

# Vermont's Child Care Subsidy Program Expands Access and Reduces Cost

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## Key Findings

- The number of Vermont families receiving child care subsidies increased by 55 percent, rising from 5,059 to 7,851 from July 2022 to May 2025.
- From October 2024 to May 2025, Vermont families participating in the subsidy program spent about 5 percent of their income on child care subsidies, but this varied by families' income.
- Moderate-income families with incomes from 176 to 350 percent of the federal poverty line (FPL) continued to pay a stable amount on child care—about 60 percent of their total child care costs.
- Even with expanded eligibility, most state funding continues to support families with lower incomes.

## Background

In an effort to make child care more affordable, the federal Child Care and Development Fund (CCDF) gives funding to states to provide child care subsidies to families with incomes at or below 85 percent of the state median income.<sup>1</sup> States may also use their own funds to expand subsidy eligibility to more families.

In 2023, Vermont passed Act 76, which gradually expanded child care subsidy eligibility to families with incomes up to 575 percent of the federal poverty level (FPL), thereby extending child care assistance to many families with moderate or higher incomes. For example, a

## Key terms

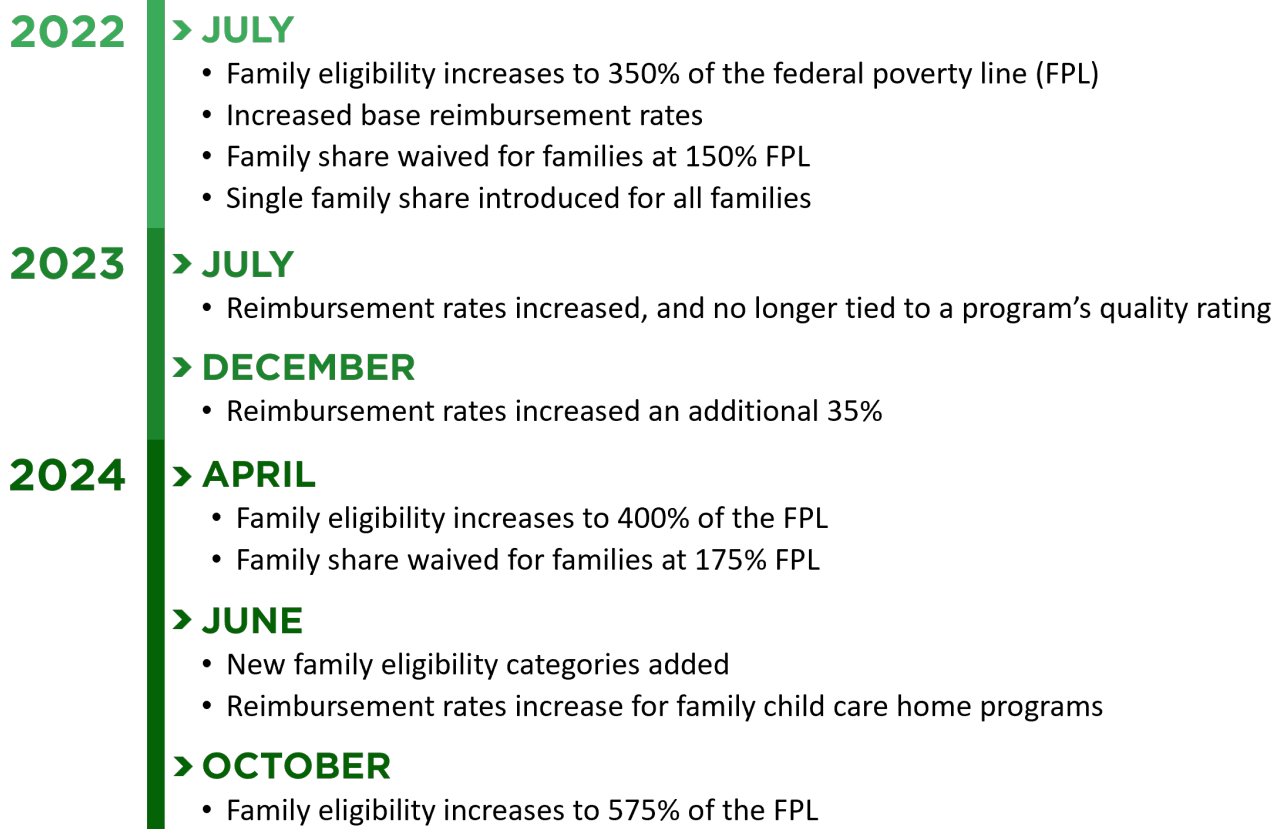
- **Child care subsidies** are a type of financial assistance that make child care more affordable.
- Vermont's child care subsidy program is called the **Child Care Financial Assistance Program (CCFAP)**. Instead of being given money directly, families pay a family share to their child care provider. The state then pays the remainder of the cost directly to the child care provider.
- **Family share** (also called a copayment in many states) is the weekly amount a CCFAP-participating family is responsible for paying toward child care costs. It's based on the family's income, size, and the care arrangement of the youngest child.
- A family's **child care cost burden** is the percentage of a family's gross income that is spent on child care.
- In this brief, **families with lower-level incomes** are defined as families with incomes at or below 175 percent of the FPL. **Families with moderate-level incomes** have incomes between 175 and 350 percent of the FPL, while **families with higher-level incomes** have incomes above 350 percent of the FPL.

household income of about \$172,000 for a family of three in 2024 would be eligible for subsidies.<sup>1</sup> At the same time, families with incomes at or below 175 percent FPL (about \$52,000 for a family of three) can receive subsidies and not be required to pay family share payments, effectively eliminating child care costs for the lowest-income households. Families only pay one family share for all the children in their family. Therefore, families with multiple children see especially large cost savings. Along with increasing reimbursement rates for child care providers,<sup>ii</sup> these changes aim to increase the availability and affordability of child care in Vermont. Figure 1 provides additional details about the policy changes.

These child care policies play a critical role in determining the degree to which care is affordable for families. Understanding how much families pay for child care can help states and territories design family payment structures that balance access to care for families with lower incomes with expanding eligibility to families with higher incomes.

Starting in 2024, Child Trends partnered with Vermont’s Child Development Division (CDD) to explore the effects of these policy changes on families in the state. This brief presents findings from Child Trends’ analysis of CDD data to determine the amount families pay in relation to their gross income—in other words, their child care cost burden. We examined patterns across income groups and analyzed the associated costs to the state.

**Figure 1.** Timeline of Vermont child care subsidy policy changes

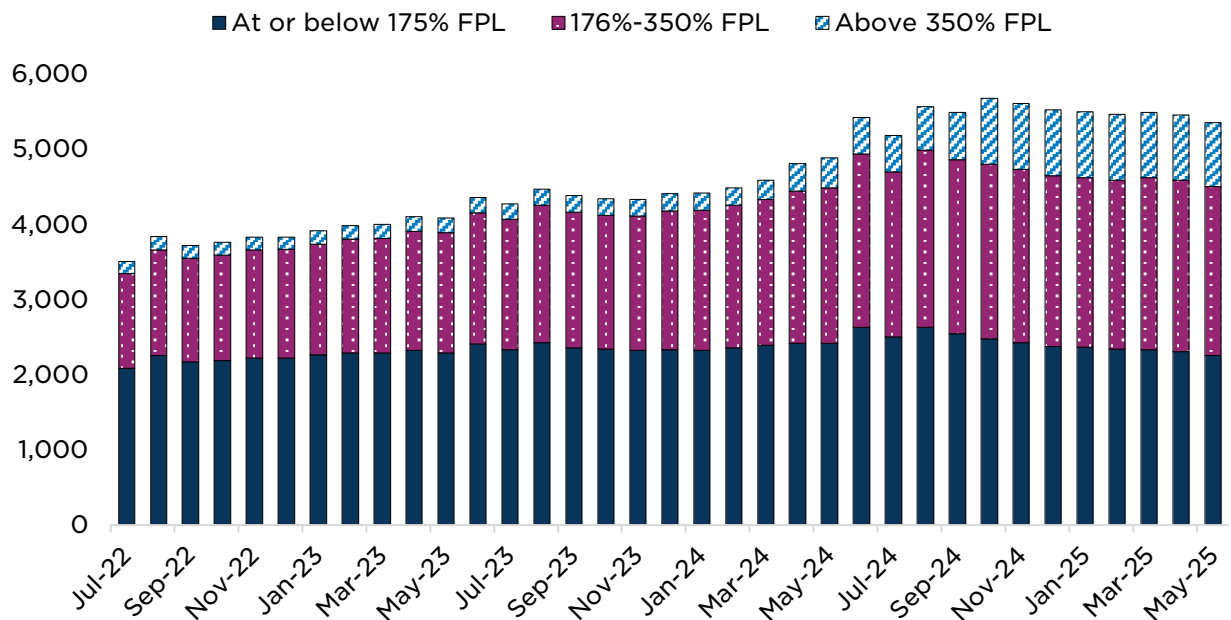


<sup>1</sup> A payroll tax of 0.44 percent was included in Act 76 to support subsidy expansion.

# More Vermont Families Are Now Receiving Subsidies

Previous analyses indicated that, overall, more families in Vermont are accessing child care subsidies.<sup>iii,iv</sup> From July 2022 to May 2025, the number of families receiving subsidies increased by 55 percent from 5,059 to 7,851.<sup>2</sup> As seen in Figure 2, the number of families in each income category grew, with the most notable increase among families with incomes above 350 percent of the FPL who became newly eligible after July 2022. Participation from this group has increased fivefold since eligibility began.

**Figure 2.** Number of Vermont families participating in the subsidy program, by family income



Source: Child Trends analysis of Child Development Division Information System (CDDIS) administrative data

# Most Families Spent a Small Percentage of Income on Child Care

Between October 2024 and May 2025<sup>3</sup>, families' child care cost burden was approximately 6 percent of their total income. This varied greatly based on families' income level (see Figure 3). Families whose gross income was at or below 175 percent FPL had no family share payments (since family share payments were waived for

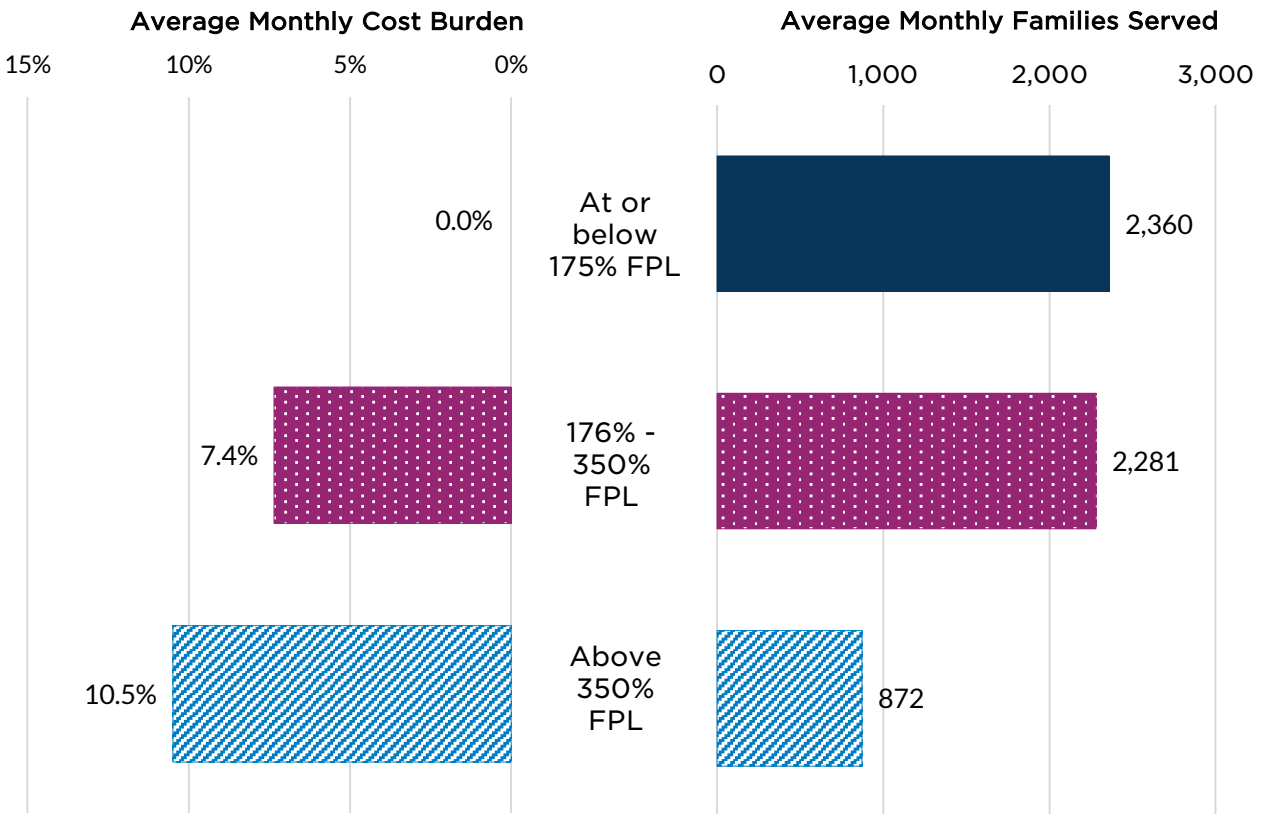
**Lower income families (≤ 175% FPL) no longer have out-of-pocket costs for child care.**

<sup>2</sup> A prior analysis we conducted using a different time frame found a smaller percentage increase. From July 2023 to April 2025, the number of Vermont families receiving a child care subsidy increased by 48 percent. See *Vermont's Child Care Subsidy Expansion Means More Families Have Affordable Child Care* for details: <https://www.childtrends.org/publications/vermonts-child-care-subsidy-expansion-affordable>.

<sup>3</sup> We focus on the period after October 2024 to better capture the child care burden following the eligibility expansion.

families with incomes at or below 175 percent FPL starting in April 2024), and thus had zero percent child care cost burden in this time frame. These families represent about 43 percent of families served in a given month. Moderate-income families (between 176% and 350% FPL) had a child care cost burden of approximately 7 percent. In an average month of this time frame, moderate-income families made up about 41 percent of families served. Higher-income families, who made up approximately 16 percent of families served in this time frame, had the highest child care burden at approximately 11 percent.

**Figure 3.** Average monthly child care cost burden between October 2024 and May 2025, by percent of family income (left) and average monthly families served between October 2024 and May 2025, by family income (right)



Source: Child Trends analysis of Child Development Division Information System (CDDIS) administrative data

# Child Care Costs of Moderate-Income Families Dropped Sharply

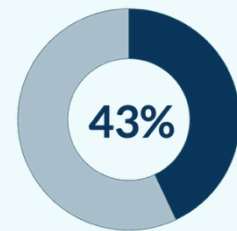
The number of families with moderate incomes receiving child care subsidies doubled between July 2022 and May 2025, following Vermont’s expansion of eligibility and adoption of a single family share policy. Example 1 illustrates that a family with a moderate income can see their out-of-pocket costs fall from about 40 percent of total income to less than 8 percent with the current subsidy structure.

## Example 1: The Jones Family

The Jones Family is a **family of four**—two parents and **two pre-school aged children**. They are a moderate-income family, making **\$7,000 a month** before taxes. Both children attend a **child care center full time**.

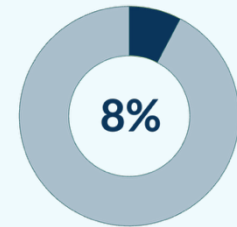
### Child Care Cost Without Subsidies

A typical child care center in Vermont charges \$1,505 per month for a preschooler.<sup>1</sup> This means **the Joneses must pay \$3,010** to send both their children to the center—that’s **43%** of their total monthly income.



### Child Care Cost With Current Subsidy Policy

Vermont child care subsidies allow families to pay a single co-payment based on their income, family size, and youngest child in care. If they received child care subsidies, **the Joneses would pay \$538 a month**<sup>2</sup>—that’s **8%** of their total monthly income.



**Notes:** <sup>1</sup> Market rates are based on the [Vermont Market Rate Survey](#) at the 75th percentile for center-based preschool care. This rate for a preschooler enrolled full time in a licensed program is \$350 per week, or \$1,505 per month ( $\$350 \times 4.3$ ). It is an estimate.

<sup>2</sup> Under the [current policy](#), the weekly share for families of four at 275% FPL is \$125/week, which translates to a monthly share of \$538 ( $\$125 \times 4.3$ ). As of July 2022, Vermont collects a single family share for families with multiple children. Families pay the family share amount only for the youngest child, and nothing additional is charged for other enrolled children.

Families may be subject to additional fees (e.g., the difference between provider rates and state reimbursement rates).

# Families With Relatively Higher Incomes Also Saw Cost Savings

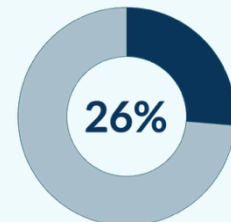
Families with higher incomes (i.e., incomes at or above 350% FPL) became eligible for the subsidy program in July 2022 and eligibility was extended twice more to 400% FPL in October 2024 and then to 575% FPL in October 2024. Prior to these changes, these families were responsible for the full cost of child care. Starting in July 2022, CDD began covering a portion of their child care expenses. Example 2 shows how higher income families benefited from the subsidy program, with their child care cost burden dropping from 26 percent to 15 percent.

## Example 2: The Garcia Family

The Garcia Family is a family of three—one parent, one infant, and one toddler. They are a higher-income family, making **\$12,500 a month** before taxes. Both children attend a **child care center full time**.

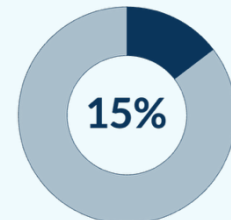
### Child Care Cost Without Subsidies

Child care cost for very young children is higher than for older children, over \$1,600 per month.<sup>1</sup> In total, **the Garcias must pay \$3,290** to send both children to the center—about **26%** of their total monthly income.



### Child Care Cost With Current Subsidy Policy

Families whose income is at 575% of the FPL qualify for child care support in Vermont. Once the Garcias enroll in CCFAP, **they would pay \$1,828 a month**<sup>2</sup>—that's **15%** of their total monthly income.



**Notes:** <sup>1</sup> Market rates are based on the [Vermont Market Rate Survey](#) at the 75th percentile for center-based infant and toddler care. Weekly costs in a licensed program are \$390 for an infant (monthly cost: \$1,677) and \$375 for a toddler (monthly cost: \$1,613). It is an estimate.

<sup>2</sup> Under the [current policy](#), the weekly share for families of three or fewer at 575% FPL is \$425/week, which translates to a monthly share of \$1,828 (\$425 x 4.3). As of July 2022, Vermont collects a single family share for families with multiple children. Families pay the family share amount only for the youngest child, and nothing additional is charged for other enrolled children. Families may be subject to additional fees (e.g., the difference between provider rates and state reimbursement rates).

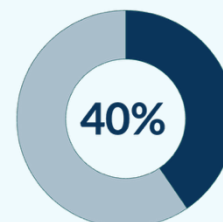
Example 3 illustrates that even a large family with a higher income can see their out-of-pocket costs fall dramatically, from nearly 40 percent of their total income to less than 8 percent. Families with multiple children see especially large cost savings because there is one family share for all children in the family.

### Example 3: The Lee Family

The Lee Family is a **family of six**—two parents **four children, from ages 6 months to 6 years**. They are a higher-income family, making **\$14,000 per month** before taxes. **All children attend a child care center.**<sup>1</sup>

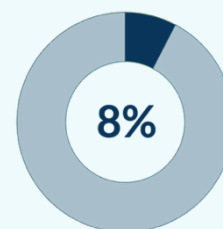
#### Child Care Cost Without Subsidies

Child care costs vary based on age—which means the Lees pay from \$872 to \$1,677 per child for a month of care.<sup>2</sup> In total, **the Lees pay \$5,666 per month for all four children**—that’s **40%** of their total monthly income



#### Child Care Cost With Current Subsidy Policy

Current child care subsidy policy means families pay a single co-payment no matter how many children are in care. With Vermont child care subsidies, **the Lees pay \$1,075 per month on child care.**<sup>3</sup> That’s **8%** of their total monthly income.



**Notes:** <sup>1</sup> The Lee children consist of 1 infant, 1 toddler, 1 preschooler, and 1 school-age child. The youngest three children have full-time, center-based care and the eldest child has part-time, center-based care.

<sup>2</sup> Market rates are based on the [Vermont Market Rate Survey](#) at the 75th percentile for center-based preschool care. Weekly costs for this family in a licensed program are \$390 for an infant (monthly cost: \$1,677), \$375 for a toddler (monthly cost: \$1,613), \$350 for a preschooler (monthly cost: \$1,505), and \$203 for a school-age child (monthly cost: \$872). Costs are an estimate.

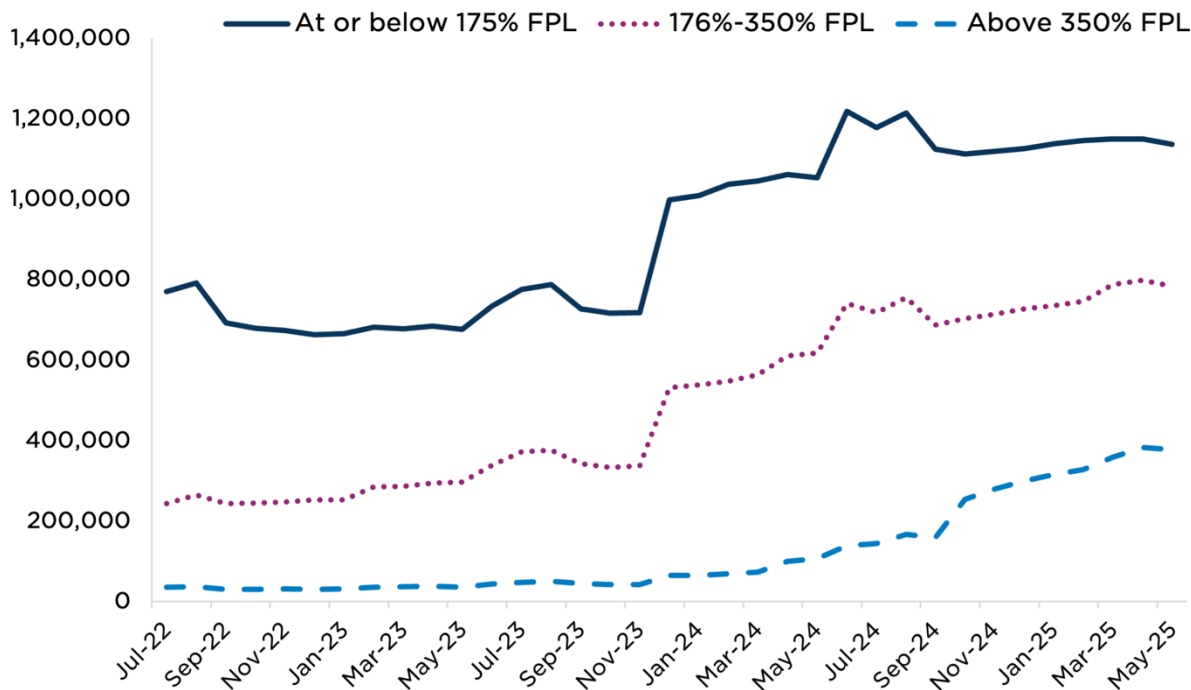
<sup>3</sup> Under the [current policy](#), the weekly share for families of six at 400% FPL is \$250/week, which translates to a monthly share of \$1,075. As of July 2022, Vermont collects a single family share for families with multiple children. Families pay the family share amount only for the youngest child, and nothing additional is charged for other enrolled children. Families may be subject to additional fees (e.g., the difference between provider rates and state reimbursement rates).

## The Majority of CCFAP Funding for Subsidies Supports Families With Lower Incomes

We further examined how state revenues were directed to subsidies by family income level. Although the number of families receiving subsidies has increased substantially among families with higher incomes (Figure 2), most funding support is concentrated among families with lower incomes (Figure 4). Vermont’s tiered family share structure means higher-income families pay more based on their ability to pay and explains why state spending remains concentrated among families with lower incomes.

We also see a large increase in the total amount paid by Vermont due to the increased reimbursement rates paid to providers. As seen in Figure 1, the base reimbursement rate increased in July 2022, leading to more money directed to providers in support of families overall.

**Figure 4.** The total amount paid by the state for families by income level



Source: Child Trends analysis of CDDIS administrative data

## Conclusion

Vermont’s recent policy changes have expanded access to child care subsidies among families while improving affordability for families with lower incomes. Program participation grew by more than 55 percent from 2022 to 2025, driven largely by newly eligible families with incomes above 350 percent of the FPL. Despite this growth, from July 2022 to May 2025, the overall average cost burden for participating families remained low, at approximately 4 percent of income spent on child care.

The family share waivers for families with lower incomes reduce financial strain due to child care costs. At the same time, many families with moderate and higher incomes **also** experienced declines in their out-of-pocket child care costs, benefiting from expanded eligibility and the single family share. Although participation in CCFAP increased among higher-income families, program funding continues to be primarily directed toward families with lower incomes.

Overall, Vermont’s current policy represents a substantial improvement in affordability for participating families. By reducing family shares, simplifying their structure, and reaching more families across income distributions, Vermont has taken important steps toward making child care more accessible and affordable. These changes provide a strong foundation for continued progress in supporting family economic stability.

It also is important to recognize that many families still have burdensome out-of-pocket costs for child care in the state. While Act 76 expanded affordability for many families, some families at the highest income levels who are eligible still have a higher cost burden. Families who are just over the subsidy eligibility threshold have cost burdens that are especially large because they are so close to eligibility. Families with preschool age children who are not eligible for subsidies experience some relief because they are eligible universal pre-K, but that only offers care for 10 hours per week for 35 weeks per year. Accordingly, families with infants and toddlers who are just over the income eligibility threshold tend to have the highest child care cost burdens.

Vermont's experience offers important insights for other states considering child care subsidy reforms. Expanding eligibility while simultaneously waiving family shares for families with the lowest incomes can improve access without undermining affordability. Vermont's single family share further demonstrates how policy design can lower out-of-pocket costs for larger families and encourage participation. However, some higher income families who are eligible will still be paying high costs for child care. These strategies may be particularly relevant for states seeking to expand subsidy reach while maintaining a focus on affordability for families with lower incomes when states do not have the ability to expand access universally.

## Methods

- We used Vermont's CDD application and certificate (approved subsidy) data from families during the period of July 2022 to May 2025.
- The analysis was limited to income eligible families and excluded families receiving subsidies due to special needs, protective services, or participation in Reach Up.
- We conducted descriptive analyses to examine changes in families' child care cost burden.
- Cost burden was calculated for each family for each month they received subsidies and then averaged at the family level.
- We disaggregated our sample to explore potential effects of income level.
- Family payments only included the family share. If a provider charges more than the state reimbursement rate, the family would have to pay the difference. Thus, child care costs and burden presented here are the minimum family would pay.

# Acknowledgments

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## More about this research partnership:

Child Trends, Building Bright Futures (BBF), and Vermont’s Child Development Division (CDD) are collaborating on a four-year research partnership to understand the implementation and effects of recent changes to CCFAP on families and early care and education (ECE) providers across Vermont. For more information on this project, visit our project website: <https://www.childtrends.org/project/understanding-changes-to-child-care-policies-in-vermont>

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<sup>i</sup> First Five Years Fund. (n.d.). *Child Care & Development Block Grant (CCDBG)*. <https://www.ffyf.org/policy-priorities/ccdbg/>

<sup>ii</sup> Richards, K., Amadon, S., Banghart, P., & Tang, J. (2025). *Vermont policy changes associated with increase in supply of child care*. Child Trends. DOI: 10.56417/9497t530a

<sup>iii</sup> Richards, K., Amadon, S., Banghart, P., & Tang, J. (2025). *Vermont policy changes associated with increase in supply of child care*. Child Trends. DOI: 10.56417/9497t530a

<sup>iv</sup> Amadon, S., Banghart, P., Richards, K., & Schaefer, C. (2025). *Vermont’s child care subsidy expansion means more families have affordable child care*. Child Trends. <https://www.childtrends.org/publications/vermonts-child-care-subsidy-expansion-affordable>