

Vermont Policy Changes Associated With Increase in Supply of Child Care

Katie Richards, Sara Amadon, Patti Banghart, and Jing Tang

Background

Child care is a major expense for most families who use it,ⁱ with costs that can eclipse those of higher education.ⁱⁱ As a result, families may struggle to afford child care and need to make tradeoffs with other expenses. Child care subsidies can help families with lower incomes afford child care by paying child care providers for all, or a portion of, that care. Some states, like Vermont, are making investments to provide subsidies to more families than required under federal statute.ⁱⁱⁱ

In 2023, Vermont enacted a widespread expansion of child care subsidy eligibility as part of Act 76, making more middle-income families eligible. The state also increased payment rates for child care providers; this means that more money is directed to these programs, which often have tight budgets.^{iv} In total, the state has increased its investments by \$125 million annually, most of which is funded by a new dedicated payroll tax.^v

Together, these changes aim to increase the availability and affordability of child care in Vermont while ensuring that providers can sustainably expand service—especially high-quality services. Starting in 2024, Child Trends partnered with Vermont's Child Development Division (CDD) to explore the impacts of these policy changes on the supply of child care in the state.

Figure 1. Key findings from Child Trends' study of child care subsidy policy impacts in Vermont

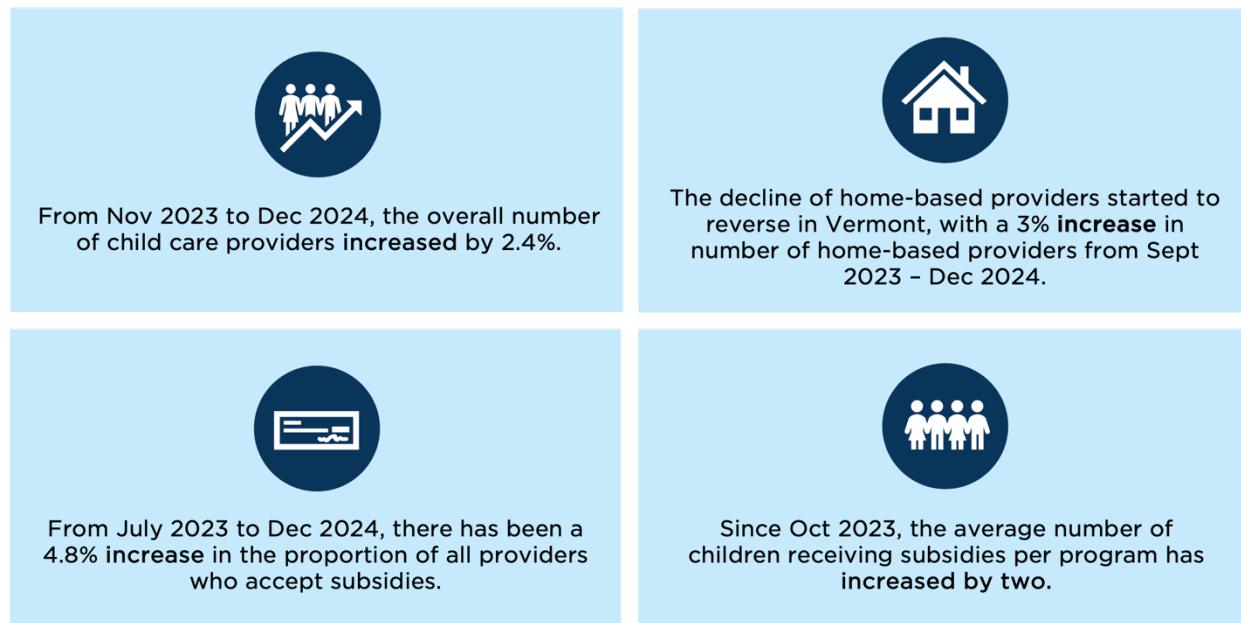


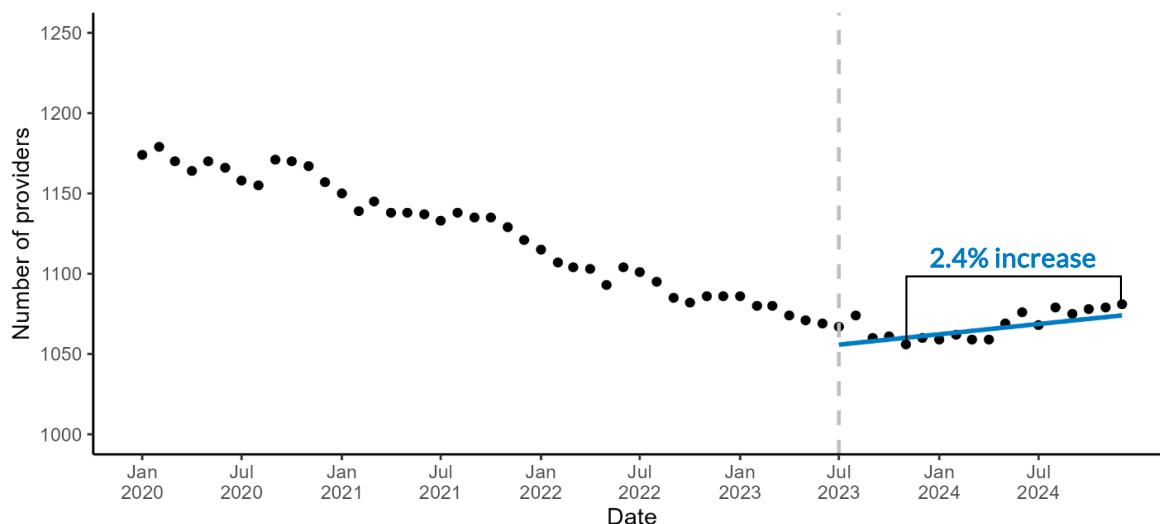
Figure 2. Timeline of Vermont child care subsidy policy changes

2022	> JULY <ul style="list-style-type: none">Increased base reimbursement rates; family eligibility increases to 350% of the federal poverty line (FPL)
2023	> JULY <ul style="list-style-type: none">Reimbursement rates increased, and no longer based on programs' quality rating > SEPTEMBER <ul style="list-style-type: none">Readiness payment program established > DECEMBER <ul style="list-style-type: none">Reimbursement rates increase an additional 35%
2024	> APRIL <ul style="list-style-type: none">Family eligibility increases to 400% of the FPL > JUNE <ul style="list-style-type: none">Reimbursement rates increase for family child care home programs > OCTOBER <ul style="list-style-type: none">Professional development bonuses and quality bonuses establishedFamily eligibility increases to 575% of the FPL

The Number of Child Care Providers in Vermont Is Increasing

The overall number of child care providers in Vermont has seen a sustained increase since July 2023, just after Act 76 was passed. Prior to July 2023, the number of registered child care providers in Vermont had been declining—a decrease of 8.9 percent in all programs from January 2020 to June 2023. This trend has since stabilized; from July 2023 through December 2024, the number of child care providers increased by 1.3 percent. However, there was a steeper increase—of 2.4 percent—in the number of child care providers from November 2023 (1,056 providers) to December 2024 (1,081 providers; see Figure 3). This suggests that the increase in the number of providers occurred following implementation of the additional provider supports from Act 76, such as increased reimbursement rates and readiness payments.

Figure 3. The number of child care providers in Vermont is now increasing after a steady decrease

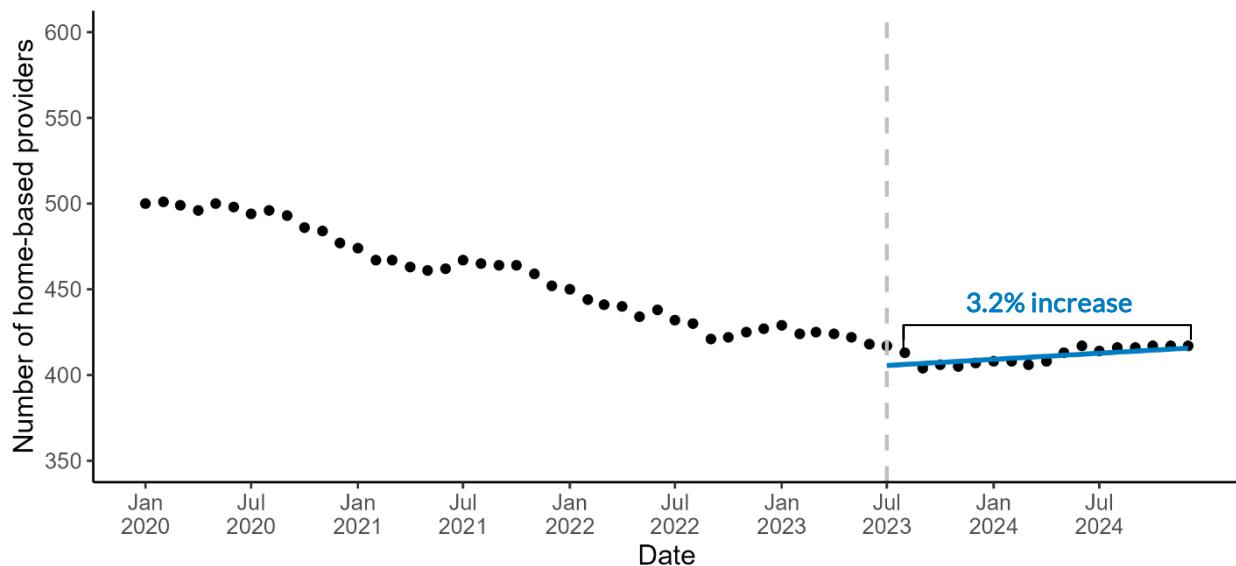


Source: Child Trends analysis of Bright Futures Child Care Information System (BFIS) and Child Development Division Information System (CDDIS) administrative data

Note: Interrupted time series analyses (ITSA) results are as follows: overall time $t=-34.9$ ($p<0.001$); binary pre/post policy change $t=-3.27$ ($p=0.00208$); time since policy change $t=13.0$ ($p<0.001$). Each dot represents our outcome measure during a certain month (the total number of child care providers). The dashed horizontal line indicates the inflection point or when the policy occurred. The solid blue line is the trend in our outcome measure following the policy changes. The black bracket indicates the percent change from the lowest point following the policy change to the final data point.

The COVID-19 pandemic exacerbated^{vi} the nationwide decline in the number of home-based providers^{vii}; similarly, the number of registered home-based child care providers in Vermont decreased by nearly 60 percent from 2012 to 2023.^{viii} Our more recent analyses, however, suggest that this trend is shifting: Since July 2023, after the passage of Act 76, there has been a sustained increase in the number of home-based providers, interrupting the decline that has been present for many years (see Figure 4). The number of home-based child care providers in Vermont increased by 3.2 percent from September 2023 (404 home-based child care providers) to December 2024 (417 home-based providers). This also suggests that the number of home-based programs increased following the implementation of supports from Act 76, which included an increase in reimbursement rates for family child care programs.

Figure 4. The number of home-based child care providers in Vermont is also increasing following years of decline



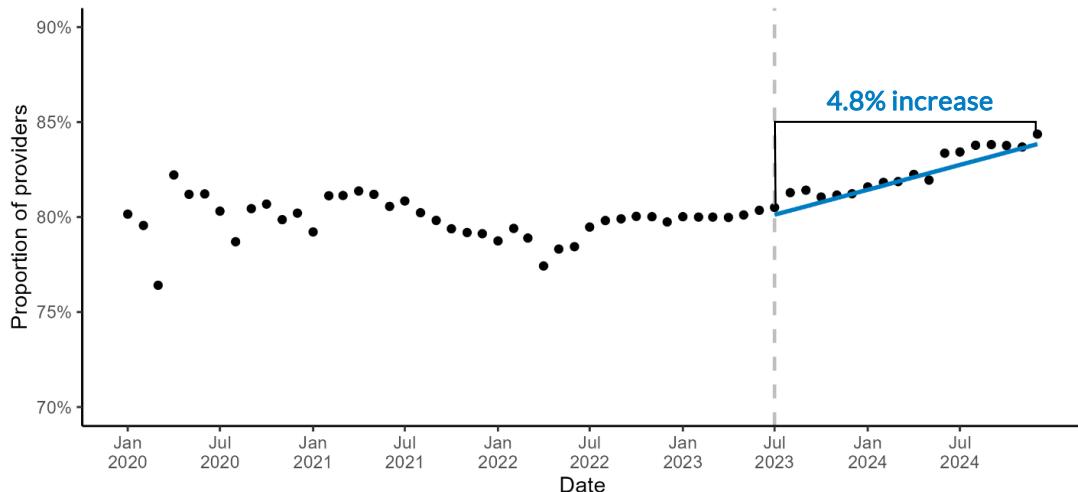
Source: Child Trends analysis of BFIS and CDDIS administrative data

Note: ITSA results are as follows: overall time $t=-9.78$ ($p<0.001$); binary pre/post policy change $t=-.0317$ ($p=0.752$); time since policy changes $t=3.79$ ($p=0.000448$). Each dot represents our outcome measure during a certain month (the total number of home-based child care providers). The dashed horizontal line indicates the inflection point or when the policy occurred. The solid blue line is the trend in our outcome measure following the policy changes. The black bracket indicates the percent change from the lowest point following the policy change to the final data point.

More Child Care Providers Are Accepting Subsidies and Serving More Children With Subsidies

A fundamental goal of Act 76 has been to increase families' access to affordable child care. While we have seen stabilization in the number of overall licensed centers and family child care providers in Vermont, this does not necessarily mean that the supply of subsidized care is changing. Thus, we analyzed the percentage of all providers who accept subsidies in Vermont. This percentage has traditionally been very high, with a minimum of 75 percent of providers accepting subsidies (see Figure 5)—much higher than the national average for center-based child care, of approximately 47 percent of center-based providers.^{ix} Even with these already high rates of subsidy acceptance, the percentage of providers who accept subsidies in Vermont has seen a sustained increase of 4.8 percent from July 2023 (80.5% of providers) to December 2024 (84.4% of providers).

Figure 5. The proportion of child care providers who accept subsidies in Vermont has increased since the subsidy policy changes

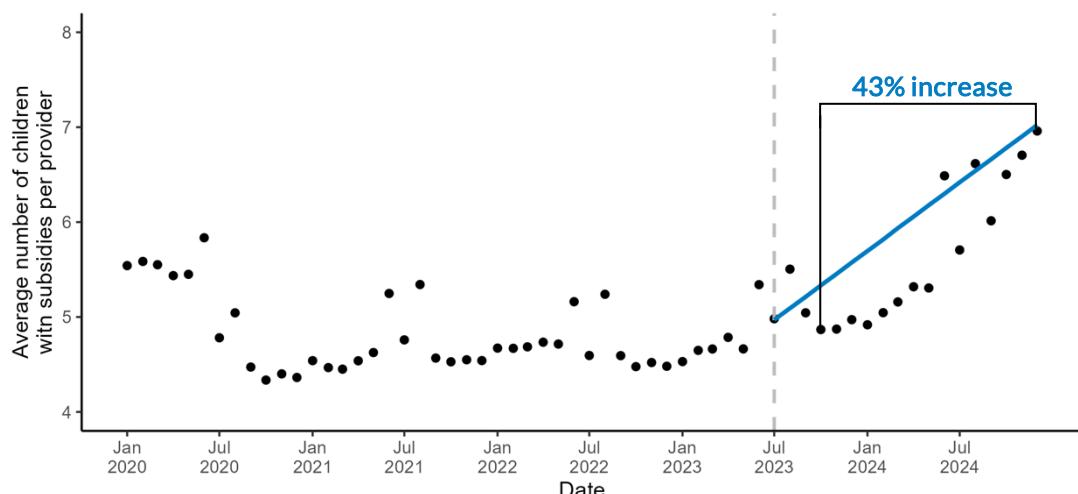


Source: Child Trends analysis of BFIS and CDDIS administrative data

Note: ITSA results are as follows: overall time $t=-1.27$ ($p=0.209$); binary pre/post policy change $t=1.21$ ($p=0.233$); time since policy changes $t=4.99$ ($p<0.001$). Each dot represents our outcome measure during a certain month (the proportion of providers who accept subsidies). The dashed horizontal line indicates the inflection point or when the policy occurred. The solid blue line is the trend in our outcome measure following the policy changes. The black bracket indicates the percent change from the lowest point following the policy change to the final data point.

The average number of children with subsidies per child care provider has seen a sustained increase, as well (see Figure 6). Prior to July 2023, the average number of children who receive subsidies was 4.8 children per program (range: 4.3 – 5.8). From July 2023 onward, this increased to 5.6 children per program (range: 5.3 – 7.5). The average number of children with subsidies per provider has increased by 43 percent, from a low of 4.9 children per program in October 2023 to 7.0 children per program in December 2024. A similar pattern was observed when we examined center-based and home-based providers separately.

Figure 6. The average number of children with subsidies per child care provider in Vermont has increased since 2023



Source: Child Trends analysis of BFIS and CDDIS administrative data

Note: ITSA results are as follows: overall time $t=-0.918$ ($p=0.363$); binary pre/post policy change $t=1.40$ ($p=0.168$); time since policy changes $t=3.05$ ($p=0.0038$). Each dot represents our outcome measure during a certain month (the number of children with subsidies per provider). The dashed horizontal line indicates the inflection point or when the policy occurred. The solid blue line is the trend in our outcome measure following the policy changes. The black bracket indicates the percent change from the lowest point following the policy change to the final data point.

States Can Make a Difference in Child Care Access

Nationwide, the percentage of providers who care for children receiving a child care subsidy continues to decrease.^x However, Vermont has seen that large and sustained investments in child care subsidies can help increase the supply of child care. Further, the size and sustainability of Vermont's funding should be emphasized: The \$125 million in state funds that Vermont is investing in child care annually far outpaces the \$17 million in federal CCDF allocations the state receives.^{xi} Additionally, state payroll taxes are a consistent and predictable source of funding on which state administrators, providers, and families can rely.

While state funds have considerably expanded eligibility for child care subsidies, Vermont has also directed funding to help build the supply of child care by incentivizing program expansion via readiness payments, capacity incentives, and increased reimbursement rates. As shown in the timeline in Figure 2, Vermont implemented the readiness payments first to stabilize the supply of care before expanding eligibility. At the same time, these policies were initiated concurrently or in quick succession, making it difficult to disentangle the effects of any specific policy. However, states should consider both providers' and families' needs when they seek to expand child care services.

Vermont's successes from this approach—as documented here and in a [prior brief](#)—can serve as useful guidance for states seeking to increase their supply and support more families' access to child care. Important considerations include the following:

- **Most of Vermont's child care providers accepted subsidies prior to Act 76.** However, we have continued to see an expansion of providers serving children who receive subsidies, likely due to high reimbursement rates and grants related to capacity, quality, and serving children with special needs.
- **Vermont has a dedicated payroll tax of 0.44 percent, shared by employees (0.11%) and employers (0.33%), to fund subsidies and promote provider participation.** Other states and localities have dedicated portions of budgets or initiated a state endowment to fund child care expansion.
- **Vermont is also a small state of roughly 650,000 residents and is categorized as the most rural state in the United States.**^{xii} Investments in other states will need to be considerably larger to expand services to the same extent.

Methods

- We used data on registered child care providers from January 2020 to December 2024.
- We conducted interrupted time series analyses (ITSA), which examine immediate and sustained changes to an outcome measure after an event, such as a policy change.¹ We selected the second increase of reimbursement rates, July 2023, as our inflection point.
- Our models were segmented linear regressions, including variables that indicate overall time, whether the timepoint was before or after July 2023, and time since July 2023. We corrected for autocorrelation when present by using a generalized least squares approach.
- For the figures in this brief, each dot represents our outcome measure during a certain month, such as the total number of child care providers. The dashed horizontal line indicates the inflection point or when the policy occurred. The solid blue line is the trend in our outcome measure following the policy changes.

¹[Comparison of six statistical methods for interrupted time series studies: empirical evaluation of 190 published series](#)

More about this research partnership:

Child Trends, Building Bright Futures (BBF), and Vermont's Child Development Division (CDD) are collaborating on a four-year research partnership to understand the implementation and effects of recent changes to Child Care Financial Assistance on families and early care and education (ECE) providers across Vermont. For more information on this project, visit our project website:

<https://www.childtrends.org/project/understanding-changes-to-child-care-policies-in-vermont>

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