



First Children's Finance

The Business of Child Care

Testimony to the Vermont Senate Government Operations Committee

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Introduction

Thank you to this committee for inviting me to testify about the finances of child care in Vermont. First Children's Finance, a national non-profit, established an office in Vermont in early 2023 to provide business technical assistance and access to capital for Vermont's regulated child care businesses. Since then, the Vermont team of seven has engaged with over half of the regulated child care operations in Vermont, offering thousands of hours of professional development, one on one business planning and financial analyses to nearly 100 child care businesses and awarded about \$3 million in capacity building grants and about \$1,000,000 in planning grants and business planning assistance. Our business assistance and capacity building grants are provided through a contract with the State of Vermont Department for Children and Families Child Development Division.

First Children's Finance also worked with the Child Development Division late last year to develop the Vermont Cost Modeling Report (which will be refined and revised this year). As you can see from the cover page, I am not the author of this report, though I and the Vermont team worked closely with the cost modeling team and provided Vermont data for their models.

<https://legislature.vermont.gov/Documents/2026/Workgroups/House%20Human%20Services/Early%20Childhood/Act%2076/W~Janet%20McLaughlin~Vermont%20Cost%20Modeling%20Report~2-25-2025.pdf>

Prior to starting the Vermont office of First Children's Finance, I was the Program Development and Evaluation Manager and later the Operations Director at Let's Grow Kids. I have a Master's in Community Development and Applied Economics from University of Vermont, where I taught a course in Macroeconomics for several years.

Included below are several relevant excerpts from the Vermont Cost Modeling Report. The first two tables show the estimated average annual costs of care for Child Care Centers and Family Child Care Homes, by age group of children. As you can see, infants and toddlers are the most expensive to care for because of the staffing needs to safely care for the youngest children. The costs to care for infants/toddlers is often subsidized by preschool revenue. Family child care homes care for a mixed age group of children.

Table 1. Cost of Care at Child Care Center

Age Group	Small	Medium	Large
Infant	\$30,383	\$27,865	\$27,156
Toddler	\$24,869	\$22,848	\$22,257
Preschool	\$13,840	\$12,813	\$12,459
School Age	\$12,559	\$11,001	\$7,667

Table 2. Cost of Care at Family Child Care Homes (FCCH)

Age Group	Small Registered FCCH	Large Licensed FCCH
Age 0-5	\$13,299	\$15,319
School Age	\$7,033	\$8,101

Table three models the net revenue and profit margin by setting. As you can see, thanks in large part to Act 76, several settings are able to show a modest profit in their business.

Table 3. Net Revenue and Profit Margin by Child Care Setting

Modeled Program	Net Revenue	Profit Margin
Small Registered FCCH	\$10,620	9%
Large Licensed FCCH	\$8,951	5%
Small Center	-\$133,591	-17%
Medium Center	-\$82,310	-6%
Large Center	\$223,362	10%

First Children’s Finance Vermont conducts financial analyses with its clients to help them understand their business, set goals, and model potential changes to revenue or expenses. Prior to the Vermont Cost Modeling Report, we aggregated the results of financial analyses from ten child care centers in Vermont to get a better picture of the “average” child care business. Table 4 shows that on average, 77% of a child care center’s expenses are for staffing and 10% is related to its facility.

I also want to note that if you know of a child care that could benefit from this sort of budget analysis, please share our contact information with them (infovt@firstchildrensfinance.org). This service is provided at no charge to the child care.

Table 4. Operating expenses as percent of total expenses, average child care center

	Percent of Expenses
Staffing Expenses	77%
Classroom Staff	57%
Non Classroom Staff	20%
Occupancy Expenses	10%
Rent/Lease/Mortgage	
Cleaning/Other Supplies	
Communications	
Maintenance	
Property/Liability Insurance	
Real Estate Taxes	
Repairs	
Security/Systems	
Utilities	
Waste Management	
Other Occupancy	
Quality Initiatives	1%
Accreditation	
Assessments	
Professional Development	
Professional Memberships	
Professional Subscriptions	
Training/Staff Development	
Other Quality Initiative	
Transportation	<1%
Vehicle Expenses	

Driver and Vehicle Insurance	
Other Transportation	
Legal & Professional Services	3%
Accountant	
Bank/Finance Charges	
Health Consultant	
HR/Admin Support	
Legal	
Payroll Processing Services	
Other Professional Services	
Software Subscriptions	
Program Operations	6%
Classroom Expenses	
Activities/Activity Supplies	
Advertising/Marketing	
Equipment Expenses	
Food Expenses	
Fundraising Expenses	
Learning Materials/Toys	
Licensing/Regulatory	
Office Supplies/Equipment	
Recognition/Appreciation	
Software/Subscriptions	
Travel Expenses	
Uniforms	
Other Program Operations	
Other Expenses	1%
Phone Land Line/Internet	
Business Liability	
Workers Comp.	
Depreciation /Investment	
Income Taxes	1%
Finance Payments	1%

The Vermont Cost Modeling Report provides some information about current wages in the industry. In addition, in a recent (last month!) survey that First Children’s Finance conducted of child care businesses in Vermont, child care centers reported on the highest and lowest wages they pay for their teachers and assistant teachers. Table 5 shows these wages are somewhat more than Vermont’s minimum wage, but likely less than comparable positions in other sectors.

Table 5. Average of Highest and Lowest Hourly Teacher Wages

	Teacher	Assistant Teacher
Highest Average Wage	\$24.94	\$20.05
Lowest Average Wage	\$20.27	\$17.84

In that same survey, only about half of child care employers offered health insurance (48%) or contributions to retirement (52%) and three-quarters offered a child care discount to employees (76%).

Family child care homes operate differently than child care centers. Since family child care homes are in the owner’s residence, facility costs are typically lower. Family child care homes typically are sole proprietors. As a sole proprietor, their earnings are the net income after all the business expenses have been paid. Like centers, family child care homes are often open more than 8 hours a day or 40 hours a week, and as the sole proprietor this means that they are working during all open hours. For these reasons, it is more difficult to calculate an hourly or annual wage.

An estimate of hourly wage, based on average net income and a 40 hour work week, is \$28.84. As far as their operating expenses, the proportions are about the same as centers, with about 75% of expenses for staffing and 12% of expenses for facility-related expenses.

One last fun fact, in a recent survey of 33 family child care capacity grantees, 66% reported they have a college degree and another 27% of these family child care entrepreneurs have “some college.” This is the future of family child care in Vermont.

With that, if time allows, I would like to leave you with the story of one of these child care entrepreneurs from Windsor County that illustrates how Act 76 creates a basis of financial stability for child care and S.119 could appropriately value the professionalism and preparation of the field.

Thank you again for the opportunity to tell you about the business of child care.