This report is completed at least every three years as required by the federal Child Care Development Fund which funds Vermont’s Child Care Financial Assistance Program (CCFAP). This report includes:

- An analysis of the rates child care programs charge families to support the setting of reimbursement rates for CCFAP (Market Rate Survey/MRS); and (new this year)
- A Cost of Care Report (COC), an estimate of the cost to provide child care to families.

The Market Rate Survey component of the report compares the “market rate” or rate charged to families to the CCFAP reimbursement rate. This is used to determine what financial access families eligible for CCFAP have to child care programs. The federal standard is that families have access to 75 out of 100 programs, or the 75th percentile of rates.

The Cost of Care component of the report is an estimate of what it costs an average child care program to operate in Vermont. This includes the expenses incurred by the program, and an estimate of the minimum the program would need to charge by age category to break even or have a small profit. Because most child care is funded by parent tuition dollars, the cost of care is important to consider when conducting an analysis of the CCFAP rates paid to child care providers, and to determine if those rates are sufficient to ensure that families who receive CCFAP have access to child care options.

### 2019 Market Rate Survey

The rates child care programs charge increased overall in 2019 as compared to the 2017 rates:

- Licensed program rates increased an average of 8.87%
- Registered program rates increased an average of 10.25%

Rates vary based on the age of children, setting, and schedule. Based on the analysis completed none of the Vermont CCFAP rates at the one star level are at the 50th percentile.

<table>
<thead>
<tr>
<th>Age Category</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
<th>One STAR CCFAP Rate</th>
<th>Percentile of the Market Rate of One STAR Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infants</td>
<td>$265.00</td>
<td>$290.00</td>
<td>$210.00</td>
<td>11.29</td>
</tr>
<tr>
<td>Toddlers</td>
<td>$255.00</td>
<td>$280.00</td>
<td>$201.92</td>
<td>12.08</td>
</tr>
<tr>
<td>Preschool</td>
<td>$235.00</td>
<td>$275.00</td>
<td>$179.21</td>
<td>15.75</td>
</tr>
<tr>
<td>School Age</td>
<td>$200.00</td>
<td>$225.00</td>
<td>$166.33</td>
<td>28.00</td>
</tr>
</tbody>
</table>

### STARS Impact on Financial Access

In Vermont, the more stars a program has in the STep Ahead Recognition System(STARS), the higher the CCFAP reimbursement rate. Vermont sets rates so that the 75th percentile of rates is paid to programs at the 4 star level. The analysis of the programs participating in STARS found that families had more access to programs at the 2, 3 and 4 star levels because of the higher reimbursement rate. However, families did not necessarily have more access to five star programs based on the higher reimbursement rates.
Cost of Care

This section of the 2019 Child Care Market Rate and Cost of Care Report has an estimate of what it costs an average child care program to operate in Vermont. This includes the expenses incurred by the program, and an estimate of the minimum the program would need to charge by age category to break even or have a small profit.

Center Based Child Care and Preschool Programs Annual Estimated Expenses:
- One Star Child Care Center – $460,096.61
- Three Star Child Care Center – 555,785.82
- Five Star Child Care Center - $662,985.39

Registered Family Child Care Homes Annual Estimated Expenses:
- One Star Registered Child Care Home - $89,464.95
- Three Star Registered Child Care Home - $98,664.57
- Five Star Registered Child Care Home - $117,080.04

Comparing Cost of Care Estimates and 2019 Average Market Rates

In licensed child care one star programs and preschool care across all star levels are charging families the rates to cover their basic expenses. However, as the quality of the program increases, the tuition rates charged to families does not cover the basic expenses of the program (except for preschool care).

In Registered Family Child Care Homes providers are not charging rates high enough to cover basic expenses at all levels of quality.

Recommendations

Research the Sustainability of Child Care: Costs will always increase for child care programs and it is important to understand the strategies that can be implemented to support child care programs in being sustainable at a rate family can afford. It is recommended that Vermont research what supports, and structures are required for child care, preschool, and afterschool programs to be sustainable.

Support Low and Middle Income Families in Paying for Child Care: The State of Vermont has proposed changes to the Child Care Financial Assistance Program to support low and middle income Vermonters in affording child care. This change includes:
- Set a flat co-payment amount for a family, based on family size and income.
- Family co-payment assessed at the youngest child first – no additional amount for more than one child.
- Expand eligibility by increasing income guidelines.
- Pay the provider’s reported rate based on age of child and schedule after the co-payment is assessed, up to a capped rate.

Final note: This report was based on the child care provider rates in October 2019 and the cost of care during that time as well. It is important to recognize the costs associated with providing child care have increased during the Coronavirus pandemic. Those increased costs are not included in this report, however, should be a consideration for any policy questions and decisions.