



# Final Report Appendix

Blue Ribbon Commission on Financing  
High Quality, Affordable Child Care

December 2016

**Final Report Appendix:**  
**Blue Ribbon Commission on Financing High Quality Affordable, Child Care**

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## Appendix A. Vermont Early Care and Learning Key Stakeholders Outreach Findings

Beginning in July 2016, PCG collaborated with the Blue Ribbon Commission’s administrative leadership to conduct a series of informational interviews, community forums, and surveys with early childhood stakeholders and the general public from across the state. Through these efforts, PCG and the BRC collected valuable data that were used as part of the foundation of this report and informed many of the key findings and recommendations expressed throughout.

This appendix provides a high-level summary of the findings from each of these efforts.

### Blue Ribbon Commission Stakeholder Interviews

In the beginning phases of PCG’s engagement with the BRC, several key stakeholder interviews were held in order to help inform and create a picture of the current early childhood landscape in the state. Community forums were also held and used as small focus groups, to help inform the BRC and PCG of with public input. The following table lists each of these interviews and their relevance to the Commission.

**Table 1. Stakeholder Interviewees**

Name/Stakeholder	Title and/or Organization
<b>Aly Richards</b>	CEO, The Permanent Fund for Vermont’s Children
<b>Barbara Postman</b>	Advisor and Special Projects, The Permanent Fund for Vermont’s Children
<b>Robyn Freedner-Maguire</b>	Campaign Director, Let’s Grow Kids
<b>Bill Talbott</b>	Deputy Secretary and CFO, VT Agency of Education
<b>Building Bright Futures (July 25 Meeting)</b>	State Early Childhood Advisory Board
<b>Jim Reardon</b>	Former Commissioner of Finance and Management for Vermont Former CFO for the VT Agency of Human Services
<b>Julie Cadwallader-Staub</b>	Grant Director, VT Race to the Top – Early Learning Challenge Grants
<b>Matt Levin</b>	Executive Director, VT Early Childhood Alliance
<b>Paul Behrman &amp; Betsy Rathbun-Gunn</b>	Vermont Head Start Programs (Champlain Valley and Bennington)
<b>Reeva Murphy</b>	Director, Child Development Division, VT Agency of Human Services
<b>Community Forums</b>	Burlington, Barre, St. Johnsbury, Rutland, Brattleboro

The interviews provided rich information on the landscape of early childhood services in the state, as well as provided recommendations to the BRC on the cost, affordability and financing options. Key research and data collected from these forums and interviews include:

- **Vermont’s Current Early Childhood System:** Several programs and community stakeholder organizations currently support Vermont’s delivery of early learning services. Many of the programs

and frameworks that make up the early childhood system in the state could be expanded and brought to scale with additional support and funding.

- High-quality programming and support includes (but are not limited to): Child Care Financial Assistance Program (CCFAP), early childhood professional development and scholarships, community loans, VT STARs, Help Me Grow, RTT-ELC current projects, Head Start and Early Head Start;
- Key stakeholder organizations include (but are not limited to): the Vermont Child Development Division of the Agency of Human Services, the Vermont Agency of Education, Building Bright Futures, Let’s Grow Kids, Vermont Community Loan Fund, the Permanent Fund, Vermont Head Start Association
- **Financing:** There are a number of potential funding and revenue sources that would fare politically well in the state:
  - Public/Private Partnerships, philanthropic efforts, re-appropriations, tax incentives, employer supported child care, shared services models.
- **Access & Affordability:** There are several state-specific “pain points” in the child care system around access and affordability.
  - Access to child care programs, access to high-quality child care programs, lack of programs that support non-traditional hours, transportation;
  - Support for changes in family leave policy;
  - increased support to child care professionals including increases in salaries and wages as well as affordable or free professional development and higher education;
  - Lack of momentum to make changes to family leave policy;
  - Discrepancies between the wages of Kindergarten and elementary school teachers’ salaries that the average salary of a current early learning professional; the discrepancy between these two salaries can create high turnover in early learning programs, and lack of retention in early learning positions; and
  - The need for affordable, or free, higher education for those interested in the early learning profession, and the continued need for professional development funding beyond that.

### Community Forums

As explained previously, in addition to key stakeholder interviews, PCG and the BRC held several community forums throughout the state that were used as focus groups, and made available for all interested members of the general public to attend. The BRC partnered with several community stakeholder organizations to promote the events, and encouraged not only parents of young children to attend, but also providers, businesses, general community members who had an opinion to share about how the state should support its youngest children and families. The following table provides the location, date, and number of attendees for each community forum held.

Table 2. Community Forum Locations

Location of Forum	Date	Number of Attendees
St. Johnsbury, VT	July 18, 2016	24

Location of Forum	Date	Number of Attendees
Burlington, VT	July 18, 2016	26
Barre, VT	July 18, 2016	31
Rutland, VT	July 19, 2016	19
Brattleboro, VT	July 19, 2016	23

For continuity, the community forum discussions were structured around three questions relating to Vermont’s interaction with the early child care field in the state. Each community member who attended was able to respond in person with their thoughts to each question. For individuals who were not able to attend the events in person, they were encouraged to email or submit their comments about the three questions online.

Below is a high-level summary of the key themes that echoed throughout all the forums. Each section leading off with the question posed:

**What would help you most with respect to accessing high-quality childcare?**

- More options for child care: increasing the supply by increasing number of licensed and exempt through incentives
- More options for high quality child care:
  - Need for more high STAR level programs
  - Need for high quality- not necessarily measured by STARS, there are plenty of high-quality programs that are either not rated or rated “low” due to lack of administrative time to participate
- More affordable child care
  - Support families on the waitlist
- Transportation
  - Especially for rural locations
  - Especially for special needs populations
- More options for special education/ early intervention needs
  - Include trauma-informed practices
- More options for high needs children
- More options for non-traditional hours
- Increase state universal pre-k hours (above 10 hours/week)
- More resources for child care providers to maintain high STARS (QRIS) ratings
- Increase compensation or other incentives for the early childhood education workforce
- More financial assistance to pay for child care

**What are the responsibilities of Vermont to help ensure all Vermonters have access to high-quality childcare?**

- All Vermonters: increasing broad based taxes
- The State of Vermont (government): redistributing current government tax dollars
  - Take a look at corrections
- Businesses:
  - Providing on-site child care
  - Providing “scholarships”/ financial assistance to child care of family choice
  - Partnering with local child care provider(s) to “reserve” slots for employees

- Paid family leave
- Private philanthropy
- State to improve current early childhood delivery system
  - Streamlining paperwork
  - Reducing the amount of time for benefits to kick-in
  - Ensuring continuity of care
  - Advance notice when financial assistance is ending
- Too many cooks in the kitchen: state departments involved and not working together effectively
- Too many cooks in the kitchen: state departments and non-profit, advocacy organizations involved and not working together effectively

**What should we do to make accessible, high-quality childcare more affordable in Vermont?**

- Increase subsidy rates for the VT Child Care Financial Assistance Program (CCFAP)
  - Some families unaware of program
- Change eligibility criteria for the VT Child Care Financial Assistance Program (CCFAP)
  - Take the Dr. Dynosaur approach
- Employer supports for employees
- Community partnerships
- Public-private partnerships
  - Look at the affordable housing model
  - Shared services
- Scholarships for early childhood education workforce professionals: teachers cannot pay for further education
  - Loan forgiveness
- Reducing the burden on providers to reach and maintain high levels of STARS (QRIS) ratings
  - Livable wage for providers – increasing subsidy payments for STARS participants
  - Pushing for a system where providers are able to charge the true cost of high-quality care and be fully reimbursed for it
- Tax credits
  - Credits for investors in early childhood system
  - Credits for providers
  - Credits for parents/families (EITC)

[Online Early Childhood Programming Survey](#)

As a supplement to the in-person community forums, between August and September 2016, the BRC administered an online public survey that collected a total of 186 respondents. The survey itself contained six different questions, two being demographic related (relation to child care system and town/zip code), and four others that provided an opportunity for respondents an opportunity to provide input on how to make child care more accessible, affordable, and of higher-quality throughout the state. Overall, as stated in Table 3, the majority of respondents were parents, though there was still an excellent mix of responses from all types of major child care system stakeholders (parents, providers, community and business leaders).

**Table 3. Respondent Relationship to Child Care System**

### How do you relate to the childcare system?

Answer Options	Response Count
I am a parent	102
I am a provider	68
I am a concerned family/community member	58
I am involved in childcare nonprofit/regulation/advocacy	52
I am a business owner	20
Other (please specify)	18

Note: Respondents could check more than one choice (e.g. a respondent might be both a parent and a business owner).

Of the 186 total responses, 162 (87%) answered question 1 that asked, “What would help *you* the most with respect to accessing high-quality childcare?” Respondents were able to rank 9 different strategies that could help childcare access. Highlights from question 1 are reviewed in the bullets below (the parenthetical notes are the averages of the ratings, 1 being the greatest, 9 being the least):

- Of the ratings averages, the three highest ranking strategies were:
  - More affordable childcare options (3.24)
  - Increase compensation or other incentives for early childhood education workforce (3.49)
  - More financial assistance to pay for childcare (3.88)
- The three lowest ranked strategies were
  - Access to transportation, especially in rural locations (6.22)
  - More options for non-traditional hours (6.19)
  - More options for special education/early intervention needs (6.11)

There were 182 (98%) total responses to question two: “How do you feel about the following responses to the question: What are the responsibilities of Vermont to help ensure all Vermonters have access to high-quality childcare?” Respondents were able to provide feedback on each of the state’s potential responsibilities through ratings on a Likert scale (high priority, good but lower priority, neutral, and against).

- 76 percent of respondents felt that it was a high priority that Vermont should help compel businesses to offer paid family leave; only 2 percent were totally against.
- The majority (over 80 percent) of respondents also felt that it was either a high-priority or “sounded good” for the state to help:
  - New regulations and policies that encourage businesses to offer childcare reimbursement/subsidy as a benefit of employment; and
  - Increase system efficiency by making sure state departments, non-profits, and advocacy organizations are working together effectively;
- The most controversial option, that the state should increase taxes to pay for childcare, saw 41 percent of respondents totally against, 19 percent neutral, and 40 percent in somewhat to high approval of the option.

The third and final content-specific question saw 158 (85%) responses that answered the question: “Please rank in order of importance: What should the state do to make accessible, high-quality childcare more affordable in Vermont?”



- The highest-ranking option, the only one that had an average over 5 of the 13 different ranks, was that the state should ensure a livable wage for providers.
  - The next two highest-ranking options were related to child care subsidy, with requests to change eligibility criteria by adjusting the qualifying poverty level and to increase subsidy rates for CCFAP.
- The lowest scoring options (at an average rank of 8 or below) were:
  - Tax credits for investors in the early childhood system;
  - Reducing the burden on providers to reach and maintain high levels of STARS (QRIS); and
  - Make more families aware of CCFAP

Finally, respondents were given the opportunity with the final question to provide any comments or feedback they would like to express. There were 68 (37% of respondents) total comments provided by respondents, which were related to the following themes:

- The vast majority of comments were complaints, testimonials, or other commentary on child care being far too expensive, with and without subsidy.
- Additional themes that came up were related to:
  - Increasing compensation for providers/educators;
  - CCFAP eligibility should reach more families at higher incomes and it should provide additional assistance dollars to families and providers;
  - There should be more financial support in general for child care businesses, either through tax credits, professional development funding, higher education incentives, or other kinds of supports.

### Blue Ribbon Commission Postcards

During Vermont’s town meeting week of 2016, postcards were distributed to parents, providers, and other community stakeholders by Let’s Grow Kids, that were completed and sent back to the BRC. The post cards, which were distributed to and filled out by general members of the public, asked for feedback on child care issues facing Vermonters throughout the state. In total, the BRC received 1,708 total postcards in response. Findings from the analysis of the postcards revealed the following data in Table 4.

Table 4. BRC Postcard Data

<b>How do you relate to the childcare system?</b>		
Answer Options	Total Responses	% of Total Responses
I Can’t Find Child Care	93	5%
I Can’t Afford Child Care	250	15%
I Don’t Have Transportation	33	2%
I Don’t Rely on Child Care, But I Realize This is an Important Issue	1,079	63%
I’m a Child Care Provider, and am Experiencing These Challenges	109	6%
Other Reason	350	20%
<b>Total Responses</b>	<b>1,708</b>	<b>100%</b>

Note: percentages and count of responses are independent of one another, since respondents could select multiple options. All counts and percentages are “out of” the total number of responses.

The postcards also offered an opportunity to provide additional written feedback/commentary to the BRC, of which nearly 500 postcards had feedback. Some common themes from the postcards were:

- Reiterating that the cost of child care is too high for parents;

- Wages for providers are too low, which leads to high staff turnover rates;
- Waitlists for openings in child care programs are backed up – and that access to programs is a large issue;
- Reiterating the challenges of transportation to and from child care, both on parents and providers;
- Issues with limited availability, and access to programs in some areas of the state.

## Appendix B. Cost of Quality Methodology

The pricing model for high-quality child care centers and home-based providers is an adjusted version of the Vermont Cost of Quality Child Care Calculator. The “calculator” is a product of the “Cost of Quality Child Care Modeling Project” developed by a working group of Vermont-based early childhood organizations: The Permanent Fund, Let’s Grow Kids, Vermont Birth to Five, and Vermont Community Loan Fund. The intent of the “calculator” is to allow Vermont Birth to Five and the Vermont Community Loan fund to “provide technical assistance to child care providers to support them in developing sound business models while also improving quality.”

For the purposes of estimating the total cost of funding high quality care for all children and families in Vermont, PCG used the BRC high-quality definitions, decisions on the major cost drivers of providing high quality care, and national best practices research to adjust the model.

### Blue Ribbon Commission’s Estimated Cost Per Child for High-Quality Care

Using the methodology that is elaborated further throughout this section, the Blue Ribbon Commission calculated the total per child cost to provide high quality care to infants, toddlers, and preschoolers. These costs are expressed for children placed in center care as well as home-based care.

Table 1. Total BRC-Estimated Cost per Child

Age Groups	Center Cost Per Child	Home-Based Cost Per Child
Infant	\$ 35,535.22	\$ 41,639.56
Toddler	\$ 35,535.22	\$ 20,819.78
Preschool	\$ 15,793.43	\$ 13,879.85

For purposes of comparison, the costs for three- and four-year-old education (preschool) that are currently administered by the state are shown below in Table 2. These costs show that the BRC-determined costs of high quality care are comparable to those that the state is already working with.

Table 2. Comparing BRC Cost Per Child and Current VT Cost per Child for 3 & 4 Year-Olds

#### Estimated costs for 3 and 4 Year olds-- Assumes an 8-3 day

Source	Cost	Notes
<b>BRC -- child care center</b>	\$15,793.43	special education provided by school system, does not include transportation or special education and full cost of school meals program, nor admin overhead at district and AOE
<b>BRC -- family care center</b>	\$13,879.85	special education provided by school system, does not include transportation or special education and full cost of school meals program, nor admin overhead at district and AOE

**Estimated costs for 3 and 4 Year olds-- Assumes an 8-3 day**

Source	Cost	Notes
<b>NIERC (basis of Act 166 tuition vouchers)</b>	\$10,817.00	special education provided by school system, does not include transportation or special education and full cost of school meals program
<b>Current public school based programs*</b>	\$15,100.00	includes all comprehensive services currently provided in public schools, including special education and a full day with a certified teacher staff at a slightly higher price point, and lower staff to student ratios than NIEER, easier PK to k transition

**Center-based program**

The following section provides a brief description of the assumptions and rationale used for each line item expense for a high-quality center-based provider in Vermont.

**STAR Level & Quality**

- NAEYC teacher/child ratios
- 5 STAR (Vermont’s highest quality rating, according to the state’s QRIS) level program

**Total Children Served: Program Size: 34 Children**

- Used the average size of a center-based program in Vermont: 33-34 children

**Table 3. Average Capacity by Program Type in Vermont**

	Average Total Capacity	Avg. Infant	Avg. Toddler	Avg. Preschool	School-Age
<i>Licensed - Family Child Care</i>	12	2	3	5	1
<i>Licensed school-age</i>	65	0	0	0	64
<b>Licensed (Early childhood, Non-R)</b>	33	4	4	21	4

**Percent of Population Served Eligible for CCFAP/CACFP: 25%**

- Based on the working group’s model research and assumptions: “The models assume that the program participates in the Child and Adult Care Food Program, which provides free or reduced meals to eligible children. It is also assumed in the model that 25% of half the infant group (half of those between the ages of 13 months and 23 months), 25% of toddlers, and 25% of preschoolers would be eligible for CACFP reimbursement. The model also assumes that half of the CACFP eligible children qualify for the CACFP free meal rate and half qualify for the reduced meal rate. Based on 2015–2016 CACFP rules, the program would receive \$5.57 per free meal rate eligible child per day, \$4.45 per reduced meal rate eligible child, and \$0.65 per non-income qualifying child for breakfast, lunch and one snack.”

CACFP daily participation FY15: 10,353<sup>1</sup>  
 National School Lunch program participation: 49,208  
 CACFP total participating child care centers (FY14): 167<sup>2</sup>  
 CACFP total participating family child care homes (FY14): 460

**Total current participation in CACFP:**

- Total daily participation (10,353)/Total children 0-5 (73,214)=14%

**Total current participation rate in National School Lunch:**

- NSLP total participation (49,208)/Total children 6-17 (86,966<sup>3</sup>)=56.6%

**Staff (Child Ratios):**

- Used NAEYC ratios and age groupings and best practices. <sup>4</sup>

**EXPENSES**

The following section provides a brief description of the assumptions and rationale used for each line item expense for a high-quality child care center in Vermont. Expenses are for an annual budget unless otherwise indicated.

**Gross Salaries: \$466,939**

- Based on the working group’s model research and assumptions; “the salary line items are broken down by the staff’s primary role – classroom or center-wide support. The salary information included in this section accounts for gross salaries. It is assumed that all applicable taxes would be paid by the program as part of standard payroll procedures.” The following chart provides the salary information used in the model as compared to Vermont’s SY 2015 Public School average teacher and teacher aide salaries. The BRC recognizes that the child care workforce often leaves the child care field for public schools due to higher salaries. The Program Director and Licensed Teacher’s salaries are comparable to VT Public School Teachers.<sup>5</sup>

**Table 4. Center-Based Salary/Pay Chart**

Staff	Center-Based		VT Public School	
	Hourly Wage	Annual Salary per Teacher	VT Public School Staff	Avg. Annual Salary
Program Director	\$ 27.00	\$ 56,160.00	Teacher (Licensed)	\$ 56,504.00
Teacher (Licensed)	\$ 27.00	\$ 56,160.00	Teacher (Licensed)	\$ 56,504.00

<sup>1</sup> Participation data from: <http://www.fns.usda.gov/pd/child-nutrition-tables>

<sup>2</sup> Center and FCC participation data from: <http://frac.org/federal-foodnutrition-programs/child-and-adult-care-program/>

<sup>3</sup> School age population data retrieved from: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

<sup>4</sup> National Association for the Education of Young Children. Teacher Child Ratio Chart. [http://www.naeyc.org/academy/files/academy/file/Teacher\\_Child\\_Ratio\\_Chart.pdf](http://www.naeyc.org/academy/files/academy/file/Teacher_Child_Ratio_Chart.pdf)

<sup>5</sup> Teacher/Staff Full-time Equivalency (FTE) and Salary Report. Vermont Agency of Education. <http://education.vermont.gov/documents/edu-data-teacher-staff-survey-report-sy2015.pdf>

Staff	Center-Based		VT Public School	
	Hourly Wage	Annual Salary per Teacher	VT Public School Staff	Avg. Annual Salary
Teacher Associate	\$ 20.00	\$ 41,600.00	Teacher (Licensed)	\$ 56,504.00
Teaching Assistant	\$ 18.00	\$ 37,440.00	Teacher Aide	\$ 19,725.00
Classroom Aide/Center Assistant - PT -40 hr/wk	\$ 16.00	\$ 33,280.00	Teacher Aide	\$ 19,725.00
Cook - PT - 20hrs/wk	\$ 16.00	\$ 16,640.00	n/a	n/a
Substitute - PT - 8hrs/wk	\$ 16.00	\$ 6,656.00	n/a	n/a
Early Care Advocate	\$ 20.29	\$ 42,203.20	n/a	n/a

- Includes:
  - 1 licensed teacher
  - 3 teacher associates (1 per class room/age group)
  - 3.5 FTE Teacher Assistants: 1.5 FTE Teacher Assistant for Infant and Toddler classrooms and .5 FTE for Preschool classroom. The full-time employees are budgeted for 8 hours a day, the extra 1.5 FTE are available to cover the additional 2 hours/day for typical center operating hours to ensure appropriate staffing ratios are consistently met 2 part-time
  - Classroom aide/ Center assistant: 2 part-time to cover a 10 hour a day provider. It is best practice that a “floater” is available to assist lead teachers and assistants rather than relying on the director to cover breaks, including lunch. The staff member can “float” between classrooms of different age groups to ensure appropriate staffing ratios are consistently met and to provide extra classroom support when activities or classroom routines are best supported with an additional set of hands. The “floater” also allows the Program Director to be available to focus on administrative matters and can help reduce the need for program substitutes.
  - 1 substitute, 1 day a week: given the teacher assistant and floater roles, a substitute should not be needed consistently. It is best practice for programs to have consistent educators i.e. the teacher assistants and floaters versus a substitute for purposes of promoting continuity of care.
  - 1 program director
  - 1 part time cook to prepare nutritious meals for children
  - 1 FTE Early Care Advocate: An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions.

**Taxes, Fees, and Employee Benefits: \$176,226**

- Based on the VT Working Group’s model research and assumptions:
    - “workers compensation is estimated at 1.45% of gross salaries.
    - Retirement contribution:
      - For center models, the models assume employer matching contributions.
- Reduced tuition for employee children: All of the models assume that the programs offer a 25% discount on tuition.”

- Program pays 80% of monthly premium for FTE and 60% of monthly premium for PTE for Blue Cross/Blue Shield HD Gold Plan. Also assumes 60% of staff participate
- Fringe and benefits (including health insurance) for the center based model account for 29.7% of total cost for salaries (including training and development). The industry standard for the private education and health services industry for total benefits costs is 29.5%.<sup>6</sup>

**Training and professional development: \$13,122**

- \$1,141 per FTE for 12.5 FTE (does not include the cook); based on the average annual estimated cost of Head Start professional development in four Head Start programs in Vermont

**Travel (field trips, vehicle maintenance) and Staff mileage reimbursement for work-related travel: \$2,520**

- \$630 quarterly; includes travel for program field trips, vehicle maintenance and repair, and staff mileage reimbursements for work-related travel including professional development workshops or trainings

**Staff wellness activities: \$1,800 (\$150/monthly)**

- Based on the working group’s model research and assumptions; “this line item includes expenses to foster a healthy, collaborative workplace such as providing a meal at a program’s monthly staff meeting, hosting a staff and family holiday party etc.”

**Rent: \$43,350 (\$3,612.50/monthly)**

- Based on the working group’s model research and assumptions; “Rent was estimated based on allowance of 75 square feet of space per child (combines individual space – space immediately around a child – and shared spaces such as kitchen facilities, bathrooms and hallways). The center-based models assume that most programs are able to rent space at the rate of \$17 per square foot. Models also assume that the property owner covers repairs and general building upkeep (new roof, updating flooring on regular basis, etc.).”

**Telephone + Internet: \$1,848 (\$152.99/monthly)**

- Based on the VT Working Group’s model research and assumptions; “the monthly cost listed is based on Comcast’s small business telephone and internet bundle of \$139.99 plus applicable taxes and fees.”

**Utilities & Services: \$12,600 (\$1,050/monthly)**

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<sup>6</sup> Table 10. Private Industry, by Industry Group. Bureau of Labor Statistics. March 2016

<http://www.bls.gov/news.release/ecec.t10.htm>

Note that the model is compared to private educational services as opposed to the public school sector since child care centers in Vermont or majority private-owned small businesses and thus not comparable to the benefits provided by state/local government school districts

- Based on the VT Working Group’s model research and assumptions; Costs include utilities such as electricity and/or gas or other heating fuel, and services such as trash removal, lawn care, and snow removal.”

**Administration: \$18,516**

- Based on the VT Working Group’s model research and assumptions:
  - Cleaning and maintenance (\$833/month);
  - Advertising and hiring ads (\$210/month);
  - Office supplies and equipment (\$250/month); and
  - Accounting and legal (\$250/month)

**Liability Insurance: \$6,996 (\$583 monthly)**

- Based on the VT Working Group’s model research and assumptions; “this line item represents an average monthly cost for liability insurance based on budget models the work group reviewed and based on past experience providing technical assistance to providers.”

**Debt Service: \$6,000 (\$500/monthly)**

- Based on the VT Working Group’s model research and assumptions; “many programs take out loans to make capital expense purchases. This line represents an average monthly payment amount for a child care program based on the experience of the Vermont Community Loan Fund.”

**Food & Supplies: \$54,330**

- Based on the working group’s model research and assumptions (varies by month); “This line includes only the cost of food items and excludes labor costs associated with food preparation (salary information for a cook is included in the salary line). Food expenses are estimated at \$7 per child per day and include breakfast, lunch and one snack. Food expenses are adjusted to reflect days the program is closed” (and therefore costs fluctuate month-to-month).

**Comprehensive Services: \$6,225**

- Comprehensive services are services to children and families that serve the whole child. These services include comprehensive health and developmental screenings, health care referrals, and follow-up; special services for children with disabilities; nutritious meals; vision and hearing tests; and immunizations. In addition, comprehensive services provide a two-generation approach by engaging families with onsite family caseworker supports and the inclusion of home visits, as needed.

**Comprehensive Services (Early Care Advocate): \$42,203**

- Includes 1 fulltime Early Care Advocate. An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions. The Commission’s high



quality child care includes an Early Care Advocate or components of the role, as needed for the program's children served.

**Educational Supplies & Equipment: \$10,200 (\$25 per child per month = \$850/month);**

- Based on the VT Working Group's model research and assumptions; "these expenses include classroom supplies such as paint, paper, markers, crayons, etc. as well as resources such as Teaching Strategies GOLD materials, a progress evaluation tool used by prequalified Pre-K providers, and other programming resources used by higher STARS recognized programs such as Strengthening Families resources."

**Repairs to Program-Owned Equipment: \$3,600 (\$300/month)**

- Based on the VT Working Group's model research and assumptions; this line item includes repairs to non-facility equipment such as play equipment, furniture, painting easels, etc."

**Allowance for Bad Debt and Vacancy: \$19,017 (\$1,613/month)**

- Based on the VT Working Group's model research and assumptions; "An industry best practice is to estimate a vacancy rate of 3% per month. This includes all classrooms plus the adjusted Pre-K tuition payment from the state. Pre-K payment losses are included to account for losing part of a payment if an eligible child transfers to another program or drops out of the program."

**Contribution to Capital Expense Fund - 1% of AGR, Miscellaneous expenses: \$6,557 (\$546/month)**

- Based on the VT Working Group's model research and assumptions; "a best business practice is to set aside funds for future capital expenses such as new play equipment, renovations, etc. In the level two and three models, some funding is set aside for this purpose."

**Miscellaneous Expenses: \$3,000 (\$250/month)**

- Based on the VT Working Group's model research and assumptions; "this line represents monthly budgeting for small-scale expenses not otherwise covered by the aforementioned line items."

## Home-based Program

The following section provides a brief description of the assumptions and rationale used for each line item expense for a high quality registered home-based provider in Vermont.

### STAR Level & Quality

- Used Vermont Registered-Home Licensing Regulation Ratios
- 5 STAR (Vermont's highest quality rating, according to the state's QRIS) level program

**Total Children Served: Program Size: 9 Children**

- Used the average size of a registered home-based provider in Vermont<sup>7</sup>: 9 children (1 infant, 2 toddlers, 3 pre-school, 3 school-age children part time)

**CACFP: 25%**

- Based on the VT Working Group’s model research and assumptions; “The models assume that the program participates in the Child and Adult Care Food Program, which provides free or reduced meals for eligible children. We assume that 25% of half the infant group (half of those between the ages of 13 months and 23 months), 25% of toddlers, and 25% of preschoolers would be eligible for CACFP reimbursement. The model also assumes that half of the CACFP eligible children qualify for the CACFP free meal rate and half qualify for the reduced meal rate. Based on 2015–2016 CACFP rules, the program would receive \$5.57 per free meal rate eligible child per day, \$4.45 per reduced meal rate eligible child, and \$0.65 per non-income qualifying child for breakfast, lunch and one snack.”

CACFP daily participation FY15: 10,353<sup>8</sup>

National School Lunch program participation: 49,208

CACFP total participating child care centers (FY14): 167<sup>9</sup>

CACFP total participating family child care homes (FY14): 460

**Total current participation rate in CACFP:**

- Total daily participation (10,353)/Total children 0-5 (73,214)=14%

**Total current participation rate in National School Lunch:**

- NSLP total participation (49,208)/Total children 6-17 (86,966<sup>10</sup>)=56.6%

**Staff (Child Ratios)**

Licensed family child care ratios are listed below:<sup>11</sup>

- a. a second staff person is present and on duty when the number of children receiving child care exceeds six (6); and
- b. there are no more than two children under 24 months of age per staff person; or, when children only under age 3 are enrolled:
- c. there is at least one staff present and on duty when 3 or fewer children are in care; and
- d. there are at least two staff persons present and on duty when 4-7 children are in care; and
- e. there are at least three staff persons present and on duty when 8 or more children are in care.

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<sup>7</sup> Based on VT Child Development Division Licensing Data

<sup>8</sup> Participation data from: <http://www.fns.usda.gov/pd/child-nutrition-tables>

<sup>9</sup> Center and FCC participation data from: <http://frac.org/federal-foodnutrition-programs/child-and-adult-care-program/>

<sup>10</sup> School age population data retrieved from: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

<sup>11</sup> [http://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Licensing/Licensed\\_Family\\_Child\\_Care\\_Regulations.pdf](http://dcf.vermont.gov/sites/dcf/files/CDD/Docs/Licensing/Licensed_Family_Child_Care_Regulations.pdf)

**EXPENSES**

**Gross Salaries: \$18,674 + \$56,160 (Owner’s draw)**

- Based on the VT Working Group’s model research and assumptions:
  - The salary information included in this section accounts for gross salaries and/or pay issued to program staff and/or contractors. The provider’s salary is listed under the line item called, “Owner’s Draw,” in the expense section of the budget. The following chart provides the salary information used in the model as compared to Vermont’s SY 2015 Public School average teacher and teacher aide salaries. The BRC recognizes that the child care workforce often leaves the child care field for public schools due to higher salaries. The Program Director and Licensed Teacher’s salaries are comparable to VT Public School Teachers:<sup>12</sup>
- .25 FTE Early Care Advocate: An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions.

Table 5. Home-Based Child Care Salary/Pay Chart

Home-Based/Family Child Care Staff			VT Public School	
Staff	Hourly Wage	Annual Salary per Teacher	VT Public School Staff	Avg. Annual Salary
Program Director	\$ 27.00	\$ 56,160.00*	Teacher (Licensed)	\$ 56,504.00
Teacher (Licensed) 4 hrs/wk	\$ 27.00	\$ 56,160.00**	Teacher (Licensed)	\$ 56,504.00
Substitute - PT - 8hrs/wk	\$ 16.00	\$ 6,656.00	n/a	n/a
Early Care Advocate	\$ 20.29	\$ 10,550.80	n/a	n/a

\* Program director likely working approximately 10.5 hour/day

\*\* Licensed teacher only modeled for part time, salary is in full time salary equivalent for purposes of comparing to the average VT public school salary

- Includes
  - 1 licensed teacher working part-time for 4 hours/week
  - 1 substitute teacher working a ½ day/week (4 hours/week)
  - 1 provider/owner (salary included as the “owner’s draw line item expense)

**Taxes, Fees, and Employee Benefits: \$10,341**

- Based on the VT Working Group’s model research and assumptions;

<sup>12</sup> Teacher/Staff Full-time Equivalency (FTE) and Salary Report. Vermont Agency of Education. <http://education.vermont.gov/documents/edu-data-teacher-staff-survey-report-sy2015.pdf>

- Workers compensation: estimated at 1.45% of Gross Salaries.
- Retirement contribution: For center models, the models assume employer matching contributions. Reduced tuition for employee children: All of the models assume that the programs offer a 25% discount on tuition.”
- Workers compensation and training, professional development and retirement costs are included for all staff (2 part-time and the owner), while health care costs are included for the full time staff (owner) only.
- Program pays 80% of monthly premium for FT and 60% of monthly premium for PT for BCBS HD Gold Plan - Assume 60% of staff participate

**Training and Professional Development: \$2,282**

- \$1,141 per FTE for 2.5 FTE (does not include the cook); based on the average annual estimated cost of Head Start professional development in four Head Start programs in Vermont

**Travel (field trips, vehicle maintenance) and Staff Mileage Reimbursement for Work-Related Travel: \$1,992 (\$166/monthly);**

- Based on the working group’s model research and assumptions; “includes travel for program field trips, vehicle maintenance and repair, and staff mileage reimbursements for work-related travel including professional development workshops or trainings.”

**Rent/Mortgage: \$0 (\$0/monthly)**

- Based on the working group’s model research and assumptions “assume that the provider takes a tax write-off for portion of home that is used for program. Therefore, expense is not included in any of the home models.”

**Utilities: \$3,600 (\$300/month)**

- Based on the VT Working Group’s model research and assumptions; “costs include utilities such as electricity and/or gas or other heating fuel, and services such as trash removal, lawn care, and snow removal.”

**Administration: \$850**

- Based on the VT Working Group’s model research and assumptions; Cleaning and maintenance (\$25/month), Office supplies and equipment (\$25/month), Accounting and legal (\$20.83/month)

**Liability Insurance: \$864 (\$72/month)**

- Based on the VT Working Group’s model research and assumptions “this line item represents an average monthly cost for liability insurance based on budget models the work group reviewed and based on past experience providing technical assistance to providers.”

**Debt Service: \$5,400 (450/monthly)**

- Based on the working group’s model research and assumptions;; “many programs take out loans to make capital expense purchases. This line represents an average monthly payment amount for a child care program based on the experience of the Vermont Community Loan Fund.”

**Food & Supplies: \$12,228**

- Based on the VT Working Group’s model research and assumptions (varies by month); “This line includes the cost of food items. For infants eating solid foods, toddlers, and preschoolers, food expenses are estimated at \$7 per child per day and include breakfast, lunch and one snack. For part-time school-age children, food expenses are estimated at \$1 per child per day for one snack. It is also assumed that the provider is responsible for food preparation. Food expenses are adjusted to reflect days the program is closed. Some programs spend more than this each day, especially if the program provides organic and/or locally sourced food options.”

**Educational Supplies & Equipment: \$1,800 (\$20 per child per month =\$150/month)**

- Based on the working group’s model research and assumptions; “These expenses include classroom supplies such as paint, paper, markers, crayons, etc. as well as resources such as Teaching Strategies GOLD materials, a progress evaluation tool used by prequalified Pre-K providers, and other programming resources used by higher STARS recognized programs such as Strengthening Families resources.”

**Repairs to Program-Owned Equipment: \$600 (\$50/monthly)**

- Based on the VT Working Group’s model research and assumptions; “this line item includes repairs to non-facility equipment such as play equipment, furniture, painting easels, etc.”

**Allowance for Bad Debt and Vacancy: \$3,250 (\$248/month);**

- Based on the working group’s model research and assumptions “an industry best practice is to estimate a vacancy rate of 3% per month. This includes all classrooms plus the adjusted Pre-K tuition payment from the state. Pre-K payment losses are included to account for losing part of a payment if an eligible child transfers to another program or drops out of the program.”

**Comprehensive Services: \$1,098**

- Comprehensive services are services to children and families that serve the whole child. These services include comprehensive health and developmental screenings, health care referrals, and follow-up; special services for children with disabilities; nutritious meals; vision and hearing tests; and immunizations. In addition, comprehensive services provide a two-generation approach by engaging families with onsite family caseworker supports and the inclusion of home visits, as needed.

**Comprehensive Services (Early Care Advocate): \$10,550**

- Includes 0.25 fulltime Early Care Advocate per child care home. An Early Care Advocate provides direct services for children and families via home visits and social service contacts. Services include: coordination of child health, sensory, developmental and behavioral services; family

engagement and social service support; support for children with special needs and their families; and support around post-partum, infant/toddler, preschool and kindergarten transitions. The Commission's high quality child care includes an Early Care Advocate or components of the role, as needed for the program's children served.

**Miscellaneous Expenses: \$600 (\$50/month)**

- Based on the VT Working Group's model research and assumptions; "this line represents monthly budgeting for small-scale expenses not otherwise covered by the aforementioned line items."

**Contribution to Capital Expense Fund - 3% of AGR, Miscellaneous Expenses: \$3,250 (\$271/monthly)**

- Based on the VT Working Group's model research and assumptions; "a best business practice is to set aside funds for future capital expenses such as new play equipment, renovations, etc. In the level two and three models, some funding is set aside for this purpose."

**Owner's Draw (Provider's Salary): \$56,160**

- \$27 per hour; this is the owner/program director's salary

## Total Cost of Care Calculations

The cost of high-quality child care for the State of Vermont depends on the demand or the “take up rate” of non-parental care of children birth to age five. This model calculates the range of cost from the total cost of high-quality care for all children birth the age five in the State, to variations in demand. Below are three calculations of cost for the state:

- **Total Cost 1.** assumes all families with children 0-5 in the state (assumes a 100% demand)
- **Total Cost 2.** assumes the perceived demand families with children 0-5 with parents in the labor force
- **Total Cost 3.** assumes the perceived demand families with children 0-5 based on current family child care choices

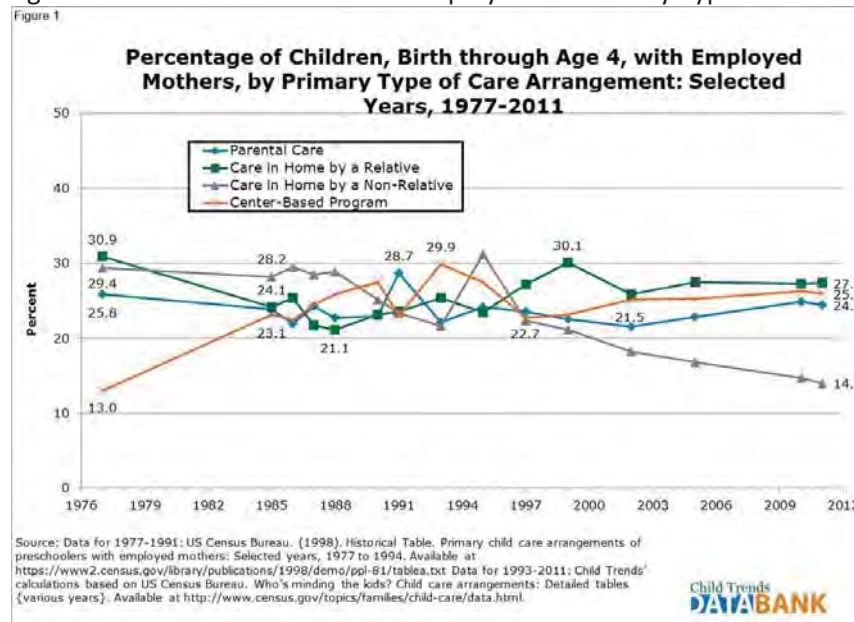
Total estimated cost of funding high-quality child care in the state ranges from \$336.4 -\$849.2 million.

### Total Cost 1. All Children: \$849.2 million

\*Note: this is based on current per pupil expenditures, so may be high. Adding students to existing systems would likely bring down per pupil costs overall, due to shared fixed overhead.

- Assumes all children birth to five are enrolled in some type of non-relative care (either center or home-based)
- Estimates a split of 50% in center and 50% in home-based childcare since we are unable to estimate the exact split of choice of child care arrangement of families if **all families** used non-relative child care. Child Trends found that since 1977 child care choices of employed mothers has fluctuated greatly with use of home and center-based care converging; in 2012, the use of care in home by a relative and center-based care was almost equal at 27.3% and 25.9% respectively.<sup>13</sup>

Figure 1. Percent of children with Employed Mothers by Type of Care



<sup>13</sup> <http://www.childtrends.org/?indicators=child-care>

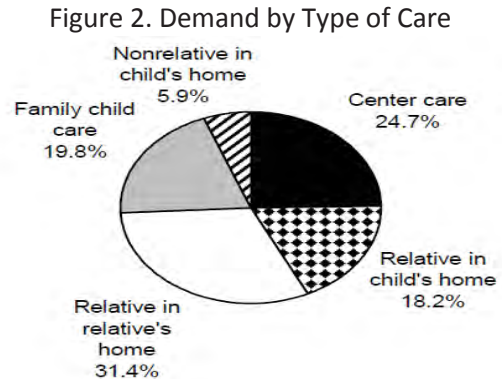
## Total Cost 2. Perceived Demand Option 1: \$597.8 million

- Perceived demand based on the U.S. Census Bureau's estimate that 70.4% of Vermont Children under the age of 6 have all available parents in the labor force.<sup>14</sup>
- Assumes 50% in center and 50% in home-based childcare (see Child Trend citation above)

## Total Cost 3. Perceived Demand Option 2: \$366.4 million

### Infant/Toddler

- Used the total number of children in Vermont birth to five from Kids Count Data Center<sup>15</sup>
- For infant and toddler care, used the National Study of Low Income Families to estimate the demand by type of care: 24.7% for center-based care and non-relative home-based child care 25.7%. See figure 2.<sup>16</sup>



### Preschool

- Used the Census Bureau as the source of demand of 32.9% for all non-relative care; 25.2% for center-based settings and 13% for family/home-based programs. Historically, parents and families rely on preschool-aged child care more than infant, toddler care. The National Study of Low Income Families focuses on demand for child care for younger ages.

Note: The cost of school-aged care is not included in the overall cost of care calculation for any of the total cost calculations since the cost of school-aged children is not a part of the scope of the BRC. School-aged care is an important component of a sustainable, high-quality family child care program as a revenue source.

### OTHER CONSIDERATIONS:

- The center-based model is based on a full-time enrollment model
- We know center-based programs serve school-aged and vacation (summer and winter) care but this is not included in the model. There are many variations of school-aged services provided by center-based programs. The working group also did not include before and after-school time care in the center-based model.

<sup>14</sup> Stalled from the Start. Let's Grow Kids.

[http://www.letsgrowkids.org/sites/lgk/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016\\_0.pdf](http://www.letsgrowkids.org/sites/lgk/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016_0.pdf)

<sup>15</sup> Kids Count Data Center. Child Population by Single Age. <http://www.datacenter.aecf.org/data/tables/100-child-population-by-single-age?loc=47&loct=2#detailed/2/47/false/869,36,868,867,133/42,43,44,45,46,47,48,49,50,51,52,53,54,55,56,57,58,59,60,61/418>

<sup>16</sup> Administration for Children and Families. Office of Planning, Research & Evaluation. "National Study of Child Care of Low-Income Families 1997-2007." <http://www.acf.hhs.gov/opre/research/project/national-study-of-child-care-of-low-income-families-1997-2007>





Perceived Demand Option 1 (70.4% demand)  
 Cost of Infant, Toddler Licensed Center-  
 Based Child Care

Center infant cost per child	# of infants	+	toddler cost per child	# of toddlers	+	preK cost per child	# of preK	=	total center cost
\$35,535	212		\$35,535	4303		\$15,793	64		\$330,309,252
	0						63		

Cost of Infant, Toddler Licensed Family Child Care

family infant cost per child	# of infants	+	toddler cost per child	# of toddlers	+	preK cost per child	# of preK	=	total family cost
\$41,640	212		\$20,820	4303		\$13,880	64		\$267,565,824
	0						63		

=	<b>GRAND TOTAL</b>
	\$597,875,076

CENTER-BASED MODEL				REGISTERED-HOME MODEL			
cost of operations		\$852,845		cost of operations		\$124,918	
enrollment		34		enrollment		9	
age groups	# of children	Cost per age group	Cost per child	age groups	# of children	Cost per age group	Cost per child
infant	8	\$284,281	\$35,535	infant	1	\$41,639	\$41,639
toddler	8	\$284,281	\$35,535	toddler	2	\$41,639	\$20,819
preschool	18	\$284,281	\$15,793	preschool	3	\$41,639	\$13,879

CENTER-BASED MODEL				REGISTERED-HOME MODEL			
age group	# children	% all parents working	total	# children	% all parents working	% demand	total
Infant = <1	6,023	70.4%	2,120	4,240	70.4%	50%	2,120
Toddler = 1 & 2	12,224	70.4%	4,303	8,606	70.4%	50%	4,303
Preschool = 3,4,5	18,360	70.4%	6,463	12,925	70.4%	50%	6,463

Perceived Demand Option 1 (24.7% demand for non-relative care)

Cost of Infant, Toddler Licensed Center-Based Child Care

Center infant cost per child	# of infants	+ toddler cost per child	# of toddlers	+ preK cost per child	# of preK	= total center cost
\$35,535	148	\$35,535	3019	\$15,793	4627	\$233,229,340

Cost of Infant, Toddler Licensed Family Child Care

family infant cost per child	# of infants	+ toddler cost per child	# of toddlers	+ preK cost per child	# of preK	= total family cost
\$41,639	119	\$20,819	2420	\$13,879	2387	133,177,056

=	<b>GRAND TOTAL</b>
	\$366,406,396

CENTER-BASED MODEL			
cost of operations		\$852,845	
enrollment			34
age groups	# of children	Cost per age group	Cost per child
infant	8	\$284,281	\$35,535
toddler	8	\$284,281	\$35,535
preschool	18	\$284,281	\$15,793

age group	total children	perceived demand for non-relative	total # of children
Infant = <1	6,023	24.7%	1,488
Toddler = 1 & 2	12,224	24.7%	3,019
Preschool = 3,4,5	18,360	25.2%	4,627

REGISTERED-HOME MODEL			
cost of operations		\$124,918	
enrollment			9
age groups	# of children	Cost per age group	Cost per child
infant	1	\$41,639	\$41,639
toddler	2	\$41,639	\$20,819
preschool	3	\$41,639	\$13,879

age group	total children	perceived demand for non-relative	total # of children
Infant = <1	6,023	19.8%	1,193
Toddler = 1 & 2	12,224	19.8%	2,420
Preschool = 3,4,5	18,360	13.0%	2,387

## Appendix C. Affordability Methodology

The Blue Ribbon Commission conducted a thorough analysis of Vermont’s current child care subsidy sliding fee scale which sets the eligibility criteria and amount of subsidy payments for Vermont families through the Child Care Financial Assistance Program (CCFAP) administered by the Child Development Division. This analysis helped to establish a foundational understanding of how the state assists families to afford child care. In addition, these findings helped to inform further analysis into, when considering the true cost of high-quality care, the proportions of families that could afford care and how far the scale could potentially stretch in order to assist the most families in need.

### Introduction to Vermont’s CCFAP Sliding Fee Scale

The Child Care and Development Block Grant (CCDBG) and Temporary Assistance for Needy Families (TANF) are two primary funding sources for state’s child care subsidy programs. Subsidies are provided for low-income families to assist in full or a partial payment of the cost of child care. Within CCDBG and TANF guidelines, all states are given the flexibility to setup and administer the child care subsidy program eligibly criteria and subsidy rates. Subsidy payments can go directly to families, to providers, or can fund pre-paid slots with contracted providers. In most states, eligibility and amount of subsidy for each family is determined on a sliding-fee scale as a function of family size and income. Vermont’s CCFAP sliding fee scale is unique compared to most states’ child care subsidy programs and approaches. In most states sliding fee scales use the family income to determine the subsidy amount. Vermont administers a sliding fee scale that uses income increments to determine *the percent of the subsidy rate* that the family will receive. Other states’ subsidy scales pay for care based on what percent of a family’s income will be devoted for child care; conversely, Vermont chooses to pay a percentage of the cost of care itself depending on a family’s income.

Additionally, Vermont CCFAP policies permit balanced billing in child care subsidy payments. If a child care provider accepts a subsidy payment that is not 100% of the provider’s published billing rate, the provider has the discretion to charge the family the remainder of the provider’s rate. Although not unheard of, many states specifically require subsidy-accepting providers to charge a family the remainder of their rate not covered by subsidy; with many further stipulating that the provider could be disqualified to accept subsidy payments if not in compliance.

Below are the current eligibility ranges for the CCFAP sliding fee scale. The scale is based on four family composition types: a family of three or less; family of four; family of five; and a family of six or more. To determine the percent of subsidy that the state will pay for a child’s care, CCFAP first looks at a family’s total size, then analyzes the total gross income the family makes from the appropriate column, then identifies the percentage of subsidy that the state will pay for child care.

**Table 1. 2016 CCFAP Sliding Fee Scale**

Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income
Family Size 3 or Less		Family Size 4		Family Size 5		Family Size 6	
100%	\$20,160	100%	\$24,300	100%	\$28,440	100%	\$32,580
99%	\$20,940	99%	\$25,224	99%	\$29,520	99%	\$33,804

Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income	Subsidy %	Annual Income
Family Size 3 or Less		Family Size 4		Family Size 5		Family Size 6	
98%	\$21,456	98%	\$25,860	98%	\$30,252	98%	\$34,644
97%	\$21,996	97%	\$26,484	97%	\$30,996	97%	\$35,508
96%	\$22,512	96%	\$27,120	96%	\$31,740	96%	\$36,348
95%	\$23,208	95%	\$27,972	95%	\$32,724	95%	\$37,476
90%	\$24,168	90%	\$29,136	90%	\$34,080	90%	\$39,024
85%	\$25,140	85%	\$30,264	85%	\$35,412	85%	\$40,572
80%	\$26,172	80%	\$31,548	80%	\$36,912	80%	\$42,276
75%	\$27,240	75%	\$32,808	75%	\$38,364	75%	\$43,956
70%	\$28,272	70%	\$34,068	70%	\$39,864	70%	\$45,648
65%	\$29,328	65%	\$35,352	65%	\$41,328	65%	\$47,340
60%	\$30,372	60%	\$36,588	60%	\$42,816	60%	\$49,032
55%	\$31,428	55%	\$37,860	55%	\$44,280	55%	\$50,712
50%	\$32,472	50%	\$39,120	50%	\$45,768	50%	\$52,428
45%	\$33,516	45%	\$40,404	45%	\$47,232	45%	\$54,096
40%	\$34,572	40%	\$41,640	40%	\$48,720	40%	\$55,788
35%	\$35,640	35%	\$42,900	35%	\$50,196	35%	\$57,492
30%	\$36,660	30%	\$44,184	30%	\$51,684	30%	\$59,196
25%	\$37,704	25%	\$45,444	25%	\$53,136	25%	\$60,864
20%	\$38,760	20%	\$46,692	20%	\$54,624	20%	\$62,556
15%	\$39,816	15%	\$47,964	15%	\$56,100	15%	\$64,272
10%	\$60,480	10%	\$72,900	10%	\$85,320	10%	\$97,740

Key characteristics to note about the CCFAP sliding fee scale: for each family size category, a subsidy “floor” (the lowest income threshold listed) is set at 100% of the current Federal Poverty Level (FPL), and will pay for 100% of a family’s child care costs. Conversely, the “ceiling” of the scale (the maximum income threshold for a family to qualify to receive any subsidy funding) stops when a family makes over 300% of the FPL.

The actual increments of the Vermont scale are fairly narrow compared to several other states<sup>17</sup>: the first five levels only decrease subsidy by 1% each step, and then progress to 5% thereafter. Yet, once subsidy begins to decrease at 5%, the family receiving subsidy then begins to see a “cliff effect,” where the percent of subsidy covered quickly begins to outpace a family’s increasing wages, ultimately leading the family to dedicate a larger proportion of their income towards child care. This cliff effect, as well as the subsidy “ceilings” and “floors” were explored by the Commission throughout its affordability investigation.

<sup>17</sup> Public Consulting Group, Inc. (PCG) provided a broad scan of state scales nationally and conducted a state by state comparison of New England “peer states,” including Maine, Massachusetts, and New Hampshire

## Background Research

The Commission's investigation into affordability of child care began by conducting background research on budget instruments and tools, calculators, and other resources to prompt discussion on what, for a family, can be considered an affordable expense for child care. These tools measure the income families need in order to attain a modest yet adequate standard of living. The two most credible tools out in the market--the EPI calculator and the Vermont Basic Needs Budget--focus on two types of households; two adults and two children; and one adult and two children.

Data were collected from the Vermont Basic Needs Budget that was published in January 2015 and the calculator developed by the Economic Policy Institute (EPI). Each of these budget instruments base the calculations on a household with a four-year old in child care and a school-age child. Affordability calculations were based on the Vermont's Basic Needs Budget since it is updated annually by the state of Vermont for Vermonters. Data were also collected and analyzed on the cost of child care for an infant in a child care center as well as a four-year old based on the most current Vermont Market Rate Survey. These data were analyzed to show the current picture of what a family can afford to pay for child care without receiving any subsidies.

In order to determine how affordability might be improved in the state, it is necessary to understand what the median income and actual costs of child care in Vermont is across the state. To do so, the Commission examined the variation in median family incomes across the state as well as the costs of child care in each county to reflect the current percentage of a family's median income being paid for child care based on a single parent and two parent household with an infant and a four-year old.

### Vermont Basic Needs Budget

The Vermont Legislative Joint Fiscal Office prepares the Basic Needs Budgets and Livable Wage Report each year. This budget was presented at the June 2016 Blue Ribbon Commission meeting, and is a market-based analysis which estimates the monthly living expenses in the state. The basic needs budget includes the components of food, housing, transportation, child care, clothing and household expenses, telecommunications, health and dental care insurance and savings, as well as taxes. Although the current methodology was established in 1999, the purpose of the calculation is to provide to the public information on what it cost to live in Vermont. The child care expenses information is an estimate based on a registered home or licensed center, and assumes that none of these families qualify for a child care subsidy.<sup>18</sup>

The following table represents the Vermont Basic Needs Budget for 2015 for two adults and two children. The child care expense item for the Basic Needs Budget is based on child care for a preschooler and school-age child. The last two columns were added into the table to represent the child care cost for an infant and a preschooler based on the current average market rate and the 75<sup>th</sup> percentile market rate for a licensed child care program.

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<sup>18</sup> Basic Needs Budget data retrieved from the Vermont Legislature website:

<http://legislature.vermont.gov/assets/Documents/2016/WorkGroups/House%20General/Housing/W~Daniel%20Dickerson~2015%20Basic%20Needs%20Budget%20Report~1-21-2015.pdf>

**Table 2. Vermont Basic Needs Budget 2015 – Two Adults, Two Children/Average Market Rate**

Budget Item	VT Basic Needs Budget - 2 adults and 2 children ages preschool (4 yr old) and school-age	With current average market rate child care cost for infant and 4 yr old per month	With current 75th percentile market rate child care cost for infant and 4 yr old per month
Child Care	\$1,258	\$1,770	\$1,812
Housing	\$1,328	\$1,328	\$1,328
Food	\$1,025	\$1,025	\$1,025
Transportation	\$955	\$955	\$955
Health Care	\$559	\$559	\$559
Personal & Household Expenses	\$683	\$683	\$683
Insurance & Savings	\$357	\$357	\$357
Taxes	\$1,101	\$1,101	\$1,101
Monthly Total	\$7,265	\$7,778	\$7,820
Annual Total	\$87,181	\$93,337	\$93,840
% of Income to Child Care	17%	23%	23%

The next table represents the Vermont Basic Needs Budget for 2015 for one adult and two children. Again, the child care expense item for the Basic Needs Budget is based on child care for a preschooler and school-age child. The last two columns were added into the table to represent the child care cost for an infant and a preschooler based on the current average market rate and the 75<sup>th</sup> percentile market rate for a licensed child care program.

**Table 3. Vermont Basic Needs Budget 2015 – One Adult, Two Children/Market Rate Survey Data**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children ages preschool (4 yr old) and school-age	With current average market rate child care cost for infant and 4 yr old per month	With current 75th percentile market rate child care cost for infant and 4 yr old per month
Child Care	\$1,258	\$1,770	\$1,812
Housing	\$1,328	\$1,328	\$1,328
Food	\$739	\$739	\$739
Transportation	\$499	\$499	\$499
Health Care	\$555	\$555	\$555
Personal & Household Expenses	\$534	\$534	\$534
Insurance & Savings	\$305	\$305	\$305

Budget Item	VT Basic Needs Budget - 1 adult and 2 children ages preschool (4 yr old) and school-age	With current average market rate child care cost for infant and 4 yr old per month	With current 75th percentile market rate child care cost for infant and 4 yr old per month
Taxes	\$1,012	\$1,012	\$1,012
Monthly Total	\$6,229	\$4,972	\$6,784
Annual Total	\$74,757	\$59,664	\$81,408
% of Income to Child Care	20%	36%	27%

### Median Household Income by County

The Commission examined the variation in income across the state. The percentage of child care cost for an infant and preschooler ranges from 25 percent to 53 percent of the median income based on child care cost from the market rate survey. The median family income is the income for families with own children under age 18 living in the household. The median income is the dollar amount that divides the income distribution into two equal groups: half with income above the median and half with income below it.<sup>19</sup> Overall for the entire state, child care costs are currently 32 percent of the state median family income. The following table displays the median family income, infant care costs, preschool care costs and the percent of median income paying for childcare for each county across the state.

**Table 4. Median Income Table with infant and 4 year-old**

County	2010-2014 Median Family Income	Infant Care	Preschool Care	Total Childcare cost for an infant and 4-year-old	Percent of median income paying for childcare for an infant and 4-year-old
Orleans	\$ 47,847	\$ 14,335.88	\$ 11,068.20	\$ 25,404.08	53%
Essex	\$ 49,000	\$ 10,283.52	\$ 9,717.76	\$ 20,001.28	41%
Lamoille	\$ 58,944	\$ 11,440.00	\$ 11,091.60	\$ 22,531.60	38%
Windham	\$ 60,991	\$ 11,333.40	\$ 10,953.28	\$ 22,286.68	37%
Bennington	\$ 50,000	\$ 9,947.60	\$ 7,860.32	\$ 17,807.92	36%
Caledonia	\$ 51,639	\$ 9,679.80	\$ 8,365.24	\$ 18,045.04	35%
Orange	\$ 56,036	\$ 10,520.12	\$ 9,026.68	\$ 19,546.80	35%
Rutland	\$ 55,764	\$ 9,818.64	\$ 8,690.24	\$ 18,508.88	33%
Windsor	\$ 64,588	\$ 11,270.48	\$ 9,982.96	\$ 21,253.44	33%
Washington	\$ 69,323	\$ 11,578.32	\$ 10,164.44	\$ 21,742.76	31%
Grand Isle	\$ 64,615	\$ 9,880.00	\$ 8,775.00	\$ 18,655.00	29%

<sup>19</sup> <http://datacenter.kidscount.org/data/tables/8859-median-family-income-among-households-with-children?loc=47&loct=5%20-%20detailed/5/6798-6811/false/1485/any/17744>



County	2010-2014 Median Family Income	Infant Care	Preschool Care	Total Childcare cost for an infant and 4- year-old	Percent of median income paying for childcare for an infant and 4- year-old
Chittenden	\$ 86,916	\$ 12,345.32	\$ 10,695.36	\$ 23,040.68	27%
Franklin	\$ 70,388	\$ 9,402.64	\$ 8,739.12	\$ 18,141.76	26%
Addison	\$ 68,426	\$ 9,360.00	\$ 7,656.48	\$ 17,016.48	25%
Vermont	\$ 65,941	\$ 11,270.48	\$ 9,970.48	\$ 21,240.96	32%

### What Percent of Income Should Be Devoted to Child Care?

The Commission reviewed research on child care affordability to understand the national landscape on metrics for affordability for families. Affordability is measured as a proportion of income that should be devoted to child care; (similar to the “rule of thumb” that one-third of a family’s income should be spent on housing). As such, most resources found or noted that the best “rule of thumb” for child care costs should fall between 10-15% of family income. The Commission initially used the 10% figure in initial configurations of its revised sliding fee scale, though ultimately chose to not include it directly.

U. S. Department of Health and Human Services in 2014: 10%

The U.S. Department of Health and Human Services (DHHS) defines affordable child care as costing no more than 10 percent of a family’s income.<sup>20</sup> They recognize that child care cost can be a burden on working families’ budgets and that the need for high-quality, affordable care is especially important with most parents in the workforce.

EPI: Based on US DHHS of 10%

The Economic Policy Institute reported in May 2016 that capping child care cost at 10 percent of income would mean significant savings for families across the nation. In Vermont, the savings to median income families with an infant and 4-year old would amount to \$4,676, which is the difference between the current percentage families pay for child care and the 10 percent recommendation.<sup>21</sup>

Forbes: 15%

Child care is the largest expense, more than any other household expense, for a growing number of families. For many parents the cost is greater than housing, utilities or transportation. Child care providers care for nearly 11 million children younger than 5 every week in the United States, which includes any licensed child care program. Nationally, married families with both parents

<sup>20</sup> Executive Office of the President of the United States. (2014). The Economics of Early Childhood Investments. [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report1.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf)

<sup>21</sup> <http://www.epi.org/publication/capping-child-care-costs-at-10-percent-of-income-would-mean-significant-savings-for-families/>

employed, spend up to 15 percent of their income on child care. For single parents, the child care portion of their budget can climb as high as 65 percent nationally.<sup>22</sup>

Louisiana: Average families pay 10%

Louisiana contains, according to the Economic Policy Institute's research, the only areas/regions where child care costs are considered to be "affordable" at or around 10%<sup>23</sup>. Apart from the general low cost of living and relatively low tax burdens for businesses throughout the state, the primary driver of low child care costs in the state is likely due to the School Readiness Tax Credit (SRTC). Passed in 2007, the SRTC provides significant tax breaks to families, child care providers, child care directors and staff, and businesses that support child care—primarily to encourage providers and parents to participate in the state's QRIS (Quality Start), but has the added benefit of reducing the overall cost of operations for child care facilities.

### Sliding Fee Scale Development Methodology

One of the five Blue Ribbon Commission's goals was to inventory and review reports and recommendations issues related to high quality, affordable child care. Relatedly, this goal also asked the commission to review various family compositions and income levels, and recommend the amount that families should pay towards the costs of high quality, early care and education based on a sliding scale.

The Commission, with the support of PCG, followed an iterative process in developing its final sliding fee scale, which saw multiple revisions and redeterminations of the eligibility requirements, increments of subsidy, and several other parameters. The Commission's building principles for the sliding fee scale included:

- Raise the floor of the scale to fully cover families that cannot afford the BRC-determined cost of care for infants and preschoolers; and set the floor at a point where a family's basic needs are met except for the cost of child care
- Model the scale using cost of care for a family that has one infant and one preschooler.
- Avoid any cliff effect in the decreasing increments of the scale of the scale.
- Subsidize families so that they are not paying any more than 10% of their total income towards child care (this goal was ultimately excluded from the final sliding fee scale).
- Set a reasonable ceiling for subsidy where the families that can really use it have access.

### Sliding Fee Scale Iterations

The Commission worked with PCG to consider a series of models.

Initially, the sliding fee scale considered subsidies for all families up until the cost of care was no more than 10% of the family income. The initial assumptions used in building the scales included:

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<sup>22</sup> <http://www.forbes.com/sites/annabahney/2015/06/29/child-care-is-biggest-expense-for-a-growing-number-of-families/#10757be646a8>

<sup>23</sup> <http://www.epi.org/publication/capping-child-care-costs-at-10-percent-of-income-would-mean-significant-savings-for-families/>

- Subsidy delivered at 100% (the floor of the scale) should start at the point where a family’s basic needs are entirely met (as defined by the state-designed Basic Needs Budget) in addition to the calculated cost of high-quality child care.
- Subsidy percent should decrease up to the point where the cost of child care only take up 10% of a family’s income, and should sustain a family only paying 10% of their income on child care.
- Eliminate any kind of eligibility “cliff” where rising incomes suddenly are not outpaced by the cost of child care by quickly dropping subsidy rates. This is achieved by initially decreasing subsidy percent by 1% for approximately every 2% increase in income.

The Commission found that using the basic needs budget, the Commission’s calculated cost of high quality care, and the no more than 10% of family income parameter, **all but 2% of Vermont families would be covered by the child care subsidy program.** The Commission believes that if 98% of families in Vermont that required subsidy received it, then universal child care would be achieved. As an incremental step in the short-term, the Commission sought to create a sliding fee scale recommendation that would increase access to more families.

### Affordability of Current High Quality Care (QRIS Level 4 and 5)

To understand how the difference between the draft Commission cost of care and the current cost of care for “high quality” programs in the state would be reflected in a sliding fee scale, the Commission worked with PCG to model the cost of current high-quality care as defined by the state’s Quality Rating and Improvement System (QRIS), with level 4 or 5 star ratings. This particular draft used the same set of assumptions as the initial set of fee scales. Interestingly, when using the 10% benchmark, no family ever reached 10% of family income spent on child care when keeping with a 1% subsidy decrease per 2% income increase. In fact, after the 36% subsidy increment, families with that income threshold and higher began seeing their contribution towards child care *decrease*, which is contrary to the entire purpose of a sliding fee scale.

**Table 5. Cost of Care for Current 4 & 5 STAR Vermont Child Care Programs - Floor at 405% of FPL**

Subsidy % Bounds (by quartile)	Cost of Care (Infant & Preschooler)	Annual Income: Upper and Lower Bounds	Family’s % of Income Towards Child Care	% FPL
100% - 85%	\$21,895	\$81,648 - \$109,887	0% - 3%	405% - 545%
84% - 69%	\$21,895	\$112,085 - \$150,851	3% -4%	556% - 748%
68% - 53%	\$21,895	\$153,868 – \$207,087	5% - 5%	763% - 1,027%
52% - 36%	\$21,895	\$211,229 - \$289,972	5% -5%	1,048% - 1,438%

### Setting the Floor

The Vermont Basic Needs Budget includes a cost for child care. The Commission concluded that a modified Basic Needs Budget should be calculated as the “floor” or start of the sliding fee scale, meaning that the new sliding fee scale would provide 100% of the subsidy (100% of the true cost of care) for families whose income could cover only the basic needs. The “new basic needs budget” was calculated as follows:

Family budget care + Basic needs without child care + Commissions calculated cost of high quality care = Revised Basic Needs Budget

For a family of three, in urban Vermont (used as the baseline for analysis) it costs \$ 59,661 to maintain the family’s basic needs **without** child care. The Commission’s calculated “true cost” of high quality child care for a center-based program by age group is as follows:

**Table 6. True Cost of High Quality Child Care by Age Group**

Age Group	Annual “True Cost” of High Quality Child Care
Infant	\$ 35,535.22
Toddler	\$ 35,535.22
Preschool*	\$ 15,793.43

\*Note that these costs are calculated by dividing the total annual operational costs of a 34 child center-based programs into each age grouping proportionally (as described in Section 2. C. The Cost of High Quality Child Care), this does not factor in any funding from Act 166, universal public prekindergarten.

Considering the cost line items that were part of the VT Basic Needs Budget, the Commission decided to set a subsidy “floor” at the current Basic Needs Budget total without the its estimated child care cost line item. In other words, the eligibility “floor” for 100% subsidy (covering 100% of the cost of child care) would be provided for families with an annual income of \$59,661 or less.

**Table 7. Subsidy “Floor” – VT Basic Needs Budget without Child Care**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children – Urban
Annual Basic Needs Budget	\$ 74,757
Annual BNB-Estimated Child Care Cost	\$ 15,096
Basic Needs Budget Total Income Without Child Care (Eligibility Scale “Floor”)	\$ 59,661

The Commission concluded that the new sliding fee scale should:

- i. Set a 100% subsidy “floor” at the Vermont Basic Needs Budget without including the child care line item (\$59,661)**

*Setting the Ceiling*

When looking at the cap/ceiling to the scales, the Commission considered the following options:

- Capping subsidy eligibility where the Basic Needs Budget in addition to the BRC Cost of Care are covered in a family’s income. This would be the absolute threshold where a family’s income completely meets their basic needs including child care, and subsidy dollars would be able to be spread further.

- Capping subsidy eligibility at incomes that cross the Federal 33% Individual income tax bracket, which for individuals is \$191,950 and for Married Joint Filers/Heads of Households is \$231,450.
- Capping subsidy eligibility at triple the Basic Needs Budget income amount.

PCG also provided the Commission with research on other public assistance programs and considered several alternate methodologies to implement an eligibility cap on child care subsidy. Other programs researched include Dr. Dynasaur (Vermont’s state Children’s Health Insurance Program, or CHIP), Federal eligibility thresholds for benefit programs such as Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), and Vermont’s income tax brackets. In the case of the benefit programs mentioned, the maximum eligibility threshold is very close to the full Vermont Basic Needs Budget, making it ineffective to build a sliding fee scale that begins and ends at almost the same income level, while the Vermont’s income tax brackets closely mirror the Federal brackets.

The model that best fit the Commission’s goals was to cap the subsidy eligibility at triple the Basic Needs Budget (income amount). The Commission considered two options; one that is “dynamic” and caps the amount based on tripe the basic needs by family size or a “static ceiling” that maintains an income level for the ceiling.

The “dynamic ceiling” option subsidy percentage varies depending on the amount of members of a family. The following table displays the different bounds (floors and ceilings) for different family configurations.

**Table 8. Applying Basic Needs Budget to Sliding Fee Scale- “Dynamic Ceiling”**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children – Urban	VT Basic Needs Budget - 1 adult and 2 children - Rural	VT Basic Needs Budget - 2 adults and 2 children – Urban	VT Basic Needs Budget - 2 adults and 2 children - Rural	Adjusted BNB for Family of 5 (Using 297%/890% FPL)	Adjusted BNB for Family of 6 (Using 297%/890% FPL)
Basic Needs Budget Total Income Without Child Care (“floor”)	\$ 59,661	\$ 50,881	\$ 72,085	\$68,263	\$84,366	\$ 96,647
BRC High Quality Child Care Costs (1 PreK)	\$ 15,793	\$ 15,793	\$ 15,793	\$15,793	\$15,793	\$15,793
BRC High Quality Child Care Costs (1 Infant)	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983	\$ 152,643	\$ 216,255	\$ 204,789	\$ 253,098	\$ 289,942
% of Families eligible for subsidy (based on income- See tab 1a.)	89%	89%	95%	95%	95%	95%

Adopting a static scale, see table 9 below, sets the ceiling amount at the same level for all families.

**Table 9. Applying Basic Needs Budget to Sliding Fee Scale- “Static Ceiling”**

Budget Item	VT Basic Needs Budget - 1 adult and 2 children – Urban	VT Basic Needs Budget - 1 adult and 2 children - Rural	VT Basic Needs Budget - 2 adults and 2 children – Urban	VT Basic Needs Budget - 2 adults and 2 children - Rural	Adjusted BNB for Family of 5 (Using 297%/890% FPL)	Adjusted BNB for Family of 6 (Using 297%/890% FPL)
Basic Needs Budget Total Income Without Child Care (“floor”)	\$ 59,661	\$ 50,881	\$ 72,085	\$68,263	\$84,366	\$ 96,647
BRC High Quality Child Care Costs (1 PreK)	\$ 15,793	\$ 15,793	\$ 15,793	\$15,793	\$15,793	\$15,793
BRC High Quality Child Care Costs (1 Infant)	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535	\$ 35,535
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983	\$ 178,983	\$ 178,983	\$ 178,983	\$ 178,983	\$ 178,983
% of Families eligible for subsidy (based on income- See tab 1a.)	89%	89%	89%	89%	89%	89%

The Commission concluded that the new sliding fee scale should:

- ii. **Raise income eligibility and percent of subsidy gradually so that a “cliff effect” does not occur.**

The design of the current CCFAP eligibility scale, creates a “cliff effect” in two ways:

1. Cliff effect due to percent of benefit scale: Currently, at the 95 percent of benefit (subsidy) level in which CCFAP pays 95 percent of the subsidy rate, the percent of benefit drops from an incremental decrease of 1 percent to more than 5 percent when family income is \$24,168.

% of Benefit	Incremental Decrease in Benefit	Income	Incremental Increase in Income
100%	n/a	\$ 20,160.00	3.9%
99%	-1.0%	\$ 20,940.00	2.5%
98%	-1.0%	\$ 21,456.00	2.5%
97%	-1.0%	\$ 21,996.00	2.3%

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
96%	-1.0%	\$ 22,512.00	3.1%
<b>95%</b>	<b>-1.0%</b>	<b>\$ 23,208.00</b>	<b>4.1%</b>
<b>90%</b>	<b>-5.3%</b>	<b>\$ 24,168.00</b>	<b>4.0%</b>
85%	-5.6%	\$ 25,140.00	4.1%
80%	-5.9%	\$ 26,172.00	4.1%

The inconsistent incremental decrease in benefit is also seen in the current scale’s increase in income. The 5.3 percent decrease in subsidy makes it difficult for families making between \$23,208 and \$24,168 because difference creates a “cliff” where a 4.1 percent increase in income means a much lower benefit amount. The “cliff effect” is known as the drop off of assistance to families. The drop off creates a disincentive for those families making \$23,207 to increase income up to \$24,168 because the small increase in income create a large loss in subsidy payment. CDD indicated that parents often report that the the decrease in subsidy is equal to or more than the increase in income.

2. The CDD also reported another “cliff” occurs around the 45% of subsidy mark in which the incremental increase in income reduces the percent of subsidy received to the point where it is not beneficial to increase income (i.e., earning more money would cause a family’s child care costs to increase).

**Table 11. Current CCFAP “Cliff Effect” Part 2**

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
<b>50%</b>	-9.1%	\$ 32,472.00	3.3%
<b>45%</b>	-10.0%	\$ 33,516.00	3.2%
<b>40%</b>	-11.1%	\$ 34,572.00	3.2%
<b>35%</b>	-12.5%	\$ 35,640.00	3.1%
<b>30%</b>	-14.3%	\$ 36,660.00	2.9%
<b>25%</b>	-16.7%	\$ 37,704.00	2.8%

The Commission recommends a sliding fee scale that endeavors to avoid the “cliff effect” by more closely aligning the rates at which subsidy decreases and income eligibility increases. The recommended sliding fee scale incrementally scales down the percent of benefit at a steady rate as the income level increases at a steady rate; in the Commission’s model, the subsidy payment percentage decreases by 2% while income eligibility increases incrementally by 1.8%. In other words, for every 1.8% increase in income, a family’s subsidy payment only decreases by 2%.

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
<b>100%</b>	n/a	\$ 59,661.00	2.0%
<b>98%</b>	-1.8%	\$ 60,854.22	2.0%

<b>% of Benefit</b>	<b>Incremental Decrease in Benefit</b>	<b>Income</b>	<b>Incremental Increase in Income</b>
96%	-1.8%	\$ 62,071.30	2.0%
95%	-1.8%	\$ 63,312.73	2.0%
93%	-1.8%	\$ 64,578.99	2.0%
91%	-1.8%	\$ 65,870.56	2.0%
89%	-1.8%	\$ 67,187.98	2.0%
87%	-1.8%	\$ 68,531.74	2.0%
86%	-1.8%	\$ 69,902.37	2.0%
84%	-1.8%	\$ 71,300.42	2.0%
82%	-1.8%	\$ 72,726.43	2.0%
80%	-1.8%	\$ 74,180.95	2.0%

### 3. Scale the cap or “ceiling” of eligibility at three times the floor

The Commission recommends a ceiling at three times the floor (the basic needs budget without childcare). \$178,983. This income accounts for approximately 89% of Vermont families. **The Commission’s recommended model reflects that high quality child care is not affordable for about 89% of Vermont families.**<sup>24</sup>

**Table 13. Calculating the Sliding Fee Scale “Ceiling”**

Basic Needs Budget without Child Care	\$ 59,661
Three Times Basic Needs Budget without Child Care (“ceiling”)	\$ 178,983
% of Families eligible for subsidy (based on income)	89%

Table 12 illustrates the final sliding fee scale agreed upon by the Commission. To avoid a cliff effect, subsidy percent decreases at a rate of 1.8% for every 2% increase in a family’s income. The lower bound or floor of the scale where a family receives 100% subsidy for child care is the total Vermont Basic Needs Budget line items minus the cost of child care (\$59,661 or less). The upper bound or ceiling is the Basic Needs Budget total multiplied by three (\$178,983). Also included here is the right-most column that shows the percent of a family’s income should theoretically be applied to child care at a given subsidy percent, using the BRC-approved total cost of high-quality care for one infant and one toddler (\$51,328).

**Table 14. Proposed CCFAP Sliding Fee Scale**

<b>Subsidy Percent</b>	<b>Income Thresholds</b>	<b>% of income towards child care</b>
100%	\$59,661	0%
98%	\$60,854	2%

<sup>24</sup> According to 2014 American Community Survey (ACS) data from the U.S. census: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>



Subsidy Percent	Income Thresholds	% of income towards child care
96%	\$62,071	3%
95%	\$63,313	4%
93%	\$64,579	6%
91%	\$65,871	7%
89%	\$67,188	8%
87%	\$68,532	9%
86%	\$69,902	11%
84%	\$71,300	12%
82%	\$72,726	13%
80%	\$74,181	14%
78%	\$75,665	15%
77%	\$77,178	16%
75%	\$78,721	16%
73%	\$80,296	17%
71%	\$81,902	18%
69%	\$83,540	19%
68%	\$85,211	20%
66%	\$86,915	20%
64%	\$88,653	21%
62%	\$90,426	21%
60%	\$92,235	22%
59%	\$94,079	23%
57%	\$95,961	23%
55%	\$97,880	24%
53%	\$99,838	24%
51%	\$101,835	24%
50%	\$103,871	25%
48%	\$105,949	25%
46%	\$108,068	26%
44%	\$110,229	26%
42%	\$112,434	26%
41%	\$114,682	27%
39%	\$116,976	27%
37%	\$119,315	27%
35%	\$121,702	27%
33%	\$124,136	28%
32%	\$126,618	28%
30%	\$129,151	28%
28%	\$131,734	28%

Subsidy Percent	Income Thresholds	% of income towards child care
26%	\$134,369	28%
24%	\$137,056	28%
23%	\$139,797	28%
21%	\$142,593	29%
19%	\$145,445	29%
17%	\$148,354	29%
15%	\$151,321	29%
14%	\$154,347	29%
12%	\$157,434	29%
10%	\$160,583	29%
8%	\$163,794	29%
6%	\$167,070	29%
5%	\$170,412	29%
3%	\$173,820	29%
1%	\$178,983	28%

## Conclusion

After a number of iterations and best practices research, the Commission created a model for a new sliding fee scale that the Commission believes raises the bar for the standard for what it means for families to afford high quality care. The model assumes no changes to the current system of delivery for early education and care, though as described in the cost section, is not the intent of the Commission, or the intent of the affordability modeling exercise. The new recommendation sliding fee scale would:

- i. **Set a 100% subsidy “floor” at the Vermont Basic Needs Budget without including the child care line item**
- ii. **Raise income eligibility and percent of subsidy gradually so that a “cliff effect” does not occur—where a family’s incremental increase in income will create a drop off of subsidy support**
- iii. **Scale the cap or “ceiling” of eligibility at three times the basic needs budget**

## Appendix D. Economic Impacts of Child Care, 2016 Update

This section of the report is an update to the 2002 report, “The Economic Impact of Vermont’s Child Care Industry.” Public Consulting Group, Inc. (PCG) updated this report in November 2016 as part of its contract with the Vermont Office of the Secretary of Administration of the Vermont Agency of Administration and the Blue Ribbon Commission on Financing High Quality Affordable Child Care.

The “child care crisis” has been at the forefront of many state and national policy discussions over the past 10 to 15 years. The Vermont crisis was outlined in a report produced in 2002 “Economic Impacts of Vermont’s Child Care Industry Report.” Today, 14 years after the writing of the report, Vermont still faces a child care crisis. This report, updated with today’s data, seeks to mirror the salient facts about the economic impact of child care illustrated in the 2002 report.<sup>25</sup>

The child care industry has a significant economic impact in the state of Vermont. More than 70% of Vermont children under the age of six reside in families where all parents are in the labor force (U.S. Census Bureau, 2014). The entire state of Vermont is affected by the economics of child care; not only does child care allow parents to work, but it also creates jobs, enables production, increases household earnings and impacts the future work force. This report aims to link child care resources to the economy and document the relationship between the child care system and the business community.

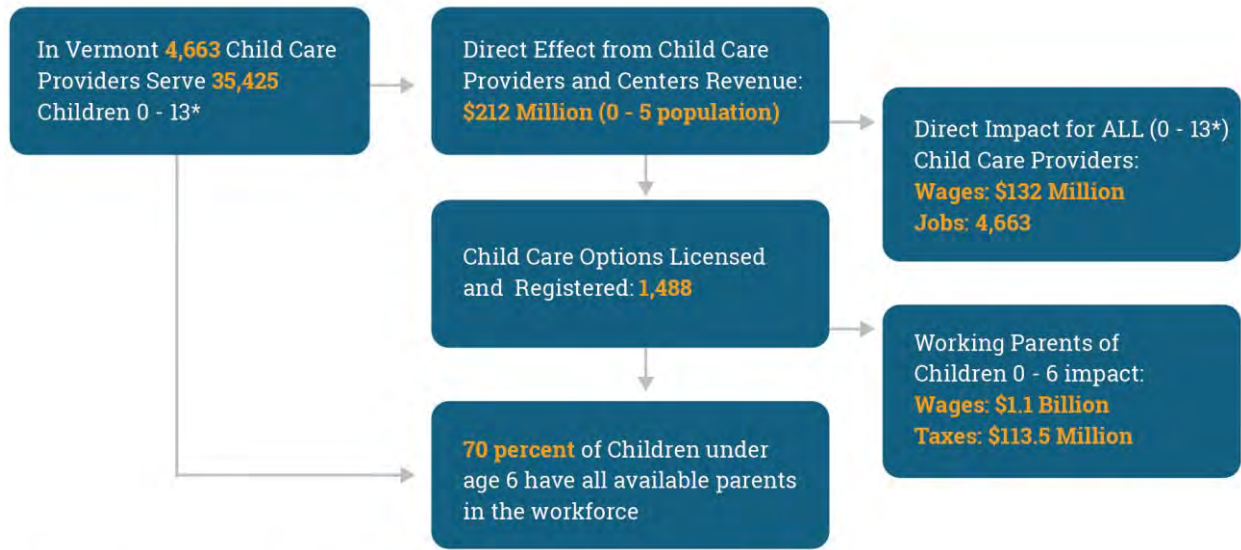
The report that follows illustrates how investments in child care infrastructure, like investments in the infrastructures of transportation, public works, affordable housing and higher education, can have direct, positive effects on the ability of Vermont’s economy to experience growth and vitality.

This report is a step toward integrating child care into local, regional and state economic development plans. It calls for economic developers, businesspeople, planners and public officials to collaborate with child care specialists so that we all make sound decisions that strengthen the State’s economy and ensure the well-being of Vermont’s children.

The below chart maps out the direct effects of early care and education in the State of Vermont analyzing the total amount of providers that serve children in the state, and highlights the amount of dollars spent on early care and the providers’ subsequent wages as well as the amount of wages earned and taxes paid that result for parents of young children because they have access to care. All of these calculations are expressed in detail throughout this report.

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<sup>25</sup> Note that not all data presented in 2002 are available today in 2016. Some data referenced in the 2002 report are drawn from sources such as longitudinal studies about the impact of child care.



\*Children 0-13, or up to age 19 for the children with qualifying medical or developmental conditions

## Child Care Contributes to The Economy

The Vermont child care industry, and the early education field (0-5) in particular, is a major contributor to the state’s economy. The industry dually supports thousands of child care jobs in the state and opportunities for parents of young children to hold full time jobs.

- There are approximately 4,663 total direct child care jobs in Vermont (all ages): according to 2014 data from the state’s Department of Labor, direct child care jobs are comprised of 3,106 child care workers; 1,257 preschool educators; and 300 educational administrators of child care or preschool programs.<sup>26</sup> (See Methodological Notes 1)
  - If you consider all child care jobs as a single employer, then they would rank the third largest private employer in the state, behind University of Vermont Medical Center in Burlington with 6,405 employees and GLOBALFOUNDRIES, who acquired IBM in July 2015, with in Essex Junction with 5,400 employees. The next largest employer would be Jay Peak, Inc. in Jay Peak and Killington Grand Resort in Killington, both with 2,000 employees. (Career One Stop, 2015)
- Tables 1 and 2 below draw from the Vermont Department of Labor and display the breakdown of early childhood educators, both child care workers and preschool teachers, who are “self-employed” or employed by “industry” type. Note that the top “industry” for child care workers, over one quarter (27.1%) are “self-employment,” while the majority of preschool teachers are employed through social assistance programming, by 58.4%.

**Table 1. Industries of Employment for Child Care Workers**

Industry	Percent of Total 2014
Self-employed workers, all industries	27.1%
Social assistance	26.4%
Private households	20.3%

<sup>26</sup> Total child care job count statistics were collected from the Vermont Department of Labor website: <http://www.vtلمي.info/oic3.cfm?occcode=39901100>

Educational services; state, local, and private	10.5%
Religious, grant making, civic, professional, and similar organizations	7.8%

**Table 2. Industries of Employment for Preschool Teachers**

Industry	Percent of Total 2014
Social Assistance	58.4%
Religious, grant making, civic, professional, and similar organizations	18.7%
Educational services; state, local, and private	18.3%
Local government, excluding education and hospitals	1.5%
Self-Employed workers, all industries	1.5%

- Most licensed child care centers and registered family child care homes are small businesses, but their aggregate employment is substantial. The VT Department of Labor, indicated that in 2014, 4,663 members of the direct child care and preschool workforce make up approximately 2% of total non-farm jobs in the state (out of 309,600 jobs) (Vermont Department of Labor, 2016).
  - In terms of Education and Health Services jobs in the state (of which there were 62,000 in 2014 on average), child care and preschool jobs make up 8% of that total.
- For every \$1 million spent on child care, 31 jobs are created. (See Methodological Notes 2)
- There are an estimated 36,607 children under the age of six in Vermont; as cited above, 70% of those children are estimated to have all available parents in the workforce. This means that the parents of approximately 24,892 children under six have to rely on some form of regular child care in order to maintain stable employment in the Vermont workforce (See Methodological Notes 3).

The economy benefits from the earnings and taxes of the child care workers and of the workers supported by the child care industry.

- The child care industry in Vermont earns an estimated \$212,683,078. Providers serving children 0-2 years old saw revenue of approximately \$111,113,067, while providers serving children 3-Prekindergarden saw \$101,570,011. (See Methodological Notes 3)
- Using ACS data, we can approximate that 7.4% of participants in the labor force have a child under six years old using child care. Together, these working parents earn just over \$1 billion annually, or 8.4% of total wages in Vermont. The parents also pay approximately \$114 million in state, local, and federal taxes in Vermont (see Methodological Notes 4).
- The total economic impact of the early education and care industry in Vermont is estimated to be within striking range of a quarter billion dollars annually. In addition, \$151 million in direct expenditures which represents approximately 0.51% of Vermont’s Gross State Product (U.S. Bureau of Economic Analysis, 2016).

The economy also realizes long-term savings from investments in high-quality child care. High quality early learning initiatives provide “benefits to society of roughly \$8.60 for every \$1.00 spent, about half of which comes from increased earnings for children when they grow up,” according to an analysis published by the White House in 2014 (The White House, 2014).

- Society realizes long-term savings in areas of crime, welfare, tax and schooling by investing in high-quality early care and learning programs.

## Child Care Enables People to Work

More and more families need two incomes to meet their basic needs. Child care is clearly an essential support mechanism for the labor market.

- According to the 2014 American Community Survey (ACS), 70% of all children 6 and under have both parents in the labor force; that number grows to 78.5% for children 6-17 years old (U.S. Census Bureau, 2014). In 2015, the labor force participation rate of mothers with children under 6 years old was lower than the rate of those whose youngest child was between 6 to 17 years old (64.2% to 74.4%) (U.S. Bureau of Labor Statistics, 2016).
- According to 2014 U.S. Census data, 15,360 households, or 6%, were headed by women with children under 18 Vermont. For the whole state, there are 256,442 total households. There are 3,543 female households (no husband or families present) with children under 6 years old in Vermont as well, or 1.4% of all Vermont households (Change the Story VT, 2016).
- As a result of welfare reform, low-income single parents must be employed making child care a necessity for receipt of financial assistance.
- For those families with two wage earners, the value of the second income is greatly diminished by child care expenses. (see Table 3)

## Insufficient Supply of Child Care Impacts Economic Growth

There are eleven million children under the age of five in some form of child care in the United States. (America, Parents and the High Cost of Child Care, 2015). An insufficient supply of reliable, affordable and accessible child care negatively impacts the economy. Parents who cannot access or afford child care are less likely to enter the workforce, be productive at work, and remain employed. In Vermont, there are potentially 26,232 children under age six needing child care (Child Care Aware of America, 2015).

**Table 3. Estimated Percentage of 2<sup>nd</sup> Wage Earner's Income Spent for Child Care**

Annual Total Family Income	\$30,000.00	\$35,000.00	\$40,000.00	\$45,000.00	\$50,000.00
Avg. Hourly Wage - Each Parent	\$7.21	\$8.41	\$9.62	\$10.82	\$12.02
Est. Net Income after Taxes <sup>27</sup>	\$27,535.00	\$31,475.00	\$35,415.00	\$39,355.00	\$43,162.00
Maximum Annual Child Care Subsidy	\$15,055.56	\$11,512.80	\$7,970.56	\$5,313.88	\$1,771.12
Out of Pocket Annual Child Care Cost	\$6,897.28	\$10,440.04	\$13,982.28	\$16,638.96	\$20,181.72
Out of Pocket % of 2nd Income	50%	66%	79%	85%	94%

<sup>27</sup> Total income taxes (Federal, FICA, State) were calculated using the SmartAsset online calculator, that can be found at: <https://smartasset.com/taxes/vermont-tax-calculator#6kOWEiDCeL>

Annual Total Family Income	\$30,000.00	\$35,000.00	\$40,000.00	\$45,000.00	\$50,000.00
Effective Hrly Wage - 2nd Income	\$3.30	\$2.55	\$1.79	\$1.46	\$0.67

The Vermont Legislative Joint Fiscal Office prepares the Basic Needs Budgets and Livable Wage Report each year. This budget is a market-based analysis which estimates the monthly living expenses in the state. The basic needs budget includes the components of food, housing, transportation, child care, clothing and household expenses, telecommunications, health and dental care insurance and savings, as well as taxes. The current methodology was established in 1999. The purpose of the calculation is to provide to the public information on what it cost to live in Vermont. The child care expense is an estimate based on a registered home or licensed center. These estimates assume that none of these families qualify for a child care subsidy. (Basic Needs Budget and the Livable Wage, 2015)

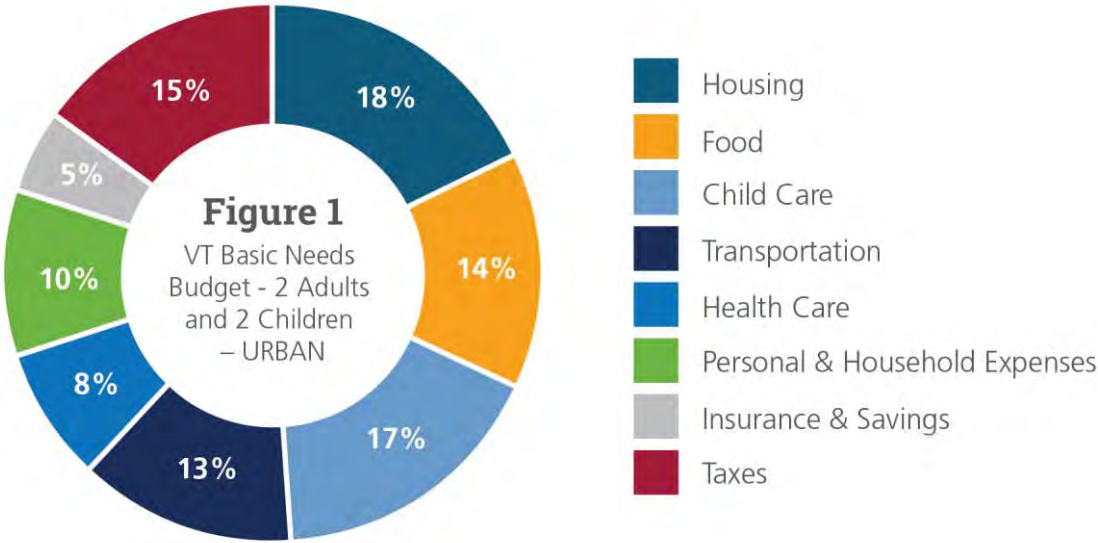
Relevant factors to be considered include:

- The basic family budget for a single parent with two children in rural Vermont is \$64,417 and in urban Vermont is \$74,757. The state median income for a single mother family is \$23,950. (Child Care Aware of America, 2014)
- For a single parent with two children, child care costs range from 21% of a family’s budget in a rural area to 20.1% in the metro area.
- For two working parents with two children family, child care costs are 15.5% of a family’s budget in rural areas compared with 17.3% in the metro area.
- The federal Agency of Health and Human Services recommended that families spend no more than 10% of their income on child care costs, and has proposed revising that affordability threshold to 7%. (Let's Grow Kids, 2016)
- Vermont’s economies would grow from a policy that capped out-of-pocket infant care expenditures at 10% of income. Vermont would see an increase of 1.3% in the state economy which amounts to \$375 million. (Economic Policy Institute, 2016)

**Table 4. Vermont Basic Needs Budget**

<i>Budget Item</i>	Monthly Costs - 2 adults and 2 children – Urban	Monthly Costs - 2 adults and 2 children - Rural	Monthly Costs – 1 adult and 2 children – Urban	Monthly Costs – 1 adult and 2 children – Rural
Housing	\$1,328	\$926	\$1,328	\$926
Food	\$1,025	\$1,025	\$739	\$502
Child Care	\$1,258	\$1,128	\$1,258	\$1,128
Transportation	\$955	\$1,174	\$499	\$477
Health Care	\$559	\$559	\$555	\$555
Personal & Household Expenses	\$683	\$683	\$534	\$534

<i>Budget Item</i>	Monthly Costs - 2 adults and 2 children – Urban	Monthly Costs - 2 adults and 2 children - Rural	Monthly Costs – 1 adult and 2 children – Urban	Monthly Costs – 1 adult and 2 children – Rural
Insurance & Savings	\$357	\$338	\$305	\$271
Taxes	\$1,101	\$984	\$1,012	\$738
Monthly Total	\$7,265	\$6,817	\$6,229	\$5,368
Annual Total	\$87,181	\$81,799	\$74,757	\$64,417



(Vermont Legislative Joint Fiscal Office, 2015)

- Research shows that in the U.S. at least once in a six-month period, 45% of parents are absent from work because of child care issues, averaging 4.3 days. During that same six-month period, 65 percent of parents’ work schedules are affected by child care challenges an average of 7.5 times, which cost U.S. employers more than \$3 billion annually. (Let’s Grow Kids, 2016)
- A 2015 study conducted in North Carolina reported that nearly four in 10 teachers and assistant teachers, in a range of public, for-profit, and nonprofit early care and education settings, accessed some form of public assistance (e.g., Medicaid, SNAP/food stamps, TANF, child care assistance) in the past three years. (Center for the Study of Child Care Employment, 2016)
- This same study reveals that nearly three-quarters of teaching staff expressed worry about having enough money to pay monthly bills, while nearly one-half of teaching staff expressed worry about having enough food for their families.



A recent report published by Let's Grow Kids, "Stalled at the Start, Vermont's Child Care Challenge," reveals that Vermont lacks sufficient regulated child care to meet the needs of parents with infants and toddlers in the state. (Let's Grow Kids, 2016) The study found that almost half of infants and toddlers in the state who likely need care do not have access to regulated child care programs and that 79% of infants and toddlers do not have access to high-quality, regulated programs. When drilling down the data in the study at the county level, they found that in some areas, 98 percent of infants who might need care do not have access to high-quality, regulated programs. This significant finding affects Vermont's communities and economy, as parents in the workforce rely on child care to allow them to be employed.

Another factor to consider is the rate at which women in Vermont who work outside the home has climbed steadily over the past four decades. The current Vermont's labor force is comprised of 66% adult women as compared to the national average of 58%. Overall, women make up 45% of the full-time workforce in Vermont. Some interesting facts to consider regarding women in the workforce and the relationship to the economy include: (Change the Story VT, 2016)

- Four out of five women who work full-time do not earn enough to cover basic living expenses.
- The median annual income for women working full-time is \$37,000, which is \$7,000 less than the median annual salary of men. This is a wage gap of 16% or 16 cents on every dollar earned by a man.
- For a single person, 16 cents on every dollar equates to seven months of rent.
- For a family of four, the 16 percent wage gap would buy six months of childcare or groceries.

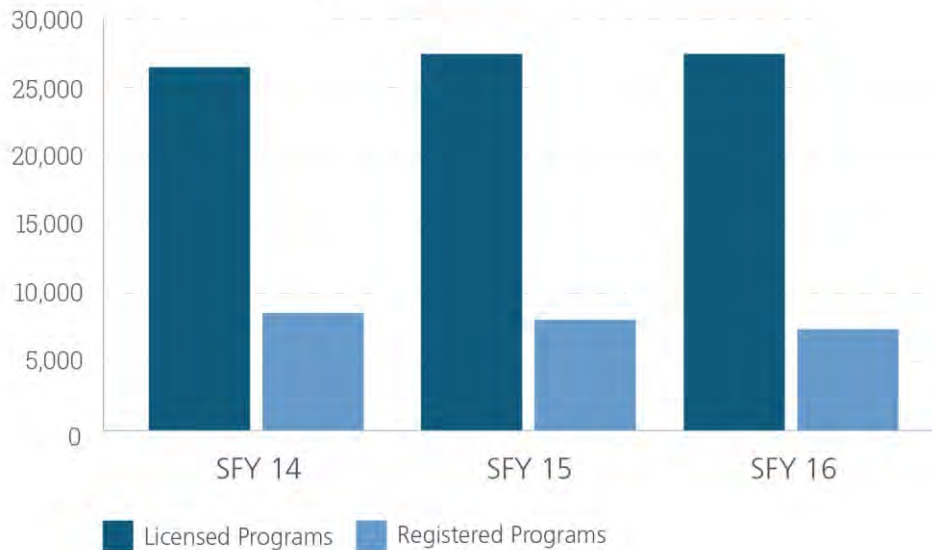
State Fiscal Year (SFY) data estimate that the total licensed and registered child care capacity for children of all ages in Vermont is 34,964; 27,194 licensed program slots and 7,771 registered program slots.<sup>28</sup> Although this is approximately equal to the estimated amount of children ages 0-15 in the state (35,425), the majority of these slots are serving school-aged children, which most likely contributes to why parents of children 0-5 find it increasingly difficult to access and afford early education options.

- Since SFY 2014, total child care slots have remained relatively stagnant, total seats hovering around 35,000. In fact, during this time, there has been an increase of approximately 870 licensed child care slots and a decrease of 850 registered program slots (see Figure 2).

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<sup>28</sup> Average licensed capacity of child care programs based on extracted data on programs from Bright Futures Information System monthly and then averaged.

**Figure 2: The Supply of Child Care**



- An insufficient supply of high-quality early education and care leads many working parents to use informal, unregulated child care which is often unreliable. Some of these families are satisfied with this type of care, but anecdotal evidence suggests that many would prefer regulated care if it were available, and if the price and quality were right.
- A recent survey with responses from parents living and/or in Addison County with children under age 6 revealed that 55% of respondents face the challenge of finding affordable child care or an early learning program. (Addison Building Bright Futures and the Permanent Fund for Vermont's Children, 2016)
  - This same survey shows that 77.55% of the respondents have difficulty finding a child care or an early learning program that has an opening for their children.
- The shortage of regulated child care is especially acute for parents working non-standard hours, mixed shifts and weekends. According to Vermont's Child Care Services Division, only 20% of the state's licensed and registered programs are open before 7:00am and only 3% are open after 6:00pm; 4% offer weekend and 2% overnight care.<sup>29</sup>
- Only 11 states have a minimum requirement for early educators working outside the pre-K system, which is at least a CDA or completion of a substantive vocational program, and only Georgia and Vermont require this for *both* center- and home-based providers. (Center for the Study of Child Care Employment, 2016)

Parents rely on many avenues of child care in order to enter and remain in the workforce. Some rely on family members to care for their children while others while others rely on a child care program in the state. Some families with two parents in the home often split work schedules or work opposite shifts in

<sup>29</sup> Data on the schedules of child care providers is extracted from the Department for Children and Families, Child Development Division's data system Bright Futures Information System (BFIS). This represents the data that is self-reported by child care providers for marketing purposes; this is a voluntary reporting system and approximately 85% of regulated programs utilize the system. In addition, programs may offer flexibility to families currently enrolled in their program which is not reported. This data was extracted as of 6/30/2016.

order to provide child care in their home. In order to for working parents to retain their jobs, there must be a sufficient supply of child care in the state.

## The Quality of Child Care Affects the Future Workforce

High quality early childhood programs have been shown to yield many benefits which contribute to workforce readiness, including: academic achievement, behavior, educational progression and attainment.

Scientific evidence on the impacts of early childhood education has informed the work conducted by the Perry Preschool and Abecedarian program studies (Heckman, 2010). Recent evaluations of 84 preschool programs provided evidence that, on average, children gain about a third of a year of additional learning across language, reading, and math skills. “At-scale preschool systems in Tulsa and Boston have produced larger gains of between a half and a full year of additional learning in reading and math” (Hirokazu, 2013).

While there is no direct evidence that measures the “distributional effects”, that is, the different impacts that early care and education have on children from disadvantaged families as compared to middle-class and upper-class families, the dollar return from obtaining a college degree is greater than the expected return or wages earned from obtaining a high school degree (Bartik, 2011). Among millennials today, ages 25 to 32, the median annual earnings for full-time working college-degree holders are \$17,500 greater than for those who have only obtained their high school diploma. This gap has steadily widened for each generation, with the gap for millennials being twice as large as it was for “the silent generation in 1965, when the gap for that cohort was just under \$7,500 (all figures are in 2012 dollars)” (Kurtzleben, 2014). See the following graph, Figure 3 for the summary.

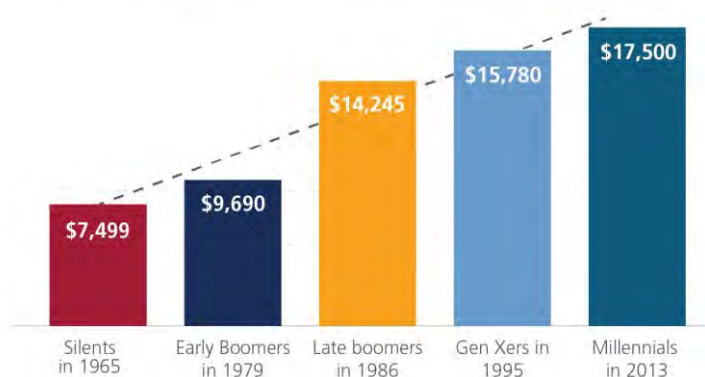
In order to help ensure that children reach their full potential, we need to ensure high-quality early care and learning experiences for our children. A critical component of high-quality care is consistency of care. Unfortunately, due to low wages and lack of or limited benefits, there is a high turnover among child care providers, reaching 30% nationally (Porter, 2012).

In Vermont, the median hourly wage for child care providers at licensed centers is \$11.25. Hourly wages typically start at \$9.37 and can range up to \$16.01 (Sokanu, 2016). This is reflective of the national median child care wages, at \$10.72 (U.S. Bureau of Labor Statistics, 2015).

This rate is competitive with the wages shown in Figure 4 below, and is less than the average wages for Maids and Housekeepers and Stock Clerks.

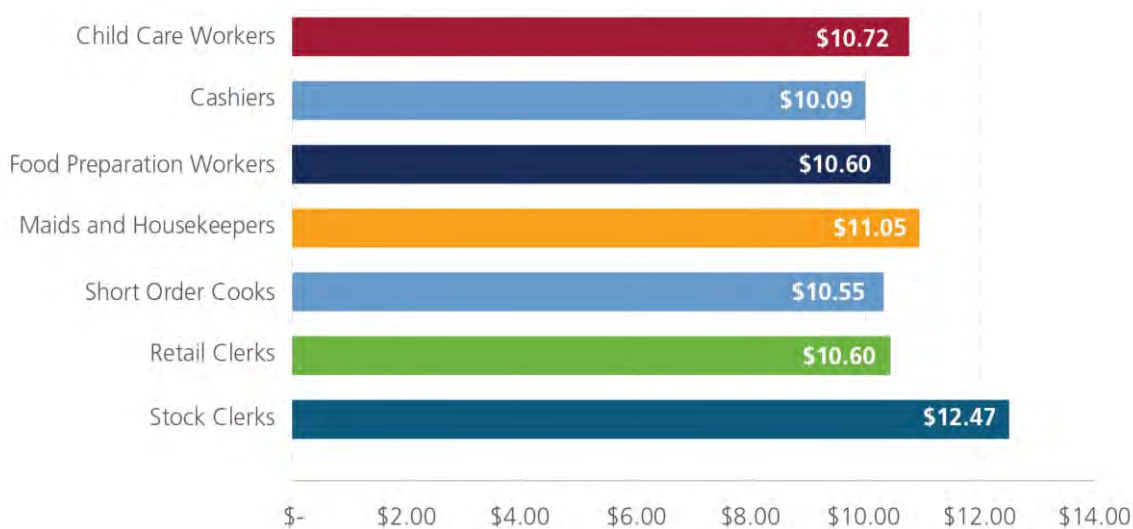
The key to quality early care and education is linked to the education and stability of the early childhood workforce. There is a strong body of research which shows that the people and places where children

Figure 3: Widening Earnings Gap by Generation



spend their day matter. To impact the future workforce requires investments in the workforce that supports and fosters the environments where children learn and grow.

**Figure 4:** Comparison of Child Care Workers Wages



### Low-Wage Working Parents Require Child Care Subsidies to Enter and Stay in the Workforce

Significant proportions of families throughout the state do not make enough to cover basic expenses let alone the basic cost of care as it stands today.

- 34.2% of families in the state make below \$50,000 per year, below the state’s Basic Needs Budget requirements for both a family of three or four (U.S. Census Bureau, 2014).

Vermont’s Child Development Division (CDD) continues to invest in child care through the Child Care Financial Assistance Program (CCFAP), the state’s child care subsidy program.

- Vermont’s CDD spent \$41,250,719 in CCFAP subsidy payments in FY13 (\$9,014,223 in the Burlington/urban area alone).
- The average subsidy per child was \$5,856<sup>30</sup> in SFY16, which was only 49% of the average market price for an infant (\$11,270), and 55% for preschool care (\$9,970).
- Current (FY16) data show that CCFAP subsidy reaches a monthly average of 4,200 children served throughout the year.
- As a comparison, the average published tuition and fee prices for in-state students at four-year higher education institutions in Vermont is \$14,990. In Vermont, using 2014 data, infant care costs as a share of full-time, in-state public college tuition is 73.9%; for preschool care, it is 73.7% (Cooke, 2015).

<sup>30</sup> The number is the state fiscal year 2016 average cost per case for child care financial assistance. It is taken by using the total Child Care Financial Assistance expenditures for state fiscal year 2016, and dividing it by the average number of children whose child care was paid for monthly.

## Conclusion

The child care industry is a growing part of the Vermont economy — pumping dollars into local communities by supporting working families, creating jobs and generating taxes through employment and the purchase of goods and services. Money spent on child care stays in Vermont communities, helping children, families and local businesses.

As the number of two-wage-earner families and women-headed households has increased, child care has become an essential social infrastructure, enabling parents to enter and remain in the workforce. Reliable, affordable child care is critical to low-income families entering the workforce as a result of welfare reform and may make the difference between climbing out of poverty and falling deeper into it.

An insufficient supply of reliable, affordable, and accessible child care negatively impacts Vermont's economy. Parents who cannot find child care, cannot afford child care, or cannot rely on child care arrangements are less likely to enter the workforce, be productive at work, and remain employed. These problems are particularly acute for parents working in the retail and services industries, which are defined by lower wages and non-traditional, mixed and weekend shifts. And it is these industries which comprise almost half of Vermont's total jobs.

**There is a steadily growing body of scientific evidence that the quality of children's social and environmental experience lays the groundwork for future success in school and life.** Consistency of care is a determinant factor in high-quality early care and learning programs. Yet, the national turnover rate among child care providers is 40% annually and is due, in large part, to low wages and poor benefits.

**For many small businesses in Vermont, publicly-funded child care is essential.** Many Vermont businesses do not pay wages that are high enough to cover the cost of child care. By helping low wage families pay for child care, Vermont is also providing financial assistance to thousands of small businesses in the state.

## Methodological Notes

**1** Total child care related jobs were estimated using 2014 Vermont Department of Labor data for three different job types using the Department's online Employment & Labor Market Information Occupation report: <http://www.vtlmi.info/oic.cfm>

- Childcare Workers (O'Net 39-9011.00): 3,106
- Preschool Teachers, Except Special Education (O'Net 25-2011.00): 1,257
- Education Administrators, Preschool and Childcare Center/Program (O'Net 11-9031.00): 300

Totaling these three job counts equal a total amount of 4,663 direct child care jobs throughout Vermont. These data account for jobs attributed licensed and registered child care programs, which includes family child care homes, most likely listed as "self-employed." As referenced in the earlier text, 27.1% of childcare workers are listed as self-employed. These data, however, likely include few providers who are "unregulated" and providing care in different settings and formats.

**2** 4,663 total direct jobs divided by \$152 Million spent on early education equals 30.68 early education jobs created per million dollars spent.

**3** According to the most current data (2014), there are 18,360 children ages 3-5 in Vermont, and 18,247 children ages 0-2 in the state, accounting for 2.93% and 2.91% of the state's total population, respectively. These data are retrieved from Vermont insights at: <http://vermontinsights.org/population-by-age#>.

- Child Trends reported in May 2016 that in 2011, children receiving regular non-parental care was 65.1% (children 0-1); 72% (children 1-2); and 62.9% (children 3-4). Retrieved from: [http://www.childtrends.org/wp-content/uploads/2016/05/21\\_appendix1.pdf](http://www.childtrends.org/wp-content/uploads/2016/05/21_appendix1.pdf)
- More recent estimates lump together all children 0-6, taking a different methodology saying that 70% of children at that age group have all parents in the workforce, meaning that by default those parents would need some kind of non-parental child care arrangement. See *STALLED at the START Vermont's Child Care Challenge* published by Let's Grow Kids in June 2016 ([http://www.letsgrowkids.org/sites/default/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016\\_0.pdf](http://www.letsgrowkids.org/sites/default/files/Stalled%20at%20the%20Start%20Report%20Updated%20June%202016_0.pdf)) and The Center for American Progress's factsheet on Early Learning in Vermont ([https://cdn.americanprogress.org/wp-content/uploads/2016/07/13123332/EC-factsheets\\_VT.pdf](https://cdn.americanprogress.org/wp-content/uploads/2016/07/13123332/EC-factsheets_VT.pdf))
- For our calculations relating to how many children 0-6 require care, PCG used an average of all of these percentages (approximately 68%) to determine that there are 12,585 children 3-Preschool and 12,508 children 0-2 who will need non-parental child care.

In order to calculate total revenues for providers serving children 0-5, PCG used the above estimates of children who need care, and multiplied those totals with average annual cost of care. Below are those calculations:

- Children 0-5 were assumed to need full time care, which was defined at 240 days or 48 weeks per year (assumes both parents work FT, each receiving 2 weeks of vacation and 10 paid holidays, resulting in the need for childcare 240 days per year).
- The average infant weekly market rate for a center based program is \$216.74 and \$153.39 for a home-based program; this averages to \$185.07 per week, or \$8,883.36 annually.
- The average preschool weekly market rate for a center based program is \$191.74 and \$144.54 for a home-based program; this averages to \$168.14 per week, or \$8,070.72 annually.

- For infant care, 12,508 children were multiplied by \$8,883.36, for an estimated total of \$111,113,067 annual revenues for all types of providers in the state.
- For preschool care, 12,585 children were multiplied by \$8,070.72, for an estimated total of \$101,570,011 annual revenues for all types of providers in the state.
- Total gross revenue for caring for children 0-5 in Vermont is estimated now to be \$212,683,078.

**4** To calculate total wages for parents in the labor force that have children 0-6, we used the following formulae:

- 25,620 parents have children 0-6 that participate in the labor force (data from ACS 2014 survey: <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>)
- 25,620 divided by total labor force in state (347,486) is at least 7.4% of all individuals in the labor force have children 0-6.
- The average wage in 2014 in Vermont was \$43,017 according to VT Department of Labor (<http://www.vtlmi.info/indnaics.htm#mga>)
- \$43,017 multiplied by 25,620 is \$1.1 billion in total wages earned by parents of children 0-6.
- Total wages paid in Vermont (according to state DOL data) were \$13.1 billion in 2014, so parents of children 0-6 earned approximately 8.4% of all wages in the state in 2014.
- According to the Tax Foundation, the 2012 (most updated date available) tax burden for an individual in Vermont was 10.3% (or \$4,430.75 on average per capita). \$4,430.75 multiplied by the number of parents with children 0-6 is approximately \$113.5 million in state, local, and federal taxes paid. (<http://taxfoundation.org/article/vermonts-state-and-local-tax-burden>)

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## Appendix E. State/Territory Profile: Vermont Early Care and Learning

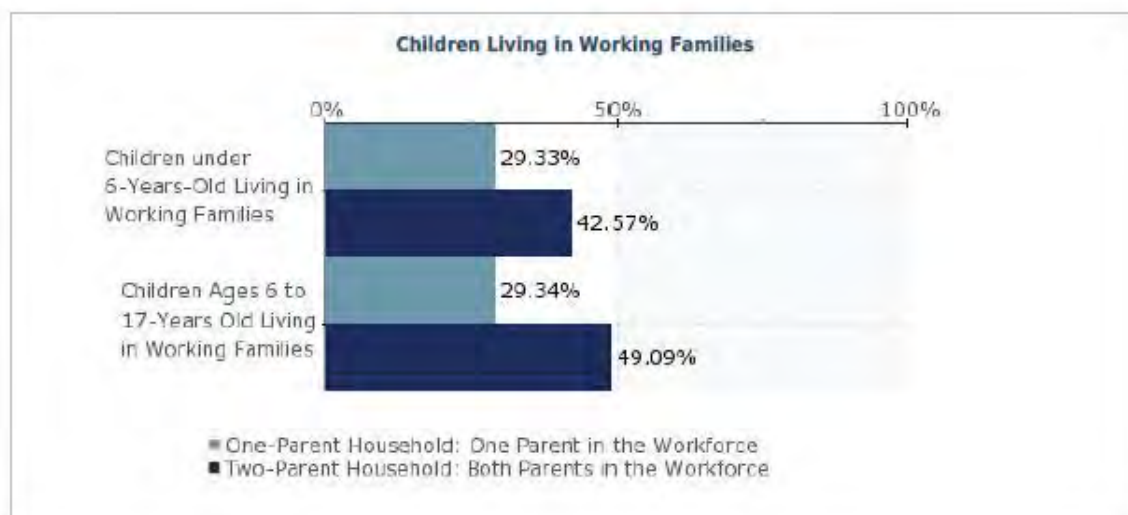
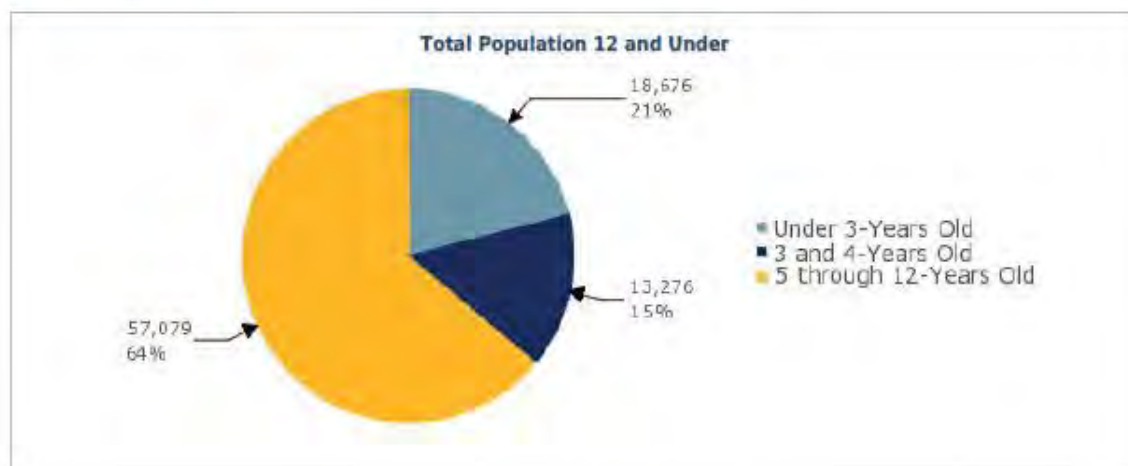
The following state/territory profile of Vermont's early care and learning program was produced by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care in October 2016.

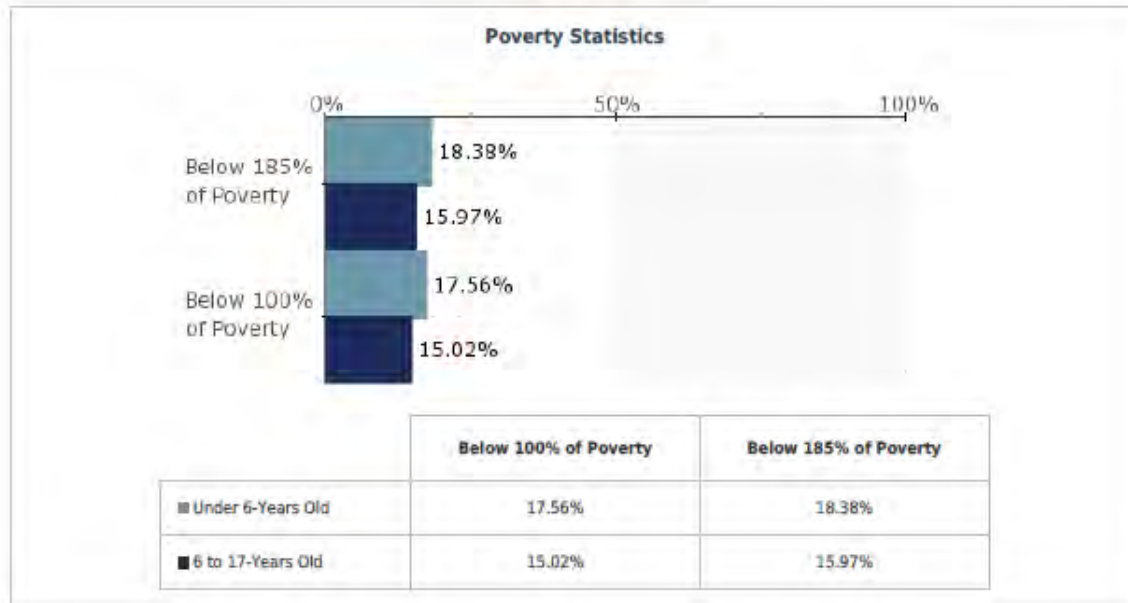


## STATE/TERRITORY PROFILE - VERMONT

This profile highlights a current innovative effort to promote a subsidy system that is child-focused, family friendly, and fair to providers. It also provides demographic information, Early Care and Education (ECE) program participation and funding, subsidy innovation and program integrity information, program quality improvement activities, and professional development and workforce initiatives. Sources and links are provided at the end of the document.

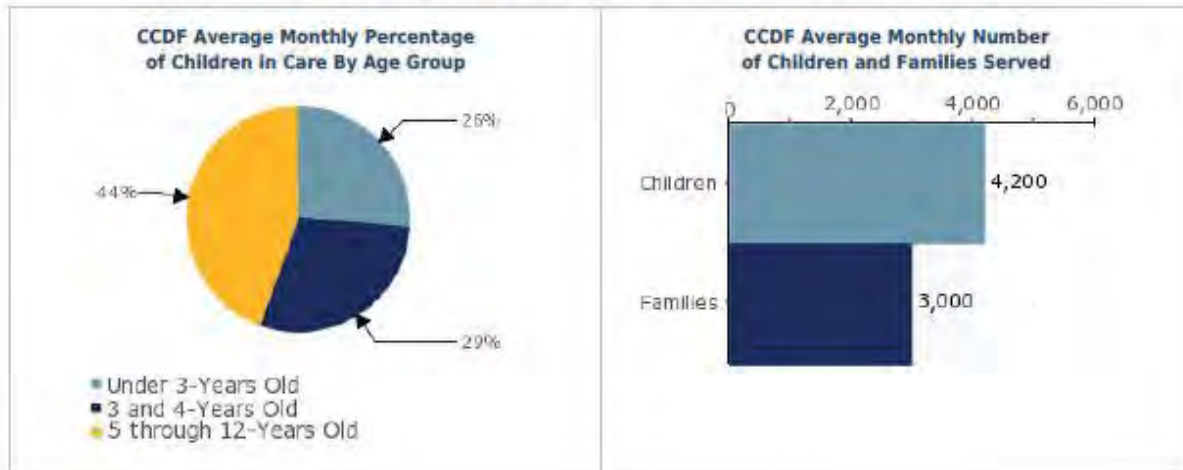
### DEMOGRAPHICS



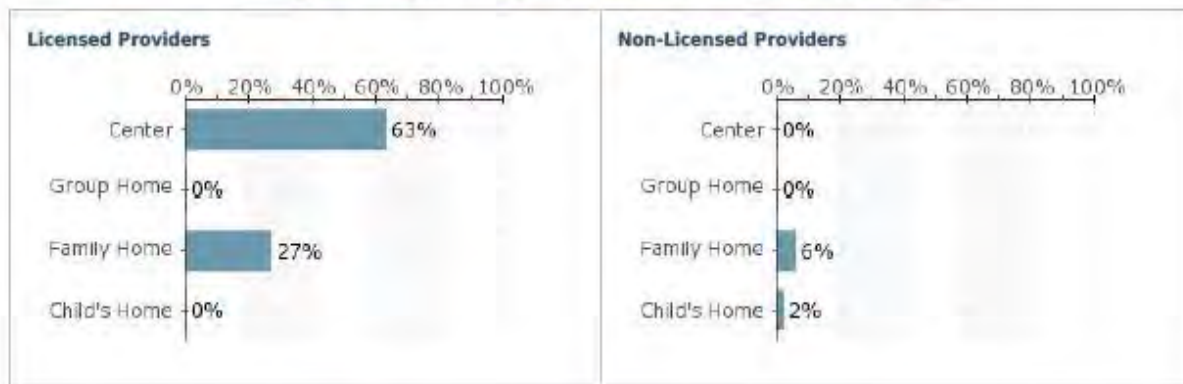


## ECE PROGRAM PARTICIPATION AND FUNDING

### Percentage and Number of Children/Families Served



### Average Monthly Percentages of Children Served in All Types of Care



**Note:** Unregulated provider data includes relative and non-relative care.

### Child Care and Development Fund (CCDF)

• Total CCDF Expenditure (Including Quality):	\$23,584,353
• CCDF Federal Expenditure:	\$19,095,356
• CCDF State/Territory Expenditure:	\$4,488,997

### CCDF Quality Expenditures

• Total Quality Expenditure:	\$2,961,348
• Quality Activities (Set Aside Funds):	\$1,743,560

### CCDF Quality Expenditures

• Infant and Toddler (Targeted Funds):	\$150,939
• Quality Expansion Funds (Targeted Funds):	\$783,452
• School-Age/Resource and Referral (Targeted Funds):	\$283,397

### Temporary Assistance for Needy Families (TANF) for Child Care

• TANF – Total Child Care Expenditure:	\$10,425,082
◦ TANF – Direct Expenditure on Child Care:	\$1,201,008
◦ TANF – Transfer to CCDF:	\$9,224,074

### Child and Adult Care Food Program (CACFP)

• CACFP Funding:	\$4,333,201
• Number of Family Child Care Homes Participating:	510
• Number of Child Care Centers (includes Head Start Programs) Participating:	157

### Head Start

• Head Start Federal Allocation:	\$10,677,079
• Head Start State/Territory Allocation:	\$0
• Number of Children Participating:	916

### IDEA Part B, Section 619

• IDEA Part B Funding:	\$776,474
• Number of Children Served (Ages 3- through 5-Years-Old):	1,819

### IDEA Part C

• IDEA Part C Funding:	\$2,148,938
• Number of Children Served (Ages Birth through 2-Years-Old):	800

### Pre-kindergarten

• Pre-kindergarten Total Expenditure:	\$30,999,300
• Enrollment (4-year-olds and under):	6,324

**Note:** Total Expenditure includes all State/Territory, Local, and Federal dollars. In addition to 3 and 4-year-olds, some Pre-kindergarten programs enroll children of other ages.

## CCDF SUBSIDY PROGRAM ADMINISTRATION

### Income Eligibility Limit as a Percent of State Median Income (SMI)

Family Size	100% of SMI (Monthly)	85% of SMI (Monthly)	Lower Than 85% of SMI, If Used to Limit Eligibility	
			Amount (Monthly)	Percent of SMI
Three	\$5,699.00	\$4,844.00	\$3,255	57%
SMI Year and Source:				

### Waiting Lists

- The Lead Agency currently does not have a waiting list and all eligible families who apply will be served under State/Territory eligibility rules.

### Re-determination Period

- The re-determination period is 12 months.

### Coordinates or Aligns Re-determination Periods With Which Programs

- No

### Prioritize Services for Eligible Children and Families

- Children with special needs receive the same priority as other CCDF-eligible families. Children receiving or within 90 days of transitioning off preventive or protective care receive guaranteed eligibility. Providers receive higher rates for caring for children with special needs requiring additional care and the State prioritizes quality funds for providers serving children with special needs.
- Children in families with very low incomes receive the same priority as other CCDF-eligibility families. The State does not impose a co-payment however, if a provider charges more than the State subsidy rate, the parent is responsible for that copayment to that provider.

### Use of Grants and Contracts

No grant or contracts used



**Payment Rates for Licensed Child Care Services -**

<b>Age</b>	<b>Center</b>	<b>Family Child Care</b>
Infant	137.14/week	114.29/week
Toddler	133.43/week	110.00/week
Preschool	129.60/week	98.86/week
School Age	125.71/week	95.14/week

**Effective date of payment rates:**

**Market Rate Survey (MRS) Date:** October 1, 2012

**Payment rate ceiling in relations to the most current MRS for all rate areas and age categories:** Center 12th-18th percentile; FCC 1st-7th percentile

**Differential Rates**

Differential rates are used for the following types of care:

- children with special needs
- higher quality care

**Sliding Fee Scale and Family Contribution**

<b>Minimum Family Contribution</b>	<b>Maximum Family Contribution for First Child</b>	<b>Maximum Family Contribution for Multiple Children</b>	<b>Sliding Fee Scale Effective Date</b>
No fee	90% of cost of care	90% of cost of care	

**Family Contribution Waiver**

NO families with income at or below the poverty level for a family of the same size ARE required to pay a fee.

## HEALTH AND SAFETY

### Number of Licensed Programs and Licensed Capacity

	Number of Licensed Programs	Licensed Capacity
Child Care Centers	668	26456
Family Child Care Homes	857	8570
Group Family Child Care Homes	Facility type not licensed	Facility type not licensed

### Definition of Licensed Group and Family Child Care Homes

Group Child Care Homes: Number of children allowed*	Facility type not licensed
Family Child Care Homes: Number of children allowed	3-6 (plus 4 SAC)
*Lower number is the threshold for licensing. Home-based providers caring for fewer children would be exempt from licensing.	

### Child-Staff Ratios and Group Size by Age of Children for Child Care Centers

Age of Children	Child-Staff Ratio	Group Size
Infant (11 months)	4:1	8
Toddler (35 months)	5:1	10
Preschool (59 months)	10:1	20
School-age (6 years)	13:1	Group size not regulated
School-age (10 years and older)	13:1	Group size not regulated

### Criminal Background Checks Required by Type of Program

Type	Child Care Centers	Group Child Care Homes	Family Child Care Homes
Criminal History Records	Yes	Yes	Facility type not licensed
Child Abuse and Neglect Registry	Yes	Yes	Facility type not licensed
Fingerprints	No	No	Facility type not licensed
Sex Offender Registry	No	No	Facility type not licensed

### Criminal Background Checks Required by Type of Program

Type	Child Care Centers	Group Child Care Homes	Family Child Care Homes
Signed Statement About Criminal Status	Yes	Yes	Facility type not licensed

### Minimum Preservice Qualifications and Ongoing Training Requirements

Role	Minimum Preservice Qualifications	Ongoing Training Hours
Center Teacher	Child Development Associate credential	12
Center Director	Child Development Associate credential and 2 years of experience	12
Family Child Care Home Provider	Child Development Associate credential and 2 years of experience	12
Group Child Care Home Provider	Facility type not licensed	Facility type not licensed

### Types of Routine Visits Conducted

	Announced	Unannounced	Frequency of Routine Visits
Child Care Centers	No	Yes	Once a year
Family Child Care Home Provider	No	Yes	Once every two years
Group Child Care Home Provider	Facility type not licensed	Facility type not licensed	Facility type not licensed

## QUALITY IMPROVEMENT

### Program Standards

- Standards have provisions about the care of the following groups of children:
  - Children with special needs

### Supports to Programs to Improve Quality

• TA is available for attaining and maintaining licensing compliance	Yes
• TA is available for attaining and maintaining quality standards beyond licensing	Yes
• TA is available for attaining and maintaining accreditation	Yes
• TA is linked to entering the QRIS or targeted to help programs move in QRIS	Yes

### Financial Incentives and Supports for Programs

• Grants to meet or maintain licensing	No
• Grants to meet QRIS or similar quality levels	No
• One-time awards or bonuses on completion of quality standard attainment	Yes
• Tiered reimbursement tied to quality for children receiving subsidy	Yes
• On-going, periodic grants or stipends tied to improving/maintaining quality	No
• Tax credits tied to meeting program quality standards	Yes

### Quality Assurance and Monitoring

• Environment Rating Scale (e.g., ECERS, ITERS, SACERS, FDCRS)	Yes
• Classroom Assessment Scoring System (CLASS)	Yes
• Program Assessment Scales (PAS) for child care centers or Business Administration Scale (BAS) for family child care homes	No
• State/Territory uses customized instrument, including submission of written documentation, developed for the quality improvement system	Yes

### Outreach and Consumer Education

• State/Territory uses symbols or simple icons to communicate levels of quality for child care programs	Yes
• State/Territory uses this information for resource and referral and consumer education services with parents who are seeking care	Yes
• State/Territory uses this information to educate parents who are enrolling in the subsidy system	Yes
• State/Territory uses this information in a searchable database on the web	Yes
• State/Territory promotes voluntarily posting symbols or icons visibly in programs	Yes
• State/Territory mandates posting symbols or icons visibly in programs	No
• State/Territory uses this information in marketing and public awareness campaigns	Yes
• State/Territory uses the media to reach public to parents and the communicate about levels of quality for child care programs	Yes

### Quality Rating and Improvement System (QRIS)

• State/Territory has a QRIS or similar quality improvement system that includes linked activities in all five elements	
<input checked="" type="checkbox"/> Operating state/territory-wide	Yes
<input checked="" type="checkbox"/> Operating as a pilot or in a few localities	No
• State/Territory is in the development phase of a QRIS or similar quality improvement system	No
• State/Territory has no plans for the development of a QRIS or similar quality improvement system	No
<ul style="list-style-type: none"> <li>• Types of providers eligible to participate in QRIS: <ul style="list-style-type: none"> <li>◦ Child care centers</li> <li>◦ Group child care homes</li> <li>◦ Family child care homes</li> <li>◦ Early Head Start programs</li> <li>◦ Head Start programs</li> <li>◦ Pre-kindergarten programs</li> <li>◦ School-age programs</li> </ul> </li> </ul>	

## EARLY LEARNING STANDARDS

### ELGs Developed by Age Group

- 3 to 5 years

### Incorporation of Early Learning Guidelines into Child Care Systems

- Incorporation of Early Learning Guidelines into Child Care Systems:
  - To define the content of training required for program quality improvement standards (e.g., QRIS standards)
  - To define the content of training required for the career lattice or professional credential
  - To require programs in quality improvement standards to develop curriculum/learning activities based on the voluntary ELGs
  - To develop State/Territory -approved curricula

### Alignment of Early Learning Guidelines with Other Early Care and Education Systems

- The State/Territory aligns its early learning guidelines with other parts of the child care system:
  - Cross-walked to align with Head Start Child Development and Early Learning Framework
  - Cross-walked to align with K-12 content standards
  - Cross-walked to align with State/Territory Pre-kindergarten standards

**PROFESSIONAL DEVELOPMENT SYSTEMS AND WORKFORCE INITIATIVES**

**Career Pathways**

• State/Territory has a career pathway or career lattice	Not available
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**Professional Development Capacity**

• State/Territory has a training approval system	Not available
• State/Territory has a trainer approval system	Not available
• State/Territory has articulation agreements	No

**Access to Professional Development**

• State/Territory has an online clearinghouse of training opportunities	Not available
• State/Territory has career advising	Not available
• State/Territory provides the following supports to access professional development opportunities: <ul style="list-style-type: none"> <li>◦ Reimbursement for training and education expenses</li> <li>◦ Grants</li> <li>◦ Loans</li> </ul>	
• State/Territory has technical assistance (such as mentoring and/or coaching) to help practitioners improve their skills	No

**Compensation, Benefits, and Workforce Conditions**

• State/Territory has a salary or wage scale for various professional roles	Not available
• State/Territory provides financial rewards for participation in professional development (e.g., a one-time salary bonus for completing training)	Not available
• State/Territory provides sustained financial support on a periodic, predictable basis (e.g., annual wage supplement, based on the highest level of training and education achieved, etc.)	No
• State/Territory offers or facilitates benefits (e.g. health insurance coverage, retirement, etc.) to the workforce	Yes

**Workforce Data System**

• State/Territory has a workforce data system (e.g., a workforce registry)	Not available
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## COORDINATION

### Coordination and Partnership Efforts to Support the Implementation of CCDF

• Formal early childhood and/or school-age coordination plans	Not available
• Designated entity responsible for coordination- state/territory-wide early childhood and/or school-age cabinet/advisory council/task force/ commission	Not available
• Designated entity responsible for coordination- state advisory council	Not available
• Designated entity responsible for coordination- local coordination/council	No

## FOOTNOTES

### Source Footnotes:

- Demographics - Total Population 12 and Under
  - U.S. Census Bureau. (n.d.). In American Community Survey, 2012. QT-P2 Single Years of Age and Sex. Retrieved from American FactFinder:  
[http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC\\_10\\_SF1\\_QTP2&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_SF1_QTP2&prodType=table)
- Demographics - Poverty Statistics
  - U.S. Census Bureau. (n.d.). In American Community Survey, 2013. B17024: Age By Ratio Of Income To Poverty Level In The Past 12 Months - Universe: Population for whom poverty status is determined.  
[http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_13\\_1YR\\_B17024&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_B17024&prodType=table)
- Demographics - Children Living in Working Families
  - U.S. Census Bureau. (n.d.). In American Community Survey, 2013. C23008 Age of own Children under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents: Universe: Own children under 18 years in families and subfamilies.  
[http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_13\\_1YR\\_C23008&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_C23008&prodType=table)
- ECE Program Participation - CCDF Average Monthly Percentage of Children In Care
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). FFY 2013 CCDF data tables [Preliminary estimates]. Table 9 Average Monthly Percentages of Children In Care By Age Group  
<http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-9>
- ECE Program Participation - CCDF Average Monthly Number of Children and Families Served
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). FFY 2013 CCDF data tables [Preliminary estimates].Table 1 Average Monthly Adjusted Number of Families and Children Served.  
<http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-1>
- ECE Program Participation - CCDF Average Monthly Percentages of Children Served in All Types of Care
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). FFY 2013 CCDF data tables [Preliminary estimates]. Table 6 Average Monthly Percentages of Children Served in All Types of Care.



<http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-6>

- ECE Program Participation - Child and Adult Care Food Program (CACFP) Participation
  - Food Research and Action Center. (February 2015). Profile of Hunger, Poverty, and Federal Nutrition Programs. <http://frac.org/reports-and-resources/national-and-state-program-data-2/>
- ECE Program Participation - Head Start Participation
  - National Institute for Early Education Research. (2013). The 2013 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Program Participation - Pre-kindergarten Participation
  - National Institute for Early Education Research. (2014). The 2014 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Program Participation - IDEA Part C Participation
  - IDEA Data Accountability Center. (2014). Table C1-1: Number of infants and toddlers ages birth through 2 and 3 and older, and percentage of population, receiving early intervention services under IDEA, Part C, by age and state: Fall 2012
- ECE Program Participation - IDEA Part B, Section 619 Participation
  - IDEA Data Accountability Center. (2014). Table B1-1: Number of infants and toddlers ages birth through 2 and 3 and older, and percentage of population, receiving early intervention services under IDEA, Part B, by age and state: Fall 2012
- ECE Funding - Child Care and Development Fund (CCDF)
  - U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. (2014). FY 2014 CCDF Allocations (Including Reallocated Funds). <http://www.acf.hhs.gov/programs/occ/resource/fy-2014-ccdf-allocations-including-reallocated-funds>
  - U.S. Department of Health and Human Services, Office of Child Care. (2014). Program Data and Statistics- Child Care and Development Fund Expenditure Data: 2012 CCDF Expenditure Data. Table 4a: All expenditures by State- Categorical Summary. <http://www.acf.hhs.gov/programs/occ/resource/fy-2012-ccdf-table-4a>
  - U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. (2014). Fiscal Year FY 2012 CCDF Table 3a - All Expenditures by State - Detailed Summary: State and Federal Expenditures Including MOE. <http://www.acf.hhs.gov/programs/occ/resource/fy-2012-ccdf-table-3a>
- ECE Funding - Temporary Assistance for Needy Families (TANF)
  - U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance. (2014). Fiscal Year 2012 TANF Financial Data. <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2013>
- ECE Funding - Child and Adult Care Food Program (CACFP) Funding
  - Food Research and Action Center. (September 2013). Profile of Hunger, Poverty, and Federal Nutrition Programs. [http://frac.org/wp-content/uploads/2010/07/states\\_plus\\_national\\_9-2013.pdf](http://frac.org/wp-content/uploads/2010/07/states_plus_national_9-2013.pdf)
- ECE Funding - Head Start Funding
  - National Institute for Early Education Research. (2014). The 2014 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Funding - Pre-kindergarten Funding
  - National Institute for Early Education Research. (2014). The 2014 state of preschool yearbook. <http://nieer.org/yearbook/>
- ECE Funding - IDEA Part C Funding
  - U.S. Department of Education, Office of Special Education Programs. (2014). 2014 Parts B and C Formula Grant Award Application Packages. <http://www2.ed.gov/fund/grant/apply/osep/2014apps.html>

- ECE Funding - IDEA Part B Section 619 Funding
  - U.S. Department of Education, Office of Special Education Programs. (2014). 2014 Parts B and C Formula Grant Award Application Packages. <http://www2.ed.gov/fund/grant/apply/osep/2014apps.html>
- CCDF Subsidy Innovation and Program Integrity - Certificates, Grants and Contracts for Child Care Services
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Additional Eligibility Policies
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Prioritizing Services for Eligible Children and Families
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Sliding Fee Scale and Family Contribution
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- CCDF Subsidy Innovation and Program Integrity - Payment Rates for Child Care Services
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Health and Safety - Licensing
  - National Center for Child Care Quality Improvement analysis of the 2014 National Association for Regulatory Administration Licensing Programs and Policies Survey (Unpublished).
  - Analysis of 2014 State child care licensing regulations by the National Center on Child Care Quality Improvement (Unpublished).
- Quality Improvements - Program Standards
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Quality Improvements - Supports to Programs to Improve Quality
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Quality Improvements - Quality Assurance and Monitoring
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Quality Improvements - Quality Rating and Improvement System (QRIS)
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- Early Learning Standards - Establishing Voluntary Early Learning Guidelines (ELGs)
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Career Pathways
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Professional Development Capacity

- Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.  
Council for Professional Recognition. (n.d.). National Directory of Early Childhood Educator Preparation Institutions. <http://www.cdacouncil.org/resource-center/national-training-directory>
- PD Workforce - Access to Professional Development
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Compensation, Benefits, and Workforce Conditions
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- PD Workforce - Data and Performance Measures
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.
- ECE Coordination - Coordination
  - Information collected by the Child Care State Systems Specialist Network from FY2014-2015 State Plan, initial submission effective date October, 1, 2013.

**State Capacity Building Center, A Service of the Office of Child Care**  
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## Appendix F. Estimates to Increase Vermont's Child Care Financial Assistance

The following estimates were prepared for the Commission to support:

### **Recommendation 1: Make Immediate Incremental Investments in High-Quality, Affordable Early Care and Learning**

The costs of the increases to the Child Care Financial Assistance Program were prepared by the Child Development Division, Department for Children and Families, of the Agency of Human Services on 27 November 2016.

Change in Child Care Financial Assistance Program (CCFAP) Benefits to:

- 200% FPL at 100% of the Child Care Financial Assistance Income Guideline
- 300% FPL at 50% of the Child Care Financial Assistance Income Guideline
- 349% FPL at 10% of the Child Care Financial Assistance Income Guideline
- Child Care Provider Rates are set at 4 STAR Rate at the 2015 Child Care Market Rate 75th Percentile

#### Cost:

The estimated cost per year for this benefit level is \$90,801,088. The current budget for Child Care Financial Assistance in State Fiscal Year 2017 is \$47,340,764

Amount needed in addition to current budget to fund CCFAP at this estimate - \$43,460,324

#### Assumptions:

Estimate was created using October 2016 Cost Projection Extract from the Vermont Bright Futures Information System (BFIS). This extracts every current Child Care Financial Assistance (CCFAP) certificate authorizing child care, and includes the setting the child is current enrolled providing an accurate assumption of type of setting and STARS level of the program to estimate costs. It was assumed that all families currently receiving CCFAP would be moved to 100% of the income guidelines as 99.9% of the families are at 200% federal poverty level or lower that are receiving CCFAP. When looking at the percent of children current receiving CCFAP to the number of children estimated to be living in Vermont at 200% and 300% federal poverty level (based on the U.S. Census – American Fact Finder AGE BY RATIO OF INCOME TO POVERTY LEVEL IN THE PAST 12 MONTHS) it was determined to estimate an additional 1000 children's families (infants through preschool) would apply and be eligible for 100% CCFAP with the incentive for more benefit available. These children were assumed to be equally split by age group, registered and licensed programs and full and part time schedules. It was also assumed that 3920 children's families (infants, toddlers and preschoolers) would apply and be eligible between 99% and 10% of the CCFAP level, and these were assumed to be equally split by age group, registered and licensed programs and full and part time schedules. In addition, it was assumed that 1344 additional school age children would become eligible for CCFAP between 99% and 10% benefit level, and that those children are split equally between registered and licensed programs. All newly added children were assumed to be attending a 3 STAR program. School age children were assumed to be attending part time during 42 weeks of school year, and full time 10 weeks during the summer time.

**CCFAP Rates set at 2015 Market Rate 75% at 4 STARS Rate**

Licensed Center		Base Rate	1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
Infant	Full Time	\$ 184.62	\$ 193.85	\$ 213.23	\$ 221.54	\$ 240.00	\$ 258.46
	Part Time	\$ 101.54	\$ 106.62	\$ 117.28	\$ 121.85	\$ 132.00	\$ 142.15
	Extended Care	\$ 251.08	\$ 263.63	\$ 289.99	\$ 301.29	\$ 326.40	\$ 351.51
Toddler	Full Time	\$ 179.23	\$ 188.19	\$ 207.01	\$ 215.08	\$ 233.00	\$ 250.92
	Part Time	\$ 98.58	\$ 103.51	\$ 113.86	\$ 118.29	\$ 128.15	\$ 138.01
	Extended Care	\$ 243.75	\$ 255.94	\$ 281.54	\$ 292.50	\$ 316.88	\$ 341.26
Preschool	Full Time	\$ 170.67	\$ 179.21	\$ 197.13	\$ 204.81	\$ 221.88	\$ 238.94
	Part Time	\$ 93.87	\$ 98.56	\$ 108.42	\$ 112.64	\$ 122.03	\$ 131.42
	Extended Care	\$ 232.12	\$ 243.72	\$ 268.09	\$ 278.54	\$ 301.75	\$ 324.96
School age	Full Time	\$ 158.41	\$ 166.33	\$ 182.97	\$ 190.10	\$ 205.94	\$ 221.78
	Part Time	\$ 87.13	\$ 91.48	\$ 100.63	\$ 104.55	\$ 113.27	\$ 121.98
	Extended Care	\$ 215.44	\$ 226.21	\$ 248.84	\$ 258.53	\$ 280.08	\$ 301.62

Registered		Base Rate	1 STAR	2 STARS	3 STARS	4 STARS	5 STARS
Infant	Full Time	\$ 134.62	\$ 141.35	\$ 155.48	\$ 161.54	\$ 175.00	\$ 188.46
	Part Time	\$ 74.04	\$ 77.74	\$ 85.51	\$ 88.85	\$ 96.25	\$ 103.65
	Extended Care	\$ 183.08	\$ 192.23	\$ 211.45	\$ 219.69	\$ 238.00	\$ 256.31
Toddler	Full Time	\$ 126.92	\$ 133.27	\$ 146.60	\$ 152.31	\$ 165.00	\$ 177.69
	Part Time	\$ 69.81	\$ 73.30	\$ 80.63	\$ 83.77	\$ 90.75	\$ 97.73
	Extended Care	\$ 172.62	\$ 181.25	\$ 199.37	\$ 207.14	\$ 224.40	\$ 241.66
Preschool	Full Time	\$ 123.08	\$ 129.23	\$ 142.15	\$ 147.69	\$ 160.00	\$ 172.31
	Part Time	\$ 67.69	\$ 71.08	\$ 78.18	\$ 81.23	\$ 88.00	\$ 94.77
	Extended Care	\$ 167.38	\$ 175.75	\$ 193.33	\$ 200.86	\$ 217.60	\$ 234.34
School age	Full Time	\$ 115.38	\$ 121.15	\$ 133.27	\$ 138.46	\$ 150.00	\$ 161.54
	Part Time	\$ 63.46	\$ 66.63	\$ 73.30	\$ 76.15	\$ 82.50	\$ 88.85
	Extended Care	\$ 156.92	\$ 164.77	\$ 181.25	\$ 188.31	\$ 204.00	\$ 219.69

## Appendix G. Analysis of Parental Contribution

Upon completion of their time together, the Commission wanted to know more about parental contribution i.e., how much parents would be paying under the Commission's proposed sliding fee scale. The Commission viewed this analysis but did not get to discuss it prior to its inclusion in the report.

### METHODOLOGY

STEP 1. Percent of family estimates by income in the state was pulled from the U.S. Census, 2010-2014 American Community Survey 5-Year Estimates, "INCOME IN THE PAST 12 MONTHS (IN 2014 INFLATION-ADJUSTED DOLLARS)." The "families" data was used as opposed to "households, married-couple families, or nonfamily households" as the best approximation of the total population of households with children. <<http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>>

STEP 2. Estimated the number of families with children under age 6, by multiplying the percent of families by the total number of children under age 6 in the state

STEP 3. Estimated the percent of families with children under age 6 that would "demand" non-relative child care

STEP 4. Used the Commission estimated Center-based care and Home-based care, the average cost (of all age groups)

STEP 5. Used the Commission defined sliding fee scale, determined the % of subsidy received

STEP 6. Assuming that all families that are income eligible enroll in the CCFAP and receive subsidy payments, calculated the amount of family payments

STEP 7. Multiplied the individual family payment by the total amount paid by families towards child care.

Income Segments	STEP 1		STEP 2 Estimated # of 0-5	STEP 3 Demand: 100%	STEP 4 Average Cost of Center- Based Care	STEP 5 % of subsidy received	STEP 6 Individual Family Payments - Center	STEP 7 Individual Family Payments - Home	Total Family Payments
	Families Estimate	Estimated Number							
Ranges	160,872				(Incorporates all Age Groups)				
Less than \$10,000	3.4%	5,470	1,245	1,245	\$ 28,955	100%	\$ -	\$ -	\$ -
\$10,000 to \$14,999	2.50%	4,022	915	915	\$ 28,955	100%	\$ -	\$ -	\$ -
\$15,000 to \$24,999	6.80%	10,939	2,489	2,489	\$ 25,446	100%	\$ -	\$ -	\$ -
\$25,000 to \$34,999	8.10%	13,031	2,965	2,965	\$ 25,446	100%	\$ -	\$ -	\$ -
\$35,000 to \$49,999	13.40%	21,557	4,905	4,905	\$ 25,446	100%	\$ -	\$ -	\$ -
\$50,000 to \$74,999	21.00%	33,783	7,687	7,687	\$ 28,955	80%	\$ 5,790.92	\$ 5,089.28	\$ 41,820,620.92
\$75,000 to \$99,999	16.60%	26,705	6,077	6,077	\$ 28,955	53%	\$ 13,608.67	\$ 11,959.81	\$ 77,686,782.01
\$100,000 to \$149,999	17.40%	27,992	6,370	6,370	\$ 28,955	17%	\$ 24,032.34	\$ 21,120.51	\$ 143,803,192.23
\$150,000 to \$199,999	5.90%	9,491	2,160	2,160	\$ 28,955	0%	\$ 28,954.62	\$ 25,446.40	\$ 58,748,015.10
\$200,000 or more	5.00%	8,044	1,830	1,830	\$ 28,955	0%	\$ 28,954.62	\$ 25,446.40	\$ 49,786,453.48
<b>TOTAL</b>		*	<b>36,644</b>	<b>36,644</b>					<b>\$ 371,845,063.74</b>

\* Note that due to rounding error, the total estimate is more than 100%

DEMAND: Perceived Option 1 @ 70.4%		STEP 1		STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
Total number of children 0-5		36,607							
Income Segments	Families Estimate	Estimated # of 0-5	Demand: 70.4%	Average Cost of Center-Based Care	Average Cost of Home-Based Care	% of subsidy received	Individual Family Payments	Individual Family Payments - Home	Total Family Payments
Ranges	Estimated Number		0.704 (Incorporates all Age Groups)						
Less than \$10,000	160,872	5,470	876	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$10,000 to \$14,999	3.4%	4,022	644	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$15,000 to \$24,999	2.50%	10,939	1,752	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$25,000 to \$34,999	6.80%	13,031	2,087	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$35,000 to \$49,999	8.10%	21,557	3,453	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$50,000 to \$74,999	13.40%	33,783	5,412	\$ 28,955	\$ 25,446	80%	\$ 5,790.92	\$ 5,089.28	\$ 29,441,717.13
\$75,000 to \$99,999	21.00%	26,705	4,278	\$ 28,955	\$ 25,446	53%	\$ 13,608.67	\$ 11,959.81	\$ 54,691,494.53
\$100,000 to \$149,999	16.60%	27,992	4,484	\$ 28,955	\$ 25,446	17%	\$ 24,032.34	\$ 21,120.51	\$ 101,237,447.33
\$150,000 to \$199,999	17.40%	9,491	1,521	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 41,358,602.63
\$200,000 or more	5.90%	8,044	1,289	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 35,049,663.25
<b>TOTAL</b>	<b>5.00%</b>	<b>8,044</b>	<b>1,830</b>	<b>\$ 28,955</b>	<b>\$ 25,446</b>	<b>0%</b>	<b>\$ 28,954.62</b>	<b>\$ 25,446.40</b>	<b>\$ 261,778,924.87</b>
* Note that due to rounding error, the total estimate is more than 100%									

DEMAND: Perceived Option 2 @ 24.7%		STEP 1		STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
Total number of children 0-5		36,607							
Income Segments	Families Estimate	Estimated # of 0-5	Demand: 24.7%	Average Cost of Center-Based Care	Average Cost of Home-Based Care	% of subsidy received	Individual Family Payments	Individual Family Payments - Home	Total Family Payments
Ranges	Estimated Number		0.247 (Incorporates all Age Groups)						
Less than \$10,000	160,872	5,470	307	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$10,000 to \$14,999	3.4%	4,022	226	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$15,000 to \$24,999	2.50%	10,939	615	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$25,000 to \$34,999	6.80%	13,031	732	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$35,000 to \$49,999	8.10%	21,557	1,212	\$ 28,955	\$ 25,446	100%	\$ -	\$ -	\$ -
\$50,000 to \$74,999	13.40%	33,783	1,899	\$ 28,955	\$ 25,446	80%	\$ 5,790.92	\$ 5,089.28	\$ 10,329,693.37
\$75,000 to \$99,999	21.00%	26,705	1,501	\$ 28,955	\$ 25,446	53%	\$ 13,608.67	\$ 11,959.81	\$ 19,188,635.16
\$100,000 to \$149,999	16.60%	27,992	1,573	\$ 28,955	\$ 25,446	17%	\$ 24,032.34	\$ 21,120.51	\$ 35,519,388.48
\$150,000 to \$199,999	17.40%	9,491	533	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 14,510,759.73
\$200,000 or more	5.90%	8,044	452	\$ 28,955	\$ 25,446	0%	\$ 28,954.62	\$ 25,446.40	\$ 12,297,254.01
<b>TOTAL</b>	<b>5.00%</b>	<b>8,044</b>	<b>9,051</b>	<b>\$ 28,955</b>	<b>\$ 25,446</b>	<b>0%</b>	<b>\$ 28,954.62</b>	<b>\$ 25,446.40</b>	<b>\$ 91,845,730.74</b>
* Note that due to rounding error, the total estimate is more than 100%									