

**Legislative Council and Joint Fiscal Office
Staff Report
on**

**Innovative Funding Options for
Vermont Child Care**

Pursuant to Sec. 22 of No. 30 of the Acts of 2007

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Innovative Funding Options for Vermont Child Care
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The Charge to Staff

No. 30 of the Acts of 2007 of the General Assembly included a section that read as follows:

Sec. 22. CHILD CARE REPORT

(a) No later than November 1, 2007, the department for children and families shall report to the house committees on human services and on appropriations and the senate committees on health and welfare and on appropriations with an estimate of the funding needed to bring income eligibility guidelines to current levels; an estimate of the funding needed to bring Vermont into compliance with federal guidelines, suggesting that subsidies should be at least 75 percent of the market rate; an assessment of the positive and negative outcomes from modifying the current statewide subsidy rate to differential rates based on the market rate for the area; and an analysis of possible inflation factors with a recommendation on which factors to use once target funding levels have been met.

(b) No later than November 1, 2007, the legislative council and joint fiscal office shall provide a summary of innovative ideas from other states for funding investments in quality child care and of any available cost-benefit analyses of such investments.

A. Overview

Subsection 22(b) of No. 30 of 2007 requires legislative council and the joint fiscal office to provide a summary of innovative ideas from other states for funding investments in quality child care. Prior to summarizing the innovative ideas required by No. 30, this report summarizes the child services program in Vermont. The report concludes with a listing of innovative ideas from other states for funding quality child care in the state.

B. Current Funding for Child Care in Vermont

1. Federal Funding

The Child Care and Development Fund (CCDF) is the primary federal program specifically devoted to child care services and quality. The CCDF allows states to use federal funds for child care services for low income parents and parents receiving Temporary Assistance for Needy Families (TANF). Funds may also be used for children in protective services. In addition, a state must use a portion of the CCDF funds it receives to enhance child care quality and availability.¹

Of the CCDF funds received by a state, 70 percent of the mandatory and matching funds must be spent on families receiving TANF, transitioning from TANF, or at risk of becoming eligible for TANF. States must spend no more than 5 percent of their CCDF funds—discretionary, mandatory, and state and federal share of the matching funds—on administration.²

2. State Funding

In fiscal year 2007, the state of Vermont spent a total of \$39.5 million on child-care related expenses. Of this \$39.5 million, an estimated \$23.7 are federal funds and \$15.8 million are state funds. There are five sources of federal funds used to support

¹ U.S. Dep't. of Health & Human Services, Administration for Children and Families, *Overview of the Child Care Development Fund: (Fiscal Years 2006 & 2007)* [hereinafter *ACF CCDF Overview*], available at http://www.acf.hhs.gov/programs/ccb/ccdf/ccdf06_07desc.htm (last visited October 4, 2007).

² Id.

child care in Vermont: the Child Care Development Fund (CCDF), Temporary Assistance for Needy Families (TANF), and Title IVE, Title IV-B, and the Social Services Block Grant. The state appropriations are general fund dollars.

The type of expenditures included in the \$39.5 million are for: the fee scale program; child care for the children of people receiving TANF benefits; child care for children under protective services or who are at risk of abuse or neglect; child care for children of incapacitated parents; funds to transport children to child care; quality enhancements, including incentives, to encourage providers to upgrade their credentials; and grants to expand the capacity of the child care system including additional infant/toddler and after school programs.

C. Child Care Services Program in Vermont

1. Income Eligibility

Federal eligibility for CCDF is restricted to children from families who are working or attending education/training and making a maximum of 85 percent of the state's median income (SMI).³ States have the option to set more restrictive criteria, such as lowering income thresholds or only serving children with parents who are working. In addition, federal law requires the state to develop a plan for use of the CCDF funds.⁴ The plan must be updated every two years and must establish, by rule, a sliding fee scale that provides for cost sharing by the families that receive child care services for which assistance is provided under this subchapter.⁵

The Child Development Division at the Department for Children and Families is the lead agency for the child care subsidy in Vermont. The Child Development Division implements the child care subsidy under a statutorily created child care services

³ 45 C.F.R. § 98.20.

⁴ 42 U.S.C. § 9858c.

⁵ Id.

program.⁶ The child care services program was established “to subsidize, to the extent that funds permit, the costs of child care for families that need child care services in order to obtain employment, to retain employment, or to obtain training leading to employment.”⁷ The Child Development Division, as required by federal law, issues the child care subsidy on a sliding scale based on income and family size. The scale is set by rule by the Commissioner for Children and Families.

Under state statute, the lower limit of the scale shall include families whose gross income is up to and including 100 percent of the federal poverty guidelines. The upper income limit of the fee scale shall be neither less than 80 percent nor more than 100 percent of the state median income adjusted for the size of the family. Currently, the upper income limit for state eligibility is 82.5 percent of state median income. However, the income limit can be much lower. For example, the income eligibility limit for a family of three in 2007 was \$31,032.00, which is 51 percent of state median income. The table of the state’s income eligibility requirements is included in Appendix A of this report.

In addition, Vermont’s income eligibility criteria are based on census data from 1999. Updated information is available that would allow the state to reset income eligibility to reflect more accurately those with a need for the program. However, updating the income eligibility requirements to a more current standard will require additional funding for the program. Depending on the data used to update the standards, approximately \$6 million additional annual funds would be required.⁸

Vermont’s efforts to serve families up to 82.5 percent of state median income also set it apart from many other states, which set the upper limit for eligibility much lower. For example, except in situations when a child or parent has a disability, a family seeking early education financial assistance in Massachusetts must have a gross monthly income at or below 50 percent of state median income at the time of enrollment in the program.⁹

⁶ See 33 V.S.A. § 3512.

⁷ Id.

⁸ Interview with Deputy Commissioner Kim Keiser, Vermont Child Development Division (Oct. 1, 2007).

⁹ Massachusetts Department of Early Education and Care, Financial Assistance Policy Guide (July 17, 2007), available at <http://www.eec.state.ma.us/docs/PolicyGuideFINAL.pdf>.

Similarly, Vermont serves all families that meet income eligibility regardless of whether the family is receiving Temporary Assistance for Needy Families (TANF). In fiscal year 2005, only 17 percent of the families that received child care assistance in Vermont were receiving TANF benefits.¹⁰ In contrast, many states provide most of their assistance to families that receive TANF. For example, in fiscal year 2005, 71 percent of the families that received child care assistance in Connecticut received TANF.¹¹ However, over 70 percent of the families in the child care subsidy program in Vermont once received TANF and are transitioning or have transitioned off TANF.

2. Reimbursement Rate to Child Care Providers

States receiving CCDF funds set the rates that they will pay to reimburse child care providers. Under federal statute, the state plan is required to provide payment rates for child care services that are sufficient to ensure access for eligible children to comparable child care services that are provided to children whose parents are not eligible to receive assistance.¹² Federal regulations recommend, but do not require, that payment rates of 75% of the market would be considered providing equal access to eligible parents.¹³

In Vermont, state statute requires the Commissioner for Children and Families to establish a payment schedule for purposes of reimbursing providers for full- or part-time child care services rendered to families who participate in the child care services program.¹⁴ In contrast to the federal recommendation that reimbursement rates for child care services be equal to 75% of the market, the statewide average in Vermont is between 50 and 55% of the market rate.¹⁵ The rate varies by region, with some regions, such as

¹⁰ U.S. Dep't. of Health & Human Services, Administration for Children and Families, Child Care Bureau, FFY 2005 CCDF Data Table, Table 16, Child Care and Development Fund, *Average Monthly Percent of Families Receiving TANF*, at http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/05acf800/table16.htm (last visited Oct. 29, 2007).

¹¹ *Id.*; *see also* New York (39% of participants received TANF); Michigan (45% received TANF); South Carolina (46% received TANF); Tennessee (62% received TANF); Oregon (33% received TANF). *Id.*

¹² 42 U.S.C. § 9858c; *see also* 45 C.F.R. § 98.43.

¹³ *See* Child Care and Development Fund, 63 Fed. Reg. 39,936, 39,959 (July 24, 1998) (“In establishing payment rates we suggest a benchmark for States to consider. Payments established at least at the 75th percentile of the market would be regarded as providing equal access.”).

¹⁴ 33 V.S.A. § 3514.

¹⁵ Interview with Deputy Commissioner Kim Keiser, Vermont Child Development Division (Oct. 1, 2007).

Newport, meeting or approaching the 75% reimbursement rate, but other regions, such as Burlington, fall to 40% of the market rate. The a table of the reimbursement rates is included in Appendix B. If the General Assembly chose to require 75% reimbursement across the state, approximately \$10 to 11 million in additional funds would be needed annually to support the state's child care assistance program.¹⁶

D. Innovative Child Care Funding in Other States

1. Private/Public Partnerships

Several states have enacted early childhood care initiatives based on partnerships between the state and private entities. North Carolina launched its private/public early childhood care initiative, known as the Smart Start Initiative, in 1993. Smart Start was launched to improve what the state categorized as the worst quality child care in the country.¹⁷ The goal of the program is to improve overall child care within the state and to assure that all children are healthy and prepared to learn when they begin school.

Smart Start operates by providing early education funding to each of the state's 100 counties. Smart Start funds are administered at the local level by 78 local nonprofit organizations called local partnerships, which are managed by a statewide nonprofit organization that provides oversight and technical assistance. Services at the local level range depending on local needs, but the local partnerships are required to spend 70 percent of all Smart Start funds to improve the quality of child care. Of that amount, 30 percent is required to make child care affordable to working families. The remaining funds may be used for child care or for children's health and family support services. Administration costs are capped at 8% of funds received.¹⁸

Smart Start is required to raise \$1.00 in private money for every \$10.00 it receives from the state. Since 1995, more than \$257 million in donations have been invested in

¹⁶ Id.

¹⁷ North Carolina Partnership for Children, *What is Smart Start*, at <http://www.ncsmartstart.org/about/whatissmartstart.htm> (last visited Nov. 1, 2007).

¹⁸ Id.; North Carolina Partnership for Children, *About Smart Start: Funding*, at <http://www.ncsmartstart.org/about/funding.htm> (last visited Oct. 31, 2007).

Smart Start. When Smart Start began in 1993, the state appropriated \$20 million to initiate the program. As Smart Start was successful and as it expanded to all of the state's counties, the state appropriations increased substantially. In fiscal year 2006, the state of North Carolina provided approximately \$200 million to the Smart Start Initiative.¹⁹

Several states, including Vermont, have developed initiatives similar to the Smart Start model.²⁰ In Vermont, the private/public education initiative is called Building Bright Futures (BBF). BBF began in 2002 when Vermont received a grant from the North Carolina Technical Assistance Center to explore whether the North Carolina Smart Start Initiative would work in Vermont.²¹ This strategic planning process resulted in Vermont's Early Childhood System Plan. The plan called for the creation of BBF and, as in North Carolina, for the goal of ensuring that children beginning school in Vermont are healthy and ready for education.²²

As part of its charge, BBF has been established as a public/private entity with one of its responsibilities being to pursue fundraising opportunities in the private sector. The infrastructure pieces for BBF are just now coming together, including the hiring of a state director and regional directors for each of 12 regional councils. The long-term success or failure of BBF will depend largely on the infrastructure to support local work in the community. If dependable local organization or partners exists, state and regional directors will be able to build relationships with their respective business and philanthropic partners. To help foster the creation of such partnerships and to infuse BBF

¹⁹ North Carolina Partnership for Children, *About Smart Start: Funding*, at <http://www.ncsmartstart.org/about/funding.htm> (last visited Oct. 31, 2007); North Carolina Partnership for Children, *About Smart Start: History*, at <http://www.ncsmartstart.org/about/history.htm> (last visited Oct. 31, 2007).

²⁰ North Carolina Partnership for Children, *What Is Smart Start*, at <http://www.ncsmartstart.org/about/whatisSMARTstart.htm> (last visited Oct. 31, 2007); North Carolina Partnership for Children, *About Smart Start: Funding*, at <http://www.ncsmartstart.org/about/funding.htm> (last visited Oct. 31, 2007) (states with public private partnerships include: Arizona, Alabama, California, Colorado, Georgia, Iowa, Kansas, Massachusetts, Michigan, Oklahoma, South Carolina, Vermont, Virginia, and Washington State); *see also Washington State Thrive by Five Early Learning Educational Fund*, at <http://www.thrivebyfiveva.org/funding.aspx> (last visited October 31, 2007).

²¹ *What is Building Bright Futures?: Overview*, at <http://www.buildingbrightfutures.org/index.html> (last visited Oct. 31, 2007); *What is Building Bright Futures: Building Bright Futures Early Childhood Education Plan*, at <http://www.buildingbrightfutures.org/systemplan.html> (last visited Oct. 31, 2007).

²² *Id.*

with needed funds, the General Assembly or the Administration could challenge the private sector to raise funds that will be matched by the state, up to a specified level.²³

2. Illinois Early Child Care Set-Aside

The Illinois Early Childhood Education Block Grant (ECBG) is an example of how states can set aside funds for infant and toddler child care from a preschool funding stream.

The Illinois General Assembly established the ECBG in 1997 when it required the Illinois Board of Education to award state education funds to school districts through two block grants.²⁴ One of the block grants—the ECBG—combined all previous state education funding for preschool-aged children into one fund to be distributed on a competitive basis as grants. A broad range of entities is allowed to apply for ECBG grants, including Head Start programs, child care providers, and family and parenting programs.²⁵ The legislation also required 11% of all ECBG grants to be used to fund programs for children aged 0-3.²⁶

In 2006, \$273 million was allocated to the ECBG, with \$30 million set aside for children aged 0-3.²⁷ Most of the grants go to school districts, but varying programs receive funds, including child care centers, family child care homes, stay-at-home parents, and community agencies. The average grant awarded to a local program was \$140,000.00. The ECBG set-aside also requires a services plan to be created and implemented for every enrolled child in need, and the program collects information on the status of funded programs.

²³ See e-mail correspondence with Deputy Commissioner Kim Keiser, Vermont Child Development Division (Oct. 8, 2007) (on file with Legislative Council).

²⁴ 105 ILCS 5/1C-2. See also Center for Law & Social Policy, Illinois Infant Toddler Set-Aside, available at <http://www.clasp.org/ChildCareAndEarlyEducation/map030707il.htm> (last visited Oct. 25, 2007).

²⁵ *The Ounce of Prevention Fund*, at http://buildinitiative.org/pdf/Infant_Toddler_setaside.pdf (last visited Oct. 25, 2007).

²⁶ 105 ILCS 5/1C-2. See also Center for Law & Social Policy, Illinois Infant Toddler Set-Aside, available at <http://www.clasp.org/ChildCareAndEarlyEducation/map030707il.htm> (last visited Oct. 25, 2007). The original set-aside enacted in 1997 was 8%. The Illinois General Assembly increased the set-aside to 11% in 2004.

²⁷ Center for Law & Social Policy, Illinois Infant Toddler Set-Aside, available at <http://www.clasp.org/ChildCareAndEarlyEducation/map030707il.htm> (last visited Oct. 25, 2007).

3. At-Home Infant Care Programs

Several states, including Minnesota, Montana, and New Mexico, have explored the use of At-Home Infant Care (AHIC) subsidies as a means of providing assistance while simultaneously reducing demand for child care services.²⁸ Under an AHIC program, an eligible participant receives a child care assistance subsidy to stay at home with an infant or toddler. Because infant and toddler care is often hard to find and expensive, an AHIC program reduces demand for infant and toddler child care.

AHIC programs can also reduce costs of assistance by limiting the AHIC subsidy to a percentage of the normal child care subsidy received by an eligible participant. For example, the maximum rate of assistance for participants in the Minnesota AHIC program is 90% of the state's maximum rate paid to a licensed family care provider for full-time care of an infant or toddler.²⁹ AHIC programs have limitations since a participant must have sufficient financial support from a spouse or family that allows for one parent to stay at home. In many states, participants in child care assistance programs are one-parent families and, thus, lack the ability to participate in an AHIC program.

4. Paid Family Leave/Disability Insurance

At least two states have amended their temporary disability statutes to provide paid leave to parents of newborns. California adopted a paid Family Care Leave program in 2002, which provides up to six weeks of insurance-paid leave for a parent to bond with a new child.³⁰ Unless otherwise exempt, all employees are eligible if they earn \$300.00 in 12 months. Participants receive 55% of their pay, up to a maximum of \$882.00 a week.³¹

Unlike the unpaid family leave program that exists under the California Family Rights Act, all employers are covered by the California Family Care Leave program, not just those with 50 or more employees. However, also unlike the unpaid family leave program, businesses with under 50 employees are not required to hold a job for a worker

²⁸ National Partnership for Women & Families, *At-Home Infant Care (AHIC): A Side-by-Side Comparison of Federal and State Initiatives* (Oct. 2005), available at <http://www.nationalpartnership.org/site/DocServer/AHICchartOct05.pdf?docID=1048>.

²⁹ Minn. Stat. § 119B.035.

³⁰ Cal. Unemployment Insurance Code § 3301.

³¹ *Id.* at § 2655.

who goes on paid family leave.³² Consequently, some employees risk losing their jobs when they take leave.

In April 2007, Washington State enacted S.B. 5659, which provides paid family medical leave to bond with a new child.³³ All employees are eligible after working 680 hours in the 12 previous months.³⁴ A participant receives coverage for a maximum of 5 weeks. The weekly benefit shall be \$250.00 per week for an individual who at the time of beginning family leave was regularly working 35 hours or more per week.³⁵

5. Municipal Impact Fees

Some states have authorized municipalities to assess impact fees on development that may increase the need for child care development within that municipality. For example, the City of San Francisco adopted an ordinance in 1986 that allows the imposition of an impact fee on the development of any office or hotel of more than 50,000 gross square feet, unless specifically exempt. All of the funds collected under the child care impact fee ordinance are deposited into a child care capital fund. Monies in the funds are to be used solely to increase and or improve the supply of child care facilities affordable to low and moderate income households.³⁶

Municipal impact fees must be authorized by state statute. The California impact fee statute is somewhat unique in that it does not specify the type of infrastructure for which the fee may be used.³⁷ Instead, the fee must be intended to defray all or a portion of the cost of public facilities related to the development project.³⁸ "Public facilities" includes public improvements, public services, and community amenities.³⁹ In addition, there must be a reasonable relationship between the fee's use and the type of

³² See U.S. Dep't. of Labor Employment Standard Administration Wage & Hour Division, *Federal vs. California Family and Medical Leave Laws*, at <http://www.dol.gov/esa/programs/whd/state/fmla/ca.htm>.

³³ Washington State Senate Bill 5659, available at <http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/Senate%20Passed%20Legislature/5659-S2.PL.pdf>.

³⁴ Id.

³⁵ Id.

³⁶ See San Francisco, Cal., Planning Code § 314.2 (1987) (discussed in Note, Child Care Land Use Ordinances, 135 U.Pa.L.Rev. 1591 (1987)).

³⁷ Cal. Gov't.Code § 66000(b).

³⁸ Id.

³⁹ Id. at 66000(d).

development it is assessed against.⁴⁰ Thus, San Francisco and other California municipalities may assess a child care development fee against any development that would reasonably contribute to the demands for more child care infrastructure and services. Public service and community amenities could be construed to include child care infrastructure and services.

Vermont adopted an impact-fee-enabling act in 1987.⁴¹ Unlike California, the Vermont statute is limited to allowing municipalities to require new developments to pay their proportionate share of municipal and school capital projects.⁴² As in California, the statute is somewhat broad in that it does not define what constitutes a “school capital project.” A “capital project” is defined as: “(A) any physical betterment or improvement, including furnishings, machinery, apparatus, or equipment for such physical betterment or improvement; (B) any preliminary studies and surveys relating to any physical betterment or improvement; (C) land or rights in land; or (D) any combination of these.”⁴³ The act does not authorize operational or personnel expenses. Thus, child care services could not be funded with an impact fee, but the capital construction of child care facilities or the physical betterment arguably could be funded with development fees. However, a statutory amendment clarifying that impact fees could be used for child care facilities would be advisable prior to municipal use of impact fees for child care.

6. Pennsylvania Accountability Block Grant

Pennsylvania initiated an Accountability Block Grant Program in 2004–2005 by making \$200 million available to school districts to support programs proven to improve educational achievement of students.⁴⁴ Three of the proven program options are focused on early childhood. Specifically, school districts may use block grant funds to establish, maintain, or expand programs that provide: (1) Quality pre-kindergarten; (2) full-day

⁴⁰ Id. at 66001.

⁴¹ Act No. 200 (Adj. Sess. 1987) (codified at 24 V.S.A. §§ 5200-5206).

⁴² 24 V.S.A. § 5200.

⁴³ 24 V.S.A. § 5201(2).

⁴⁴ Pennsylvania Department of Education, *Funding Resources Available Through the Pennsylvania Department of Education, Pennsylvania Accountability Block Grant Program*, at http://www.pde.state.pa.us/early_childhood/cwp/view.asp?a=179&q=101636.

kindergarten programs; and/or (3) reduced class size in the early grades, kindergarten through third grade. Under the guidelines for the Accountability Block Grant, pre-kindergarten programs are encouraged to coordinate with local childcare programs to ensure that families have access to quality before- and after-school child care.⁴⁵ Additionally, quality child care providers can offer pre-kindergarten programs at their site and can serve as implementation partners for a school district's pre-kindergarten program.

7. Tax Incentives for Child Care

a. Tax Credit for Employers that Provide Child Care to Employees

Over 20 states offer a state tax credit to employers that provide dependant care assistance to employees.⁴⁶ For example, Oregon provides employers with a tax credit if they contract with a third-party child care provider to offer child care services to employees. A credit is also allowed if the employer pays for an employee's child care services. A credit is also allowed if the employer issues an employee a voucher of subsidy for child care services.⁴⁷

Texas offers a day care tax credit for an employer's expenditure related to the establishment or operation of a day care center primarily to provide care for the children of employees. The Texas credit is also available for employers that purchase child care services that are provided to the children of employees at day care centers or registered family homes. The maximum credit allowed in Texas is \$50,000.00.⁴⁸

In October 2007, Illinois reauthorized a tax credit for businesses that provide child care for their employees. The businesses are authorized to take a credit against state taxes of up to 30% of the start-up costs of a child care facility. Start-up costs mean the

⁴⁵ Starting at Three, *Pennsylvania State Preschool Program*, at http://www.startingat3.org/state_laws/statelawsPAdetail.html (last visited Oct. 3, 2007); see also *Accountability Block Grant Program*, at http://www.pde.state.pa.us/svcs_students/cwp/view.asp?a=175&q=111226.

⁴⁶ See Oregon Employment Department, Child Care Division, *Tax Credits: Dependant Care Tax Credit*, at <http://www.oregon.gov/EMPLOY/CCD/taxcredits.shtml> (last visited No. 1, 2007).

⁴⁷ *Id.*

⁴⁸ 34 Texas Admin. Code part 1, ch. 3, Rule 3.579.

planning, site preparation, construction, renovation, or acquisition of a child care facility.⁴⁹

The Pennsylvania General Assembly is currently addressing a bill, S.B. 532, which would authorize a tax credit for a business that operates its own child care program. The amount of the tax credit available to a business that operates its own not-for-profit child care program would be equal to 100% of the net costs expended for the operation and maintenance of the child care program. If the business does not operate its own program, but contributes to a child care program that provides services to its employees, the business could take a credit of up to 100% of the child care contributions made for its employees.⁵⁰

b. Louisiana Quality-Based Tax Credits

In July 2007, the Louisiana General Assembly enacted Act 394, entitled the School Readiness Tax Credit, which provides various tax credits to parents, child care providers, and child care staff as an incentive to increase quality day care in the state.⁵¹ Under the act, a credit is established against the state income tax of a parent for child care expenses. The percentage of the credit allowed is based on the quality rating of the child care facility. For example, parents that enroll their children at a two-star child care facility are allowed a credit of 50% of child care expenses, but a parent that enroll children in a five-star child care facility are eligible for a credit of 200% of the child care expenses.⁵²

Businesses that provide or support child care could also receive a tax credit. Businesses that provide care at five-star facilities receive a 20% credit for eligible expenses. Businesses that provide care at a two-star facility receive a 5% credit for eligible expenses. Eligible expenses include construction and repair costs up to

⁴⁹ Illinois General Assembly Public Act 095-0648, available at <http://www.ilga.gov/legislation/publicacts/fulltext.asp?name=095-0648&write=pa>; see also 35 I.L.C.S. 5/210.5.

⁵⁰ Pennsylvania General Assembly, S.B. 532, at <http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=HTM&sessYr=2007&sessIn d=0&billBody=S&billTyp=B&billNbr=0532&pn=0576> (last visited Nov. 4, 2007).

⁵¹ Louisiana State Legislature, Act 394, at <http://www.legis.state.la.us/home.htm> (last visited Nov. 2, 2007).

⁵² 47 L.R.S. § 6104.

\$50,000.00 per year, payments to a child care facility of up to \$5,000.00 per child, and the purchase of child care slots at eligible facilities of up to \$50,000.00 per year.⁵³

Act 394 also created a similar tax credit for child care providers. Five-star child care providers can qualify for a tax credit of \$1,500.00 per child receiving assistance from the state. In contrast, two-star child care providers can qualify for a \$750.00 tax credit per child receiving assistance. Individual staff at child care facilities would also be allowed a tax credit. Staff at a five-star facility qualify for a \$3,000.00 tax credit against individual income tax. Staff at a two-star facility would only qualify for a \$2,000.00 credit against individual income tax.⁵⁴

8. State Lotteries

Several states use the revenues from state lotteries to support child care services.⁵⁵ For example, Georgia uses lottery dollars to fund its pre-K programs.⁵⁶ The Georgia Lottery for Education supports a universal pre-kindergarten system and covers a variety of program expenses, including staff, materials, equipment, and in-service training.⁵⁷ To date, more than \$1.8 billion has been appropriated.⁵⁸ The Office of School Readiness in Georgia, an independent agency, administers the program.⁵⁹

9. Excise Taxes

Some states have implemented or explored the use of excise taxes on certain products to pay for child care programs. For example, the Arkansas General Assembly passed a 3% excise tax on beer in 2001 to help fund its Arkansas Better Chance (ABC) child care program for low income families.⁶⁰ The beer tax is estimated to raise approximately \$9.6

⁵³ Id. at § 6107.

⁵⁴ Id. at § 6106.

⁵⁵ See also North Carolina and Tennessee.

⁵⁶ 50 Ga. Code §§ 50-27-1 to 50-27-34.

⁵⁷ Steffanie Clothier, Beth Clemens & Julie Poppe, National Conference of State Legislatures, Funding and Policy Choices in a Changing Fiscal Environment (July 2003), available at <http://www.ncsl.org/legis/cyf/ccfinance.pdf>, citing Anne Mitchell, Louise Stoney & Harriet Dichter, *Financing Child Care in the United States: An Expanded Catalog of Current Strategies* 50 (2001).

⁵⁸ Id., citing *Georgia Lottery*, at <http://www.galottery.com/lottery/usesofp.htm>.

⁵⁹ Clothier, et al, Op cit.

⁶⁰ Arkansas Better Chance Program, An Overview of Public Pre-K in Arkansas (Aug. 1, 2005), available at <http://www.arkansas.gov/childcare/ABCPresentation-ASUECConfSumm05.ppt#256,1,Slide 1>.

million a year.⁶¹ In addition to the beer tax, the ABC program receives substantial additional funding from the Arkansas General Assembly, and operates with an annual budget of approximately \$70 million.⁶² Some states have explored similar taxes on other products such as junk food or soda to pay for child care services.⁶³

10. Gaming Fees

In 1998, Missouri House Bill 1519 established the Early Childhood Development, Education, and Care Fund from a percentage of riverboat gaming fees.⁶⁴ This legislation set aside funding to increase the capacity of, and access to, quality early childhood programs for all Missouri families. The funds are distributed through grant programs, certificates for families, and an increase in state child care subsidies for child care programs accredited by a recognized accrediting organization

11. Additional Alternative Funding Sources

a. Arizona Early Childhood Development and Health Initiative

In 2006, Arizona voters approved Proposition 203 (2006), entitled the Arizona Early Childhood Development and Health Initiative.⁶⁵ It establishes an Early Childhood Development and Health Fund, consisting of revenues generated by an increase in the state tax on tobacco products, including an \$0.80 cent tax on cigarettes.⁶⁶ In fiscal year

⁶¹ BNET Research Center, *Arkansas Boosts Beer Tax to Pay for Programs*, at http://findarticles.com/p/articles/mi_m3469/is_17_52/ai_74942300 (Apr. 22, 2001).

⁶² Arkansas Better Chance Program, *An Overview of Public Pre-K in Arkansas* (Aug. 1, 2005), available at <http://www.arkansas.gov/childcare/ABCPresentation-ASUECConfSumm05.ppt#256,1>, Slide 1

⁶³ See, e.g., California Senate Bill 1520 (2002) (tax on junk food for obesity prevention in children), available at http://www.leginfo.ca.gov/pub/01-02/bill/sen/sb_1501-1550/sb_1520_bill_20020220_introduced.pdf.

⁶⁴ Missouri Department of Social Services, *Early Childhood Grants and Resources*, at <http://www.dss.mo.gov/cd/early/> (last visited Oct. 29, 2007).

⁶⁵ See Arizona Office of the Secretary of State, 2006 Ballot Measures, *An Initiative Measure, Arizona Early Childhood Development and Health Initiative*, at [http://www.azsos.gov/election/2006/General/BallotMeasureText/PROP203\(I-16-2006\).pdf](http://www.azsos.gov/election/2006/General/BallotMeasureText/PROP203(I-16-2006).pdf) (last visited Oct. 3, 2007).

⁶⁶ Id., see also *Arizona Early Childhood Development Health Board*, at <http://www.azleg.gov/jlbc/08recbk/ecdb.pdf> (last visited Oct. 31, 2007).

2007, the tax generated an estimated \$109,814,700.00 for use by the Early Childhood Development and Health Fund.⁶⁷

The Arizona Early Childhood Development and Health Initiative provides funds for early childhood development and health services for children aged 5 and under, including early childhood development programs, parent and family support programs, provider professional development, and preventive health care and health screenings. Funding will be distributed based on the population of children aged 5 and under, the number of families with incomes less than 100 percent of federal poverty, and other considerations. It also establishes a board appointed by the Governor, with the consent of the State Senate, that will distribute funding in collaboration with regional partnerships throughout the state.⁶⁸

b. Nebraska Constitutional Amendment 5

In 2006, Nebraska citizens and the Nebraska legislature approved an amendment to the state's constitution that permitted the use of education funds dedicated for usage by public schools, known in Nebraska's common schools, to be used for early childhood education, including for children from birth to kindergarten age.⁶⁹ The amendment creates an early childhood education endowment fund and allocates \$40 million of perpetual school funds to the endowment fund. It requires private funding of \$20 million to be committed by 2011, and it only permits interest or income to be used for early childhood education programs.⁷⁰

⁶⁷ *Arizona Early Childhood Development Health Board*, at <http://www.azleg.gov/jlbc/08recbk/ecdb.pdf> (last visited Oct. 31, 2007).

⁶⁸ See e-mail from Julie Poppe, National Conference of State Legislatures, to Michael O'Grady, Vermont Legislative Council, regarding Child Care Policy Information (Oct. 26, 2007) (on file with Vermont Legislative Council); see also Arizona Office of the Secretary of State, *2006 Ballot Measures, An Initiative Measure, Arizona Early Childhood Development and Health Initiative*, at [http://www.azsos.gov/election/2006/General/BallotMeasureText/PROP203\(I-16-2006\).pdf](http://www.azsos.gov/election/2006/General/BallotMeasureText/PROP203(I-16-2006).pdf) (last visited Oct. 3, 2007).

⁶⁹ See Nebraska Constitution Art. VII, Secs. 7-9; see also Nebraska LB 1006 (2006), available at http://srvwww.unicam.state.ne.us/XCVIII/intro/INTRO_LB1006.pdf (last visited Oct. 29, 2007); National Conference of State Legislatures, *Highlights of Early Care and Education Funding Increases in 2006*, at <http://www.ncsl.org/programs/cyf/earlycareedu1106.htm> (last visited Nov. 1, 2007).

⁷⁰ National Conference of State Legislatures, *Highlights of Early Care and Education Funding Increases in 2006*, at <http://www.ncsl.org/programs/cyf/earlycareedu1106.htm> (last visited Nov. 1, 2007).

Appendices

Appendix A

Vermont Child Care Income Eligibility

Child Development Division (CDD)
 Department for Children and Families (DCF)
 Vermont Agency of Human Services (AHS)

Child Care Subsidy Based on Gross Monthly Income and Family Size

% of Subsidy Paid by State	Family Size 3 or fewer	Family Size 4	Family Size 5	Family Size 6 or more
100%	\$1,157.00	\$1,392.00	\$1,627.00	\$1,862.00
99%	\$1,193.00	\$1,436.00	\$1,678.00	\$1,921.00
98%	\$1,230.00	\$1,480.00	\$1,730.00	\$1,980.00
97%	\$1,267.00	\$1,524.00	\$1,782.00	\$2,040.00
96%	\$1,303.00	\$1,568.00	\$1,834.00	\$2,099.00
95%	\$1,352.00	\$1,628.00	\$1,903.00	\$2,179.00
90%	\$1,419.00	\$1,709.00	\$1,998.00	\$2,288.00
85%	\$1,487.00	\$1,789.00	\$2,092.00	\$2,396.00
80%	\$1,560.00	\$1,878.00	\$2,196.00	\$2,515.00
75%	\$1,633.00	\$1,966.00	\$2,299.00	\$2,633.00
70%	\$1,706.00	\$2,055.00	\$2,403.00	\$2,752.00
65%	\$1,780.00	\$2,143.00	\$2,506.00	\$2,871.00
60%	\$1,853.00	\$2,231.00	\$2,610.00	\$2,989.00
55%	\$1,926.00	\$2,320.00	\$2,713.00	\$3,108.00
50%	\$2,000.00	\$2,408.00	\$2,817.00	\$3,227.00
45%	\$2,073.00	\$2,497.00	\$2,920.00	\$3,345.00
40%	\$2,146.00	\$2,585.00	\$3,024.00	\$3,464.00
35%	\$2,220.00	\$2,673.00	\$3,127.00	\$3,583.00
30%	\$2,293.00	\$2,762.00	\$3,231.00	\$3,702.00
25%	\$2,366.00	\$2,850.00	\$3,334.00	\$3,820.00
20%	\$2,439.00	\$2,939.00	\$3,438.00	\$3,939.00
15%	\$2,513.00	\$3,027.00	\$3,541.00	\$4,058.00
10%	\$2,586.00	\$3,115.00	\$3,645.00	\$4,176.00

Appendix B

Vermont Child Care Subsidy Rates

Child Development Division (CDD)
Department for Children and Families (DCF)
Vermont Agency of Human Services (AHS)

Rates indicate 100% subsidy, Effective 7/08/07

Licensed Provider

Type of Care	Infant	Toddler	Preschool	School Age
Part Time - Daily (1 - 5 hrs)	\$14.46	\$14.21	\$12.93	\$12.61
Part Time - Weekly (1-25hrs)	\$72.15	\$71.07	\$64.61	\$63.03
Full Time - Daily (6 - 10 hrs)	\$25.84	\$25.64	\$22.82	\$22.27
Full Time - Weekly (26 - 50 hrs)	\$129.22	\$128.15	\$114.14	\$111.36
Extended Care - Daily (11- 24 hrs)	\$35.32	\$35.11	\$30.81	\$30.05
Extended Care - Weekly (51 - 168 hrs)	\$176.60	\$175.53	\$154.00	\$150.24

Registered Provider

Type of Care	Infant	Toddler	Preschool	School Age
Part Time - Daily (1 - 5 hrs)	\$11.98	\$11.76	\$10.51	\$10.51
Part Time - Weekly (1- 25 hrs)	\$59.88	\$58.83	\$52.53	\$52.53
Full Time - Daily (6 - 10 hrs)	\$20.81	\$20.59	\$17.86	\$17.86
Full Time - Weekly (26- 50 hrs)	\$104.00	\$102.96	\$89.30	\$89.30
Extended Care - Daily (11- 24 hrs)	\$28.79	\$28.57	\$24.37	\$24.37
Extended Care - Weekly (51 -168 hrs)	\$143.93	\$142.88	\$121.87	\$121.87

Legally Exempt Provider

Type of Care	Infant	Toddler	Preschool	School Age
Part Time - Daily (1 - 5 hrs)	\$9.16	\$9.16	\$7.84	\$7.84
Part Time - Weekly (1- 25 hrs)	\$0.00	\$0.00	\$0.00	\$0.00
Full Time - Daily (6- 10 hrs)	\$16.03	\$16.03	\$13.39	\$13.39
Full Time - Weekly (26 - 50 hrs)	\$0.00	\$0.00	\$0.00	\$0.00
Extended Care - Daily (11-24 hrs)	\$22.40	\$22.40	\$18.44	\$18.44
Extended Care - Weekly (51 - 168 hrs)	\$0.00	\$0.00	\$0.00	\$0.00