All else equal, the more children a family has, the more likely it is that the family will benefit from enrolling in CCFAP.**

This creates an interesting incentive structure for both families and providers. If a family is only considering out-of-pocket costs, they would need to determine if it is cheaper to pay the CCFAP family share or pay the market rate out-of-pocket without enrolling in CCFAP. Providers also face interesting financial incentives because the market rate charged to families is not always the same as the CCFAP rate. If the State rate is higher than the market rate, providers will want families to enroll in CCFAP. Table 4 below shows the family share contribution by FPL. The 2024 DCF Market Rate Survey shows that the median rate charged for preschool at licensed providers statewide is \$325 per week or \$16,900 annually.²⁹ One can see that, in this hypothetical situation, the financial incentive for a family to enroll in CCFAP disappears at 475% FPL if a program charges the median market rate and the family only has one child in care.

Table 6: CCFAP Preschool Family Share
2024 Median Market rate = \$325 per week; \$16,900 annual cost

FPL	375%	400%	425%	450%	475%	500%	525%	550%	575%
Family Share	\$225	\$250	\$275	\$300	\$325	\$350	\$375	\$400	\$425

Note: Cells in bold indicate where the CCFAP Family Share would exceed the statewide market rate

Importantly, while a family with one child in care and a family share that exceeds the market rate wouldn't have an incentive to enroll in CCFAP, providers are the ones who determine how to collect the family share. They can offer scholarships or develop an arrangement that reduces the costs for both market and state rates. Thus, actual behavior of a family depends on both their calculated family share and the amount of the family share that a provider chooses to collect.

Universal PreK Hours and CCFAP Hours

Currently, Universal PreK and CCFAP operate in conjunction with one another. In many instances, preschoolers are enrolled in both programs. In these cases, the children receive both a Universal PreK education as well as enough child care services to cover a family's needs. There are approximately 225 prequalified private providers that offer Universal PreK.³⁰ Still, the current structure requires that families enroll in both programs separately and providers have to follow different reporting requirements and different regulatory requirements for each program.

²⁸Department for Children and Families 2024 Market Rate Survey.

<https://outside.vermont.gov/dept/DCF/Shared%20Documents/CDD/Reports/CC-MRS/CC-MRS-Report-2024.pdf>
(see page 10)

²⁹ Department for Children and Families 2024 Market Rate Survey.

<https://outside.vermont.gov/dept/DCF/Shared%20Documents/CDD/Reports/CC-MRS/CC-MRS-Report-2024.pdf>

³⁰ Department for Children and Families Provider Database.

https://data.vermont.gov/Education/Prequalified-PreK-Programs-Privately-Operated/ndcp-9ccy/data_preview?_gl=1*18jdx5p*_ga*MzI4MTE2NjA3LjE3NjE4NTc3NDk.*_ga_V9WQH77KLW*czE3NjkzNzU3MjEkbzE1MCRnMCR0MTc2OTM3NTcyMSRqNjAkbDAkaDA

Because the two programs are separate, depending on a family's circumstances, they may be incentivized to enroll in CCFAP but not Universal PreK. When calculating the number of hours of child care a family qualifies for, CDD asks families if they are enrolled in Universal PreK. If they are, CDD "counts" the 10 hours of Universal PreK as already paid-for child care. This reduces the number of CCFAP hours the family is eligible for by 10. Essentially, if CDD determines that a family qualifies for 35 hours of CCFAP child care, but the family is enrolled in Universal PreK, the family will ultimately only qualify for 25 hours of CCFAP child care.

This can create a scenario where **it may be to a family's benefit not to enroll in Universal PreK**. This occurs when a family's hours drop below the threshold to qualify for full-time care, or 26 hours. The difference between full-time CCFAP rates and part-time CCFAP rates is greater than the rates paid through the Universal PreK program. This is outlined in the example below. It is important to note that while this theoretically can happen, it may not occur frequently.

Example: If DCF determines that a family qualifies for less than 35 hours of CCFAP and they are enrolled in Universal PreK, the family will only receive part-time CCFAP reimbursement (35 hours minus 10 hours = 25 hours, which is below the required 26 hours for full-time care). The family will then have to pay their family share, plus the difference between the part-time CCFAP rate and the provider's full-time rate if they want to keep full-time care. The family would then have no incentive to enroll in Universal PreK, since not enrolling would keep them above 26 hours for CCFAP eligibility purposes and ensure that the provider receives the full-time CCFAP reimbursement.

In summary, parents and families have to navigate multiple systems with different incentives for different income levels and different numbers of children. It is safe to assume that most families will do what is financially beneficial to them, while also getting the child care that they need. Because of the various benefit calculations and other variables (such as the rate providers charge for care), this means that families that are eligible for the same programs may make vastly different choices when it comes to child care enrollment.

Public Schools

Public schools are responsible for providing 10 hours of Universal PreK to students in their district either by providing a Universal PreK program, tuitioning students (that are able to secure a spot) to a qualified program, or both. Regardless, the cost is reflected in a district's budget.

It should be noted that the only obligation districts have is to provide 10 hours of Universal PreK (on behalf of parents that are able to secure a spot); how they implement it (either through operating programs themselves or tuitioning students to other providers) and whether they provide anything beyond the 10 hours is the district's decision. This decision is influenced by several factors, such as financial incentives, educational goals, and community sentiment. When considering fiscal incentives, the district must weigh the pros and cons of operating a program as compared to paying private providers to meet Universal PreK requirements. There are many reasons why a district may decide to operate a program rather than pay tuition to a private provider or vice versa.

It must also be noted that if a district does not offer a program of its own and a parent is unable to find a Universal PreK spot at a prequalified program for their child, the district is *not* obligated to offer a program. Only if a parent secures a spot with a prequalified provider is a district required to provide the Universal PreK tuition payment.

Under current law, students enrolled in Universal PreK are included within the home district's long-term average daily membership count (LTADM). In Vermont, all students are counted as a 1.0 LTADM before tax capacity weights are applied. Recall that a Universal PreK student is counted as a LTWADM of 0.46 (plus any additional weighting categories such as English learner or economically disadvantaged).

Education spending is counted per-LTWADM when determining property tax rates within a district. By including the LTWADM from Universal PreK students, a district increases its tax capacity. As previously discussed, this helps a district offset the cost of Universal PreK.

JFO has limited data on the cost of Universal PreK at school districts. As Universal PreK (whether in-house or via tuition) is part of a district's education spending, it is challenging to determine exact expenditures. To fully assess the cost of Universal PreK to the Education Fund, additional data would need to be collected and analyzed. Additionally, many programmatic decisions such as number of hours offered and program size are determined at the local level and vary from district to district. This makes it difficult to do comparative cost analysis between programs operated by schools and programs operated by community-based providers. It also makes it challenging to do in-depth analysis on the decisions individual schools make and incentives they respond to when it comes to providing Universal PreK.

If the triggers in Act 73 are met, and the current foundation formula goes into effect, the calculation of Universal PreK funding becomes more straightforward. As enacted, a district would receive a base funding amount of \$6,915 (in fiscal year 2025 dollars) per enrolled Universal PreK student, rather than the possible benefit of additional tax capacity from Universal PreK students.

This could shift incentives for school districts. As mentioned earlier, the fiscal year 2025 Universal PreK tuition rate – the rate that a sending district pays to a Universal PreK provider – is \$3,884. Under the foundation formula established in Act 73, a district that tuitions its Universal PreK students to an outside provider would spend \$3,884 per pupil and be left with \$3,031 in unallocated funding for other use. It should be noted that the remaining funding could still be used on expenses related to Universal

PreK. For example, a district could leverage those funds to cover the administrative burden of tracking and paying for students' Universal PreK tuition.³¹ In short, if the as enacted provisions of Act 73 are implemented, districts may have a financial incentive to tuition Universal PreK students instead of providing a program of their own.

Beyond the incentives created by the current and future funding streams, schools also must consider logistics and capacity. For example, if a district has underused infrastructure, it may be financially feasible for it to repurpose said infrastructure for a Universal PreK program. In doing so, the district would also open itself up to the possibility of receiving Universal PreK tuition from neighboring districts. Meanwhile, schools already operating at capacity may decide it makes more sense to focus on tuitioning their students to other providers, rather than embarking on an expensive capital project to serve more children.

This decision is not based on financial incentives alone. There are many other reasons a school district might choose to offer a Universal PreK program. A district may choose to have its own program to meet the various needs of its community. For instance, the map on this page shows the location of private and public prequalified Universal PreK providers and their licensed capacity. A district may decide that, given the distance and limited capacity of nearby programs, it should offer its own program. Ultimately, school districts' provision of Universal PreK varies greatly, which indicates that incentives do not align in the same way across districts. Take just a limited example of program variations, largely chosen to highlight the differences between Universal PreK offerings:

Saint Johnsbury School District:

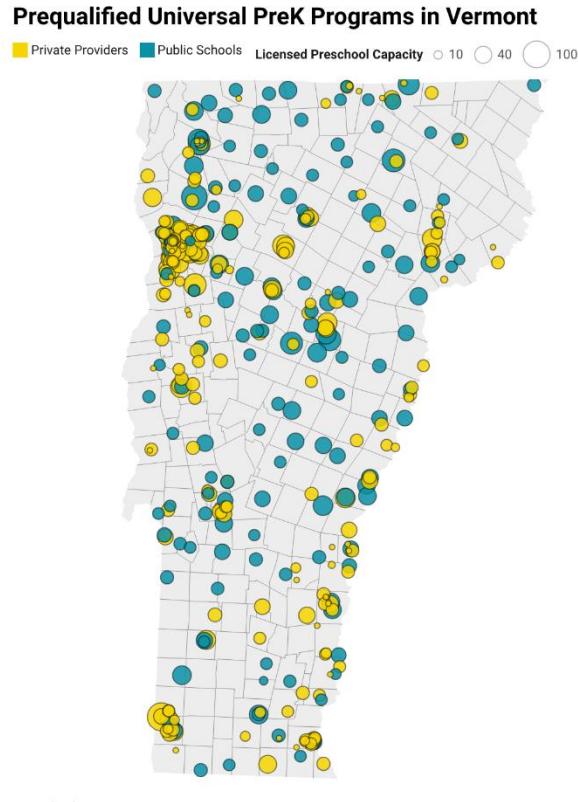
- Offers full-day public PreK to children who are 4 by September 1 and tuitions 3-year-olds.

Rutland City Public Schools:

- Tuitions all PreK students to private providers and does not operate a program in schools.

The Bennington-Rutland Supervisory Union

- Currier Memorial Preschool in Danby and the Manchester Elementary Middle School both serve 9 towns around Manchester for 20 hours per week during the 35-week school year.
 - Currier serves 3- and 4-year-olds; Manchester only serves 4-year-olds.
- Residents of the Mettawee School District (Pawlet and Rupert) can attend a Head Start partnered program at the Mettawee Community School.



³¹ When a parent chooses to send their child to a private provider, school districts need to maintain relationships with these providers; each of these relationships requires administrative work related to attendance and accounts payable that may require additional staffing and costs at school districts.

Private Providers

A child care center faces a wide range of considerations and incentives when building out classrooms and determining what services to offer. These incentives apply to both the expense and revenue side of the ledger and are affected by:

- revenue and reimbursement rates for infants, toddlers, and preschoolers;
- program operating hours;
- family demographics; and
- relative value of the incentive and labor costs.

Student Reimbursement Rates Vary for Different Aged Children

Staffing is usually the main cost for child care providers. Different classroom ages have different staffing requirements; this may influence the types of classrooms a provider offers. Compared to infants and toddlers, preschool classrooms are cheaper to staff since they require a much lower ratio of teachers to students. Per DCF regulations, infants require a 1:4 ratio of staff to children, with a maximum classroom size of 8. Toddlers have a ratio of 1:5, with a maximum class size of 10. For preschool, the teacher student ratio is 1:10 and the maximum group size is 20.

This means preschool classrooms can generate more than double the amount of revenue from CCFAP (family and State contributions) than infant classrooms and roughly double the amount of revenue from a toddler classroom, even with differing CCFAP rates for infants and preschoolers.³² Table 7 shows the amount of revenue a child care provider would receive from a classroom based on DCF minimum regulations and assuming all children are enrolled in CCFAP. Note that the revenue figures for preschool classrooms reflect CCFAP payments only and do not include Universal PreK revenue.

Table 7: Maximum Revenue Per Classroom (State Rates)

	Infants	Toddlers	Preschool
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

One might wonder what incentive, if any, would remain for a provider to offer infant classrooms at all. A possible reason may be that infant classrooms can get families in the door at a center, potentially ensuring that their children then remain there until kindergarten. Or it could be for parent convenience – if a family has an infant and an older child, the infant classroom allows both to attend the same center. In some centers, the needs of the community and structure of the center can also support the creation of infant classrooms. Additionally, although preschool classrooms may offer more revenue, starting a new preschool program requires new investments in furniture and learning materials that a center may not be able to make if they have only provided infant and toddler care until now.

Still, because of the structure of CCFAP and the higher cost of care for younger children as compared to older children, a child care provider may be incentivized to offer a different number of classrooms for each age group. Given the large difference between the amount of revenue possible for preschoolers versus toddlers and infants, any changes in policies that impact funding for preschool age children may impact the ability of centers to provide care to younger children.

³² Although there are slight variations in other classroom operating expenses – largely around consumables and furniture – the overall costs of running a child care classroom are largely the same at the same type of private providers.

Program Operating Hours are Impacted by Universal PreK for the Purposes of Calculating CCFAP Reimbursement

Just as families may opt-out of Universal PreK due to how CDD calculates CCFAP hours (recall that in some circumstances dual enrollment in the programs means families ultimately lose full-time CCFAP eligibility), child care providers that operate between 26 and 35 hours per week, and again from 50 to 59 hours, could lose money if they participate in Universal PreK. This is because CDD accounts for hours “covered” by the Universal PreK program when they calculate the number of CCFAP hours a family qualifies for.

For programs that offer Universal PreK, 10 hours of service are funded through Universal PreK dollars. That means that if a program operates for 35 hours a week, DCF would subtract those 10 Universal PreK-funded hours from their operating hours for CCFAP reimbursement purposes. This in turn would drop their services from full-time reimbursement rate eligibility (\$439 per week) to part-time rate eligibility (\$240). In effect, the program would lose out on \$199 per child per week in CCFAP reimbursement while only receiving \$114 per child per week in Universal PreK dollars.

Similar accounting applies for programs that operate for between 50 and 59 hours. By participating in Universal PreK, they would drop from the extended care weekly rate (\$597) to the full-time rate (\$439), a difference of \$158, which again exceeds the \$114 they would receive from Universal PreK.

In short, the current reimbursement structure can impact the types of services offered. When centers determine whether or not to participate in Universal PreK, they may need to ensure that the number of hours they provide will not adversely impact their CCFAP reimbursement rate when they account for Universal PreK hours. Although these calculations reflect rates for licensed centers, the same considerations apply for registered homes, though the financial incentives are not as powerful for these programs. It is important to note that although this is a potential consideration for providers, it is only one of many factors a center would consider when deciding how to implement programming.

CCFAP, Universal PreK, and Family Demographics

Providers face incentives depending on the demographics of the families they serve and whether they are a prequalified Universal PreK program or not. As mentioned earlier, all else equal, a family with a family share above a provider’s market rate does not have an incentive to enroll in CCFAP. Providers can also play a role in this incentive structure.

These incentives are found only at higher estimated weekly family shares – families with an estimated family share above \$325 per week exceed the median market rate charged by licensed centers for preschool care as of the 2024 Market Rate Survey conducted by DCF. For example, if a family’s estimated family share under CCFAP is \$350 per week and the provider charges \$325 per week, the family doesn’t have an incentive to enroll in CCFAP – their family share is above the weekly rate charged by their provider. However, the center could decide to collect only \$325 of the family share, matching the center’s market rate. The family receives care for the same cost as the provider’s market rate and the center receives the difference between the family share and the State rate, an additional \$89 per week from the State, or over \$4,600 per year.

Universal PreK tuition further complicates the incentive structure for providers. For most families, Universal PreK payments reduce the market rate for care by \$114 for the 35 weeks funded through the program. If a child is enrolled in CCFAP, however, this gets more complicated.

Providers receive different amount of total funding per student depending on family demographics due to interactions between CCFAP, Universal PreK, and family shares. For two general examples, Table 8 compares a child who has a CCFAP certificate with a family share of \$0 and a child with a CCFAP certificate with a family share of \$300 per week. These examples reflect the dynamics present for full-time care for families with one child when the provider collects the full amount of the family share – however there are many different combinations of care including the number of hours per week and how the center handles Universal PreK hours for billing purposes.

Table 8: Comparison of two families with different CCFAP certificates

Payment Type	Family A	Family B
Blended Program Tuition/Week	\$439	\$439
Estimated Family Share Before UPK	\$ -	\$300
UPK Tuition Per Week (a)	\$114	\$114
Estimated Family Share After UPK (b)	\$ -	\$186
CCFAP Payment Per Week (c)	\$439	\$139
Center receives a+b+c	\$533	\$439

Because of how Universal PreK funds are applied, there is a greater financial incentive for providers to serve lower income families enrolled in CCFAP compared to families at higher incomes in CCFAP. For CCFAP-enrolled children with a family share greater than weekly Universal PreK payments, centers do not receive additional funding for Universal PreK.

Is the Value of the Program Worth the Additional Costs?

Operating a Universal PreK program requires additional costs, which include hiring a teacher with an endorsement in early childhood education or early childhood special education, conducting assessments twice a year, holding parent engagement events, and maintaining other training and monitoring requirements.

While finding qualified teachers is a challenge for providers and public schools alike, due to compensation differences it can be even more difficult for the former. According to the Vermont Labor Market Information website, the median wage for a child care worker is \$18.19 per hour or a little less than \$38,000 per year. According to the AOE Teacher and Staff FTE Report, the average salary for a PreK teacher in the public school system was approximately \$64,600 in 2024, not including benefits.³³

In addition to labor constraints, Universal PreK regulations can be an administrative burden depending on the location of the center. Since students are connected to the school district (or supervisory union) where they live, centers may need to maintain relationships with multiple different districts or supervisory unions. For example, a center in Rutland could serve students that live in five different supervisory unions. The amount of work required to maintain requirements through each supervisory union, document attendance, and send invoices to those different entities every couple of months is not trivial.

³³ Vermont Agency of Education. Teacher and Staff FTE report. <https://education.vermont.gov/data-and-reporting/school-reports/teacher-staff-fte-report>

Part 3: Gaps In Coverage of Care Before and After Act 76 (2023)

Prior sections of this report have addressed the incentive structure of early care and learning in Vermont as it currently exists. Prior to addressing potential policy considerations moving forward for legislators, this section provides economic context for the system both before and following the enactment of Act 76 (2023).

Before the changes to the child care system in 2023 through Act 76, the economic landscape for providers and families was deeply challenging. According to the 2016 Blue Ribbon Commission of Financing High Quality Affordable Child Care Final Report, 47% of infants and toddlers who needed access to care did not have it.³⁴ Only 31.9% of programs in Vermont were 4 or 5-STARS rated.³⁵ At the time, Vermont ranked 3rd in the country for most unaffordable center-based, 4-year-old care.

The cost was unsustainable for centers as well. CCFAP reimbursements were set at what would be the 75th percentile of the 2024 Market Rate Survey. Accordingly, there was a large gulf between the revenue child care centers received from the State and the costs of running a program. The 2023 First Children's Finance Report of Child Care Providers highlighted some extreme ways child care providers made ends meet. More than 20% of centers reported using high-interest loans, such as online or payday loans, to improve cash flow. More than 30% reported using part or all of their emergency fund. Between 20 and 30% of both family care centers and homes reported that they were unable to “pay [themselves] at times.” Between 5 and 10% closed their doors temporarily. Overall, 17% of providers reported that they expected to close within the year if business conditions remained the same.³⁶

Act 76 included many different provisions to address these challenges for providers and parents, and the key components have only been implemented over the last two years. In 2024, more centers opened than closed, and total licensed capacity in the system increased by 626 slots. Even more encouraging, home-based providers led the increase, which experienced a substantial decline in the decade proceeding Act 76.³⁷ While it appears that the policies adopted by the General Assembly as part of that legislation have made an impact on the system, it is still too early to know if the changes will make a lasting difference or if they are shorter-term.

Sec. 1 of Act 76 included intent language to “assign school districts with the responsibility of ensuring equitable PreK access for children who are four years of age.”³⁸ Although reimbursement rates have increased substantially since the pandemic, the basic program economics for private providers of child care have not changed – in most instances preschool students remain the most financially viable group for centers to serve.

³⁴2016 Blue Ribbon Commission on Financing High Quality Affordable Child Care, Final report: <https://legislature.vermont.gov/Documents/2018/WorkGroups/Senate%20Health%20and%20Welfare/Bluer%20Ribbon%20Commission/W~Charlotte%20Ancel~Final%20Report%20-%202016~1-19-2017.pdf>

³⁵ STARS refers to the STep Ahead Recognition System, which assigns afterschool, child care, and preschool providers different STARS ratings if they have met certain quality criteria above licensing regulations.

³⁶ Testimony to House Committee on Human Services. First Children's Finance. April 13, 2023

<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Human%20Services/Bills/S.56/Witness%20Documents/S.56~Erin%20Roche~First%20Children's%20Finance%20Presentation~4-13-2023.pdf>

³⁷ Report on Act 76 Monitoring. Building Bright Futures. January 15, 2025:

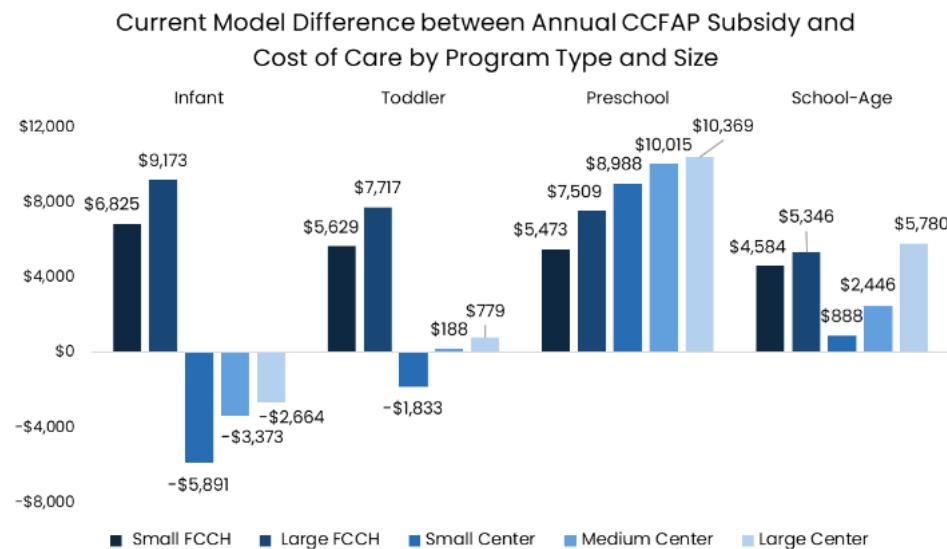
<https://legislature.vermont.gov/assets/Legislative-Reports/Report-on-Act-76-Monitoring-January-2025.pdf>

³⁸ Act 76 (2023)

<https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT076/ACT076%20As%20Enacted.pdf>

CDD has contracted with First Children's First to produce annual cost of care reports, starting with January 2025. First Children's First developed a cost model for various sizes of center-based and family home based providers in Vermont.³⁹ Figure 2 below outlines the difference between the CCFAP State rate and the cost of care across age groups and program settings. For example, the State rate for preschoolers is \$439 per week, or \$22,828 per year. The cost of care model indicates that the cost of care for a preschool age student at a medium center is \$12,813 per year. The difference between these two numbers is \$10,015.

Figure 2: Difference Between CCFAP and Cost of Care (Current Wages)



The calculations in Figure 2 show two main results. First, at current wage rates, all ages are economically viable for home-based providers (Family Child Care Homes or FCCHs) to serve if they receive the full State rate. Second, different ages groups have vastly different results. Preschoolers have a State rate that provides between \$8,988 and \$10,369 more per year than the estimated cost of care for these children. However, infants and toddlers are more financially challenging to serve. According to the model, a small, licensed center would lose \$5,891 per infant and \$1,833 per year.

The 2025 Vermont Cost Modeling Report notes that “the profitability of child care centers is driven by their preschool classrooms.”⁴⁰ Accordingly, any change to the system that would change the number of preschool age children at private centers, especially those enrolled in CCFAP, could change the fundamental economics for private providers. This was recently observed in California, where providing free preschool for 4-year-olds resulted in a reduction in revenue for private providers, resulting in the closure of some providers and the loss of child care slots for infants, toddlers, and 3-year-olds.⁴¹

³⁹ Note that the 2025 Vermont Cost Modeling Report reflects CCFAP State rates effective July 2024. In July 2025, CDD updated rates and slightly increased weekly payments for infants and toddlers.

⁴⁰ 2025 Cost Modeling Report. Page 4.

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Human%20Services/Early%20Childhood/Act%202076/W~Janet%20McLaughlin~Vermont%20Cost%20Modeling%20Report~2-25-2025.pdf>

⁴¹ The Hechinger Report “One State made preschool free. Then dozens of child care centers closed in its largest city” December 8, 2025.

As changes to the system are considered, one goal might be to ensure that estimated costs of care will be covered regardless of the age of students. For example, both State and market rates at licensed centers for infants would have to increase to provide parity between what it costs to provide care for a child of a specific age and State rates. Alternatively, the system could continue to effectively subsidize infant care with higher reimbursement rates for preschoolers.

It is important to remember that Vermont's early care and learning system is highly interconnected. Changes to a one component, such as CCFAP or Universal PreK, will inevitably create systemwide impacts. Both Head Start and the CCDF Block Grant are federal funding sources that operate under their own specific rules and regulations, which may be impacted by changes made to other parts of the child care system. A comprehensive, holistic assessment of any proposed change is necessary to ensure that outcomes properly align with legislative intent.

Part 4: Policy Considerations

In previous sections, this report outlined the current structure of Vermont's early care and learning system, how it was impacted by recent legislation, and some of the incentives the system creates for various stakeholders. As noted throughout this report, the funding streams of the system as it currently exists may present challenges for legislators as they seek to integrate or reconcile this patchwork system with the foundation formula and other legislative charges established by Act 73.

The policy considerations and options presented in this section should be viewed against overall goals for the early care and learning system – establishing goals for the system will help determine the desired policy direction. Within the current system, different programs have different goals. The question is how the General Assembly would like to reconcile those goals into one comprehensive set that informs any effort to change to the early care and education system.

These policy considerations may address some goals but not others, and possible changes may cause some unintended consequences. Understanding what the system should look like before, during, and after education transformation will help inform changes needed to meet policy goals.

Additionally, there continue to be gaps in available data that make analysis and understanding of the current system challenging. Without better knowledge and information about spending and level of service currently provided by schools and districts through the Universal PreK Program, it is difficult to assess the impacts of different policy changes on the overall system.

This section first provides further context on how the foundation formula may immediately impact the current system before providing considerations for legislators as they continue to work on education transformation in Vermont.

Changes to Long-Term Weighted Average Daily Membership Under Act 73

Public schools offer a wide range of service levels and funding differs depending on the district. In the current education finance system, school districts can set their budgets and raise additional funds as needed using their tax capacity. Because of this, a district that offers fewer services can have a lower tax rate than a district that provides more services (such as an all-day Universal PreK program). On the other hand, districts offering Universal PreK programs can accept Universal PreK students from other districts along with the tuition associated with those students. Those additional revenues can be used to decrease their education spending (and associated tax rate), or can be spent on other things. Because there is not a defined amount of funding tied to LTWADM, the direct impact of programming decisions on budgets can be hard to isolate.

If the contingencies in Act 73 are met and a foundation formula is adopted, the relationship between LTWADM and funding will change. Through the foundation formula, Universal PreK students would provide the district a set funding amount (\$6,915 in fiscal year 2025, adjusted annually for inflation), rather than a tax capacity weight. This funding amount would vary based on the weights that each student carries. In the context of early care and learning, this is a significant shift since districts would receive a set level of funding for Universal PreK students in their district, regardless of the level of services that they provide to each student.

Although there could be differences between the amount a district receives under the foundation formula and what providers receive under the Universal PreK statewide tuition rate, one must bear in mind that home districts would still be responsible for tuitioned students. This responsibility includes the administrative burden of maintaining relationships with multiple providers. Each of these relationships requires administrative work related to attendance and accounts payable that may require additional staffing and costs.

Intersections with Head Start

As the General Assembly focuses on the Vermont specific programs of CCFAP and Universal PreK, it will also need to consider the consequences of changes on federal funding sources. Both Head Start and the CCDF Block Grant represent federal funding sources that operate under their own specific rules and regulations; any changes made to other parts of the child care system must take this into account. For instance, Head Start has a required federal match. Additionally, programs currently “stack” funding from the federal government, CCFAP and Universal PreK. If there is a change in how these funds are deployed it may impact the ability of these programs to draw down federal funds to support early care learning along with other programs that help families.

Policy Considerations for Legislators

While much of Act 73 is contingent on future policy work, its enactment laid the groundwork for substantial change to Vermont’s education system. As a result of Act 73, funding for Universal PreK students could change. In response to this, the General Assembly could:

- **Focus primarily on the Universal PreK weight and make limited changes if desired.**
 - While there may need to be policy work to align Universal PreK with the foundation formula, the system could operate largely unaltered until education transformation has been further realized and the new state of public education is established.
- **Take a more comprehensive approach and evaluate programs and funding streams in-depth.**
 - It is important to note that more comprehensive changes would likely introduce new incentives within the early care and learning policy ecosystem.
- **Anything in between**
 - The General Assembly could make minor changes, address some particular incentives, or focus its policy work on any number of facets of the early care and learning system.

This report presents three options for potential changes to certain aspects of the current Universal PreK system and some policy considerations associated with those options.

- **Option 1:** Adopt a “money follows the student” policy similar to the tuition policy for elementary students.
- **Option 2:** Prorate Universal PreK weights based on the number of hours provided, where schools’ long-term weighted average daily membership PreK count is based on the number of Universal PreK hours provided either in school or by private providers.
- **Option 3:** Change how Universal PreK is counted when calculating CCFAP reimbursement

This is not a comprehensive list of policy changes or interventions that the General Assembly can undertake to align the early care and learning with education transformation rather a short list of possible changes to highlight impacts to the system if adopted. In addition, analysis of specific policy options was constrained by severe data gaps and limitations. Without further information about where children receive care, how said care is paid for, and how many hours of care those children receive, it is difficult to provide policy makers with an idea of how different funding streams would be affected by a system wide change. JFO does not endorse any of these specific policy recommendations.

Option 1: Adopt a “money follows the student” policy similar to the tuition policy for elementary students.

The General Assembly could change the way the money flows from school districts to other pre-qualified providers by requiring the entire foundation formula payment associated with a Universal PreK student to flow to the provider. If there was a change in the payment made to pre-qualified providers by schools, there would likely need to be a discussion on how or if this would intersect with CCFAP. Would this policy in effect change the rate for Universal PreK? Would CCFAP continue to count hours the same way that it currently does? The General Assembly would need to decide which fund (the Education Fund or the General Fund) would bear these costs. Could Head Start programs continue to use both Universal PreK and CCFAP funds as federal match?

However, assuming this change is made independent of any other policy changes, this may lead to a situation where a student’s sending district would have to forgo all the student’s funding while simultaneously shouldering the administrative burden of calculating their related funding and ensuring that it reached the program of attendance.

Option 2: Prorate Universal PreK weights based on the number of hours provided, where schools’ LTWADM PreK count is based on the number of Universal PreK hours provided either in the school or by private providers.

On the one hand, this system has advantages. It would align payments with the amount of service provided, allow for local control of Universal PreK services, and create more parity between public and private providers.

However, this could be administratively burdensome for both school districts and the State. How would this impact the incentives of providing a Universal PreK program within a school district? In this case, decisions about the optimal amount of PreK education to provide may depend on political economy rather than evidence or equity. This is also a challenge of the current system, where some families have access to public Universal PreK programs and others do not.

Further, the current system allows school districts to make payments to private providers outside of their district borders. Would the amount paid to providers depend on the number of hours approved in the sending district or the district where the provider is located? Prequalified private providers could easily have different groups of students with different associated payments.

Option 3: Change how Universal PreK is counted when calculating CCFAP reimbursement. Currently, Universal PreK is counted as “care received” for the purposes of calculating CCFAP. Earlier sections gave examples of how participating in Universal PreK can actually reduce the amount of money received by a family and a center for care. If Universal PreK hours were not counted a part of the CCFAP calculation, that disincentive (albeit likely an infrequent case even in the current system) would be eliminated. However, this solution may further exacerbate concerns that Universal PreK and CCFAP are funding the same care (overlap of services).

Alternatively, the amount of money received by a provider could be capped at the overall State rate (currently \$439 per week, which could be changed as well to more accurately reflect the cost of care), and providers could no longer incorporate Universal PreK costs. Capping rates, though, would mean that providers could go uncompensated for the additional requirements of operating a Universal PreK program (licensed teachers, surveys, family engagement events, administrative costs, etc.). This may mean that there would still be little economic incentive for private providers to participate in Universal PreK.

Conclusion

The early care and learning system in Vermont is the result of years of intensive policy work done by the General Assembly in coordination and consultation with many stakeholders including parents and families, public schools, and private child care providers. What has been accomplished in terms of expanding care and coverage for Vermont's youngest residents over the preceding decades should not be taken for granted.

Still, the system is a patchwork that has both gaps and overlaps. Because of how various State and federal programs and funding streams intersect, families, school districts, and providers are frequently left to confront, disentangle, and weigh incentive structures that are the unintended result of prior policy work. Despite some of the complications of the existing structure, providers, schools, Head Start programs, and families fare better now than they did in preceding years. Families are accessing care and early learning for their children. Public and private providers are growing and receive better reimbursement than they had before. System participants have learned to work with the existing structure and have been flexible enough to meet different community needs.

Before making further changes to the early care and learning system, the General Assembly might want to consider how the system fits into its larger education transformation goals and the overall impacts on children and families. As with other components of the education system that do not neatly fit into the system already, such as CTE, there are legitimate reasons why early care and learning has significant outstanding policy considerations. There are ongoing debates concerning which fund source is most appropriate for these services; when is it the Education Fund's responsibility to provide for Universal PreK and when does it lie elsewhere? Additionally, the system is highly dependent on private providers. Significant changes could end up reducing coverage, increasing capital costs, or causing other unintended consequences.

Moreover, there are data gaps that make impact analysis on any one group challenging. Without further information about where children receive care, how said care is paid for, and how many hours of care those children receive, it is difficult to provide policymakers with an idea of how different funding streams would be impacted by a systemwide change.

The General Assembly may determine that a more uniform statewide system is a preferable alternative to the current system or other potential replacements. Establishing goals would be helpful to the policy discussion. Is the goal to ensure that equitable access to PreK is a right for all Vermont children? What is the role for private providers? Should the system be operated solely or predominately through public schools? To what extent will early care and learning become the responsibility of the public education system?

The early care and learning system is complicated, but significant progress has been made to ensure children in Vermont have greater access high quality early care and learning opportunities. Changes put in place through Act 76 have only started to be implemented and as time passes more insight into the success of those policies will be gained.

Education transformation is a major undertaking – no matter what, the early care and learning system will be impacted. It will be important for the General Assembly to bear in mind how the early care and learning system fits into Vermont's broader education landscape so that the consequences of any changes to either of those systems on families, school, providers, and most importantly, Vermont's youngest learners can be better understood.

Appendix A

Definitions

As JFO researched the policy and programs for this report, it was apparent that several terms are occasionally used interchangeably. The specific terms used in early care and learning policy have very different meanings to different stakeholders. Additionally, the terms used to calculate education funding can be complicated and rely on definitions that refer to specific ages, counts, and time frames. The following section of this report attempts to outline the different terms that are most frequently used in early care and learning policy. This is not intended to be a comprehensive list, but to provide a framework to differentiate different terms and policies that are referred to in the report.

- **Early Care and Learning:** a broad term used throughout this report to encompass all programs and services provided to kids under 5 that are not enrolled in kindergarten.
- **Child Care or Day Care:** care for children, not eligible for kindergarten at a public school, by individuals who are not parents and who are paid for their services. May include PreK education as part of the care program.
- **State Agencies and Departments engaged in Early Care and Learning Policy**
 - **Agency of Education or AOE**
 - **Department for Children and Families or DCF**
 - **Department for Children and Families, Child Development Division (DCF CDD)**
- **Early Care and Learning Laws**
 - **Act 166:** Vermont's Universal PreK law passed in 2014. From time-to-time Universal PreK is referred to as "Act 166" or "Act 166 funding."⁴²
 - **Act 76:** A law passed in 2023 that relates to child care, early education, workers' compensation, and unemployment insurance. It expanded eligibility of the Child Care Financial Assistance Program (CCFAP) and made additional investments in the child care system.⁴³
- **Early Care and Learning Programs**
 - **Center-based child care program:** Provides care for children in a dedicated space that is not located in a home. These programs are by the state and have two or more staff who have specific training in early childhood care and education.
 - **Child Care Financial Assistance Program (CCFAP):** A program provides financial support to eligible families to help pay for child care, including day care, summer care, and after school programs.
 - **Family child care home/preschool program:** Registered Family Child Care Homes (FCCHs): Also known as family providers or home-based providers. They provide early care and education programs in the educator's own home for children from two or more families.
 - **Head Start:** Federally funded program that supports children's growth from birth to age 5 through services centered around early learning and development, health, and

⁴² Acts and Resolves 166 (2014)

<https://legislature.vermont.gov/Documents/2014/Docs/ACTS/ACT166/ACT166%20As%20Enacted.pdf>

⁴³ Acts and Resolves 76 (2023)

<https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT076/ACT076%20As%20Enacted.pdf>

family well-being. Available at no cost to families of children ages birth to 5 with incomes at or below 100% of the FPL.

- **Public Provider:** A school district that operates a PreK education program.
- **Private Child Care Providers:** A facility licensed by DCF to provide care for children under the age of 6. This can refer to child care provided in center-based facilities or home-based programs.
- **Step Ahead Recognition System (STARS):** Vermont's legacy quality recognition system for child care, preschool, and afterschool programs.
- **Universal PreK (Universal PreK or UPK):** A policy framework that ensures any family who wants to enroll their preschool age child in a publicly-funded, PreK care and education program has the opportunity to make that choice as long as they can find a slot at a prequalified program. In Vermont, Universal PreK is funded by the Education Fund and is voluntary for families. Universal PreK programs must meet state criteria to participate and can be in public schools, center-based settings, or family child care homes.

- **Education Financing Terms**

- **Average Daily Membership or ADM:** A metric of attendance in public schools. It is calculated by counting a school district's resident students' average attendance between the 11th and 30th day of the school year. It is used to calculate Long-Term Average Daily Membership (LTADM) which is used by Vermont's funding formula (both pre- and post-Act 73 systems).
- **Essential Early Education (EEE):** Grants made to school districts or supervisory unions to fund preschool special education services for children ages 3 to 5. Sometimes this is referred to as "Triple E."
- **Home District:** The school district where a child's LTWADM is counted. May also be referred to as the "sending district" or as the child's district of residence.
- **Long-Term Average Daily Membership (LTADM):** The two-year average of a district's Average Daily Membership (ADM).
- **Long-Term Weighted Average Daily Membership (LTWADM):** A district's Long-Term Average Daily Membership plus the weights associated with that district's students. This is used in Vermont's education funding systems pre and post Act-73. Prior to Act 73, this count is used to determine a district's taxing capacity. After Act 73, this determines the level of funding a district receives
- **School District (SD):** An entity responsible for operating one or more public schools. Note that some districts do not operate any schools but instead tuition out their kids to other schools.
- **Supervisory Union (SU):** An entity that oversees and administers Vermont's public schools, provide administrative and support services to their member school districts, set curriculum and manage special education. Often supervisory unions and school districts are one and the same. In these cases, the functions of the school district and supervisory union are performed by the Supervisory District.

- **Other**

- **Temporary Assistance for Needy Families (TANF) or Reach Up:** A federal program that provides funding for early care and learning for families that qualify.

- **Federal Poverty Level (FPL):** Metric used by DCF to calculate the level of a financial assistance family qualifies for in CCFAP.
- **Child Care and Development Block Grant (CCDBG):** the main federal grant program for child care programs for low-income working families. Lead agencies use these funds to subsidize the child care expenses of eligible children and to improve the overall quality and supply of child care.

Appendix B – Tables for Reference

2025 Federal Poverty Levels (FPL)

Household Size	100%	150%	200%	250%	300%	400%	500%
3	\$ 26,650	\$ 39,975	\$ 53,300	\$ 66,625	\$ 79,950	\$ 106,600	\$ 133,250
4	\$ 32,150	\$ 48,225	\$ 64,300	\$ 80,375	\$ 96,450	\$ 128,600	\$ 160,750
5	\$ 37,650	\$ 56,475	\$ 75,300	\$ 94,125	\$ 112,950	\$ 150,600	\$ 188,250
6	\$ 43,150	\$ 64,725	\$ 86,300	\$ 107,875	\$ 129,450	\$ 172,600	\$ 215,750

2025 CCFAP Family Share by FPL and Family Size

FPL	Family Share	Gross Monthly Income by Family Size			
		3 or less	4	5	6 or more
150%	-	\$3,331	\$4,019	\$4,706	\$5,394
175%	-	\$3,886	\$4,689	\$5,491	\$6,293
200%	\$50	\$4,442	\$5,358	\$6,275	\$7,192
225%	\$75	\$4,997	\$6,028	\$7,059	\$8,091
250%	\$100	\$5,552	\$6,698	\$7,844	\$8,990
275%	\$125	\$6,107	\$7,368	\$8,628	\$9,889
300%	\$150	\$6,663	\$8,038	\$9,413	\$10,788
325%	\$175	\$7,218	\$8,707	\$10,197	\$11,686
350%	\$200	\$7,773	\$9,377	\$10,981	\$12,585
375%	\$225	\$8,328	\$10,047	\$11,766	\$13,484
400%	\$250	\$8,883	\$10,717	\$12,550	\$14,383
425%	\$275	\$9,439	\$11,386	\$13,334	\$15,282
450%	\$300	\$9,994	\$12,056	\$14,119	\$16,181
475%	\$325	\$10,549	\$12,726	\$14,903	\$17,080
500%	\$350	\$11,104	\$13,396	\$15,688	\$17,979
525%	\$375	\$11,659	\$14,066	\$16,472	\$18,878
550%	\$400	\$12,215	\$14,735	\$17,256	\$19,777
575%	\$425	\$12,770	\$15,405	\$18,041	\$20,676

Pupil Weighting Categories and Weights in Act 73

General Pupil Weighting Category	Specific Pupil Weighting Categories ⁴⁴	Weighting Amount
PreK student	Student enrolled in PreK	-0.54
English Learner (EL) <i>(Across levels, English language proficiency weights are mutually exclusive. Newcomer or SLIFE weights are additive to level weights.)</i>	English language proficiency – Level 1	2.11
	English language proficiency – Level 2 or 3	1.41
	English language proficiency – Level 4	1.20
	English language proficiency – Level 5 or 6	0.12
	Newcomer or SLIFE	0.42
Child with a disability <i>(Disability weights are mutually exclusive. Disability weights are applicable to students enrolled in grades kindergarten through 12.)</i>	Category A	0.79
	Category B	1.89
	Category C	2.49
Student from economically disadvantaged background	Family at or below 185 percent of FPL	1.02

⁴⁴ Section 35 of Act 73 includes definitions for each of these specific weighting categories.

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