



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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S.56 – An act relating to child care and early childhood education

As amended by the House Committee on Human Services¹

Bill Summary

The bill proposes to establish a Prekindergarten Education Implementation Committee; change the pupil weight for prekindergarten from -0.54 to 0; expand eligibility for the Child Care Financial Assistance Program (CCFAP) to families with income up to 550% of the federal poverty level (FPL); increase the rates the State pays early care and education providers; provide payments to providers to address readiness, quality and capacity; create an afterschool and summer care grant program; and require the Secretary of Human Service to provide a plan for a reorganization of the Department for Children and Families (DCF).

Fiscal Impact

The bill would appropriate \$71.7 million in FY 2024 for the following:

- \$107,500 to the Agency of Education (AOE) to retain a contractor to assist the Prekindergarten Education Implementation Committee and pay per diem compensation and reimbursement of expenses for eligible members.
- \$48.7 million to DCF to expand CCFAP eligibility and increase provider rates.
- \$4 million to DCF to administer the adjustments to CCFAP.
- \$18.87 million to DCF for one-time readiness payments to providers.

The bill takes into consideration a combination of one-time and base funding appropriated in H.494 (the “Big Bill”) as passed by the House, to cover the estimated costs associated with this bill in FY 2024.² Annualized and other anticipated costs are estimated to be \$135.5 million in FY 2025.

The appropriations associated with expanded CCFAP eligibility and increased provider rates are estimates based on the best information available to the Joint Fiscal Office (JFO). Where gaps in data exist, JFO made assumptions. It is likely that actual enrollment and costs will differ from model projections. Estimates are subject to change as more information and data become available.

¹[https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Human%20Services/Bills/S.56/Drafts,%20Amendments%20and%20Legal%20Documents/S.56~Katie%20McLinn~House%20Committee%20on%20Human%20Services%20Committee%20Report%20\(10-1-0\)~4-19-2023.pdf](https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Human%20Services/Bills/S.56/Drafts,%20Amendments%20and%20Legal%20Documents/S.56~Katie%20McLinn~House%20Committee%20on%20Human%20Services%20Committee%20Report%20(10-1-0)~4-19-2023.pdf)

² <https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0494/H-0494%20As%20Passed%20by%20the%20House%20Unofficial.pdf>

The following sections of the bill would have fiscal impacts:

Prekindergarten Education Implementation Committee

Section 2 – Prekindergarten Education Implementation Committee

Sec. 2 would create the Prekindergarten Education Implementation Committee to assist the Agency of Education (AOE) in improving and expanding accessible, affordable, and high-quality prekindergarten education for children on a full-day basis on or before July 1, 2026. The 16-member committee would have the administrative, technical, fiscal, and legal assistance of both AOE and AHS. If the agencies are unable to provide the committee with adequate support, then AOE shall retain a contractor with the necessary expertise to assist the committee. The committee shall cease to exist on February 1, 2025.

This section of the bill would appropriate the following amounts from the General Fund to AOE in FY 2024:

- \$7,500 for per diem compensation and reimbursement of expenses for eligible committee members.
- \$100,000 for the cost of retaining a contractor.

Any funds not spent or obligated by July 1, 2025, would revert to the General Fund.

Pupil Weighting

Section 3 – Determination of Weighted Long-Term Membership and Per Pupil Education Spending

Sec. 3 would change the pupil weight for prekindergartners from -0.54 to 0.³ Adjusting pupil weights impacts the tax capacity of school districts. By changing the weight, all else equal, some districts’ tax rates would increase, while other districts’ tax rates would decrease. A change in weights affects a district’s per pupil spending calculation, which in turn affects their tax rate. In other words, assuming all education spending remains constant, some districts will have higher homestead property tax rates (those that have fewer pupils with the new weight than they had from the prior weight); and some districts will have lower homestead property tax rates (those that have more pupils with the new weight).

Because local votes ultimately determine education spending, changing the prekindergarten pupil weight would directly impact the tax capacity of most school districts but would not determine the amount of funding a school district receives.

Child Care Financial Assistance Program

Sections 5 and 5a – Child Care Financial Assistance Program (CCFAP) Eligibility

Sec. 5 would expand CCFAP – a State program that currently provides financial assistance for child care based on a family’s income. The bill as amended would maintain eligibility for zero co-payment as in current law, which exempts families with an annual gross income less than or equal to 150% FPL from the family co-payment.⁴ It would also expand the income eligibility for subsidies from 350% to 550% FPL. Sec. 7 contains the appropriation to cover the estimated fiscal impact of this section.

2023 ANNUAL Federal Poverty Levels (FPLs)

Household Size	150%	185%	350%	550%
3	\$37,290	\$45,991	\$87,010	\$136,730
4	\$45,000	\$55,500	\$105,000	\$165,000
5	\$52,710	\$65,009	\$122,990	\$193,270

<https://aspe.hhs.gov/poverty-guidelines>

³Pupil weights are used in Vermont’s education finance formula to adjust student counts to account for the variation in costs incurred by schools serving different student needs or circumstances.

⁴The Senate passed version of S.56 proposed increasing the threshold for families who would have no co-pay from 150% FPL to 185% FPL.

Sec. 5a would allow Vermont residents who have citizenship status that would otherwise exclude their families from participating in CCFAP to be served by the program, provided that the benefit is solely state-funded. Sec. 7 contains the appropriation to cover the estimated fiscal impact of this section. While there is very limited data from which to estimate the fiscal impact of this section, JFO believes that this expansion is subsumed in our estimates which took into consideration the entire population of Vermont children, not just those with the currently required citizenship status.

Sections 5b – Family Contribution

Sec. 5b would increase the family contribution for families at 151% FPL from \$25 per week to \$27 per week and increase progressively for families at higher FPLs as determined by the Department for Children and Families (DCF). JFO modeled the family contributions as multiples of \$27 per week, illustrated in the table below. Sec. 7 contains the appropriation to cover the estimated fiscal impact of this section.

Federal Poverty Level (FPL) and Associated Weekly Family Contribution									
Family Share (FPL)	<=150%	>150% to 175%	>175% to 200%	>200% to 225%	>225% to 250%	>250% to 275%	>275% to 300%	>300% to 325%	>325% to 350%
Current	\$0	\$25	\$50	\$75	\$100	\$125	\$150	\$175	\$200
Proposed	\$0	\$27	\$54	\$81	\$108	\$135	\$162	\$189	\$216

➡ Up to 550% FPL

Sections 6 – Provider Rate Adjustment

Sec. 6 would increase the rates paid to providers for children enrolled in CCFAP to levels that are 38.5% over the FY 2023 five-STAR (highest quality) reimbursement rate.⁵ The adjusted rate for family child care homes would be further increased to reduce the differential between family child care homes and center-based early care and education programs by 50%.⁶

These rate increases would be part of the base budget in future fiscal years. Changes in CCFAP eligibility and provider reimbursement rates in Secs. 5, 5b, and 6 would take effect on January 1, 2024. Sec. 7 contains the appropriation to cover the estimated fiscal impact of this section.

Sections 7 – Appropriation

Sec. 7 would appropriate the following amounts from the General Fund to DCF’s Child Development Division (CDD) in FY 2024:

- \$48,699,264 for the CCFAP expansion and rate adjustments in Secs. 5 through 6. Of those funds, the estimated 5-month⁷ FY 2024 fiscal impact for:
 - Children ages 0-4 is approximately \$44.8 million
 - School-aged children is approximately \$3.9 million.
- \$4 million to administer the CCFAP expansion and rate adjustment in Secs. 5 through 6 including:
 - The creation of 6 new permanent classified positions within CDD
 - At least \$2 million to be allocated to the Community Child Care Support Agencies (CCCSAs)
 - \$266,707 allocated to Building Bright Futures in Sec. 21a.

Section 8 – Readiness Payments

Sec. 8 would appropriate \$18,873,235 in one-time funds from the General Fund to CDD in FY 2024 for readiness payments to providers to prepare for the CCFAP eligibility expansion and provider rate

⁵JFO estimates that a 38.5% rate increase is that amount needed to get half-way to the estimated total costs of care based on the [2022 Vermont Early Care and Education Financing Study](#) conducted by the RAND Corporation.

⁶ Current CCFAP rates for center-based providers are approximately 35% higher than home-based providers on average.

⁷These estimates correspond with a 5-month fiscal impact because these sections of the bill are due to effect on January 1, 2024 and would only be in effect for 5 months in FY 2024. Program costs would be annualized in FY 2025.

adjustments in Secs. 5 through 6. Up to 5% of the appropriation could be used to contract with a third party to provide technical assistance to child care providers.

Sections 9 – Payments to Providers

Sec. 9 would require DCF establish a payment schedule that would increase provider reimbursements over the previous year's rate annually by the most recent annual average wage growth for NAICS code 611, Educational Services, not to exceed 5%.⁸ Beginning January 1, 2024, payments would be based on enrollment (not attendance) and would be decoupled from the STARS program.⁹

Sections 10 and 10a – Child Care Quality and Capacity Incentive Program

Sec. 10 would require DCF establish a new child care quality and capacity incentive program for providers participating in CCFAP. Providers would receive incentive payments for achievements that meet criteria as specified in the bill. The incentive payment program would begin on July 1, 2024. While the amount of the payments to be distributed to providers would be subject to future appropriations, the bill includes intent language in Sec. 10a that the appropriation for the program be at least \$10 million in FY 2025 and in future fiscal years.

Reports

Section 15 – Provider Compensation; Estimate and Analysis

Sec. 15 would require the Joint Fiscal Office (JFO), in consultation with DCF and the Vermont Association for the Education of Young Children, to submit a report to the House Committee on Human Services and the Senate Committee on Health and Welfare containing a fiscal estimate of the cost of implementing a professional tiered system of compensation for the child care workforce using total costs of care estimates. JFO is working to determine if an appropriation would be required for the office to carry out this work.

Sec. 15 would also require the Office of Legislative Counsel to submit a report to the same committees on the extent to which the State is authorized to impose a compensation scale on private child care providers for professionals providing child care services.

Afterschool and Summer Care Grant Program

Sections 17 – Afterschool and Summer Care Grant Program

Sec. 17 would create the Afterschool and Summer Care Grant Program for the purpose of providing grants for child and youth programming operated in public and private settings outside of the school day and over the summer, including before and after school, teacher in-service days, and school vacation weeks. Grants could be used by program operators for technical assistance, program implementation, program expansion, program sustainability, and related costs.

The bill would also establish a special fund known as the Afterschool and Summer Care Special Fund for the purpose of funding the Afterschool and Summer Care Grant Program and would be administered by the newly created 10-member Afterschool and Summer Care Grant Special Fund Advisory Committee.¹⁰ Eligible members would be entitled to per diem compensation and reimbursement, the expenses of which

⁸<https://www.naics.com/naics-code-description/?code=611>

⁹STARS (Step Ahead Recognition System) is Vermont's Quality Recognition and Improvement System for child care, preschool, and afterschool programs. STARS is currently one of several factors the State uses in determining the rate paid to a provider.

¹⁰Sec. E.500.1 of H.494 (An act relating to making appropriations for the support of Government) as passed by the House, also included language creating a Universal Afterschool and Summer Special Fund in which cannabis sales revenues would be deposited for the purpose supporting the expansion of universal afterschool and summer programming. Sec. E.500.1 of the Senate Appropriations proposal of amendment to H.494 includes language to direct cannabis sales tax toward afterschool and summer programs but does not create a special fund.

would come from this special fund.

Section 18 – Cannabis Excise Tax and Sales Tax Revenue

Sec. 18 would require revenue from retail sales of cannabis or cannabis products be deposited into the Special Fund.¹¹

Transitional Assistance and Governance

Sections 21 and 21a – Building Bright Futures

Sec. 21 would require that Building Bright Futures (BBF) be responsible for monitoring accountability, supporting stakeholders in collectively defining and measuring success, maximizing stakeholder engagement and providing technical assistance to build capacity for CDD and AOE.

Sec. 21a would allocate \$266,707 to BBF from the \$4 million appropriated to DCF in Sec. 7 to administer the CCFAP expansion and rate adjustments. This allocation would become part of DCF’s base budget for supporting BBF’s work.

Fiscal Summary

The following chart highlights the appropriations in the bill as well as the net funding needed.

S.56 Summary of Appropriations and Funding

Sec.	Appropriation	FY 2024 (x million)	FY2025	Effective
2	Pre-K Implementatation Comm - Per Diems	\$0.0075	\$0.004	7/1/2023
	Pre-K Implementatation Comm - AOE Contractor	\$0.1	\$0.05	
5-7, 9	CCFAP Eligibility Expansion and Rate Increase - 0-4 Rate & Eligibility Expansion = \$44.8 million - School Age Rate & Eligibility Exp. = \$3.9 million	\$48.7	\$121.3	Sec. 5 & 6 (Policy) 1/1/2024
	DCF Admin. of CCFAP Expansion - CCCSA's = At least \$2 million	\$4.0	\$4.2	
21a	- Building Bright Futures = \$266,067			7/1/2023
8	Readiness Payments (one-time)	\$18.9	-	7/1/2023
10	Quality & Capacity Incentives	-	\$10.0	7/1/2024
Total Estimated Appropriation		\$71.7	\$135.5	
House Passed H.494 (Big Bill) Funding				
FY24 One-time funding		(\$21.7)		
FY24 Base General Funds		(\$50.0)	(\$50.0)	
Net Funding Needed		\$0.0	\$85.5	

¹¹<https://legislature.vermont.gov/statutes/section/16/133/04025> (Education Fund)