



Date: Friday, April 11, 2025

To: Senator Ginny Lyons, Chair, Senate Health and Welfare Committee

From: Aly Richards, CEO, Let's Grow Kids

Re: SFY 2026 State Budget and Child Care

Public investment from Act 76 is working to make our state more affordable for families—it's changing lives by bringing down the cost of child care for thousands of Vermonters, allowing parents to work and businesses to hire and retain their workforce. It has resulted in over 600 additional child care spaces and is starting to increase compensation and benefits for early childhood educators. We are on the path towards fixing our child care system—but thousands of families across Vermont are still struggling to find and afford child care, programs are still facing staffing shortages, and child care deserts remain, especially in rural areas. The Governor has proposed diverting \$19 million of the base General Funds. This is absolutely the wrong approach. Now is the time to build on the progress from Act 76 and ensure a responsible and successful implementation of the system transformation set in motion by Act 76 — not cut back on a solution that's working.

When Act 76 was passed, it was intentionally funded through two crucial funding streams:

- An additional \$50 million in base General Funds for CCFAP and Child Care Quality and Capacity Incentives. This was intended to be ongoing, base funding. This additional funding, combined with historical base funding, totaled \$76.7M in General Funds to support child care and the work of the Child Development Division in the state's FY2025 budget.
- Revenue from the newly created Child Care Contribution, which was directed into the Child Care Contribution Special Fund and statutorily set aside for CCFAP. Original estimates for this fund were about \$82 million annually. Consensus estimates for FY26 predict \$100 million.

Vermont needs to use every dollar allocated for child care by Act 76 for its intended purpose: increasing child care access, supporting early childhood educators, and lowering costs for Vermonters.

Instead of directing funds away from these essential needs at this critical moment, the Legislature should restore the base funds and support successful implementation of Act 76 through:

- Continuing to strengthen CCFAP to make child care more affordable for more families;
- Short-term system transition costs to grow Vermont's early childhood education workforce, which is key to increasing child care capacity; and
- Restoring base funding and investing in a reserve so that funds are available, if needed, when the system transformation is at scale by FY2028.

These goals are all feasible within the current funding forecasts.

Restored Base Funding Needs (\$5,900,000)

Continue to Strengthen CCFAP

Increase CCFAP Reimbursement Rates

- Act 76 allowed CCFAP to significantly increase reimbursement rates paid to child care programs on behalf of families. However, rates are still far below the estimated actual market cost of providing quality child care as defined by the 2023 RAND Early Childhood System Financing Study commissioned by the Legislature, especially for infants and toddlers. The biggest gap in child care capacity in Vermont is in infant and toddler spaces, meaning that additional investment in reimbursement rates for infants and toddlers is key to growing capacity. Act 76 outlined the intention for reimbursement rates to continue to rise incrementally in future years in order for child care programs to retain and recruit staff and grow child care capacity in Vermont. Increase reimbursement rates paid by the state to child care programs on behalf of infants and toddlers in child care by 5.5%. (The final House budget bill increases rates by 4.5%.)
- Estimated cost: \$5.9 million in additional base funding.

Short-Term System Transition Needs (\$1,706,210)

Invest in Vermont's Early Childhood Educators

Funding for S.119

- In January, OPR issued its Sunrise Review Report to the Legislature recommending that early childhood education become a licensed profession in Vermont. The Senate Committee on Government Operations is currently considering S.119, which would establish professional licensure for early childhood educators in line with OPR's recommendations. Funding is needed to hire additional staff at OPR to support this work and to cover initial fees for early childhood educator licenses to practice.
- Estimated Cost: \$1,706,210 in one-time funds.
 - OPR staff and IT: \$306,210
 - Funding to establish an escrow account to provide fee waivers for initial/transition licensure: \$1,400,000

Preserve Base Funding for Child Care and Create a Reserve (\$5M)

Preserve Base Funding for Child Care

As CCFAP expansion continues to build towards full implementation in FY2028, we need to preserve current base funding and establish a reserve to ensure sustainable funding. **The \$19M in General Fund base funding for child care should be fully restored and unused funds for SFY26 can be transferred one-time from the special fund to the General Fund for SFY26.**

Create a Reserve

With the uncertainty that comes with any new program, new revenue source, and transformation of this scale, compounded by the unstable federal environment, a temporary reserve should be established until more information is known.