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Recent Trends in Vermont Childcare: A Decrease in Capacity, Increases in Cost and Quality, and Policy Responses

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Paid childcare enables parents to have jobs and is often cited as a key determinant of the level at which women participate in formal labor markets (Morrissey 2017). Because mothers traditionally bear a larger share of childcare responsibilities (Glynn 2018), their labor market participation rate is lower than the rate of fathers and is disproportionately affected by childcare considerations.¹ In fact, female labor force participation has been shown to be lower in so-called “childcare deserts,” defined by Davis et al. (2019) and Malik et al. (2020) as areas with a limited supply of childcare relative to the child population. Before the COVID-19 pandemic, middle-income communities, poorer rural areas, and predominantly Hispanic neighborhoods had the lowest levels of childcare capacity relative to the estimated demand.

Many parents voice their concerns about the unaffordability of childcare services, and their concerns seem to have merit. For example, according to the Conference Board (2024), the price of center-based infant care in 2022 exceeded 15 percent of the state median income in 39 states.² At the same time,

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Key Takeaways



The number of home-based childcare providers in Vermont has significantly decreased, resulting in an overall loss of capacity for infants and toddlers.



A long-term decline in Vermont’s child population has partially mitigated the impact of the reduced childcare capacity, but changes in childcare capacity and child population vary across counties.



Partly due to a decrease in home-based providers, average childcare costs have risen, and state ratings of quality have improved.



Vermont policymakers have recently increased subsidies to childcare providers and families in need to make childcare more accessible and affordable.

childcare workers, most of whom are women, earn very low wages.³ Childcare businesses experience relatively higher rates of worker turnover and, with slim operating margins, many of them fail.⁴ Therefore, it is important to consider supply and demand for childcare services together when evaluating potential public policies.⁵

This Regional Brief focuses on childcare capacity in Vermont, specifically on childcare for children under school age.⁶ We find that the number of home-based childcare providers in Vermont has decreased significantly over time, resulting in fewer spots for infants and toddlers. A reduction in the state's child population has only partially offset the capacity decline. Because home-based providers are usually more affordable but tend to have lower state ratings for quality compared with childcare centers, the decrease in home-based childcare has led to a higher average childcare cost and, according to the ratings, improved childcare services over time. Partly in response to these changes, policymakers in Vermont have recently adopted reforms to make childcare more accessible and affordable. They increased the reimbursement rate to childcare providers, especially home-based ones, and expanded the eligibility for families to receive childcare subsidies.

Licensing Data Offer Information on Providers' Capacity and Quality

We base our analysis on licensing data from the Vermont Department for Children and Families for the 2012–2023 period.⁷ This data set includes information on all licensed childcare providers in Vermont for each year.⁸ Due to a lack of data, our analysis does not include childcare providers who do not require a license, such as children's relatives, nannies, babysitters, or license-exempt providers affiliated with public school districts or religious organizations.

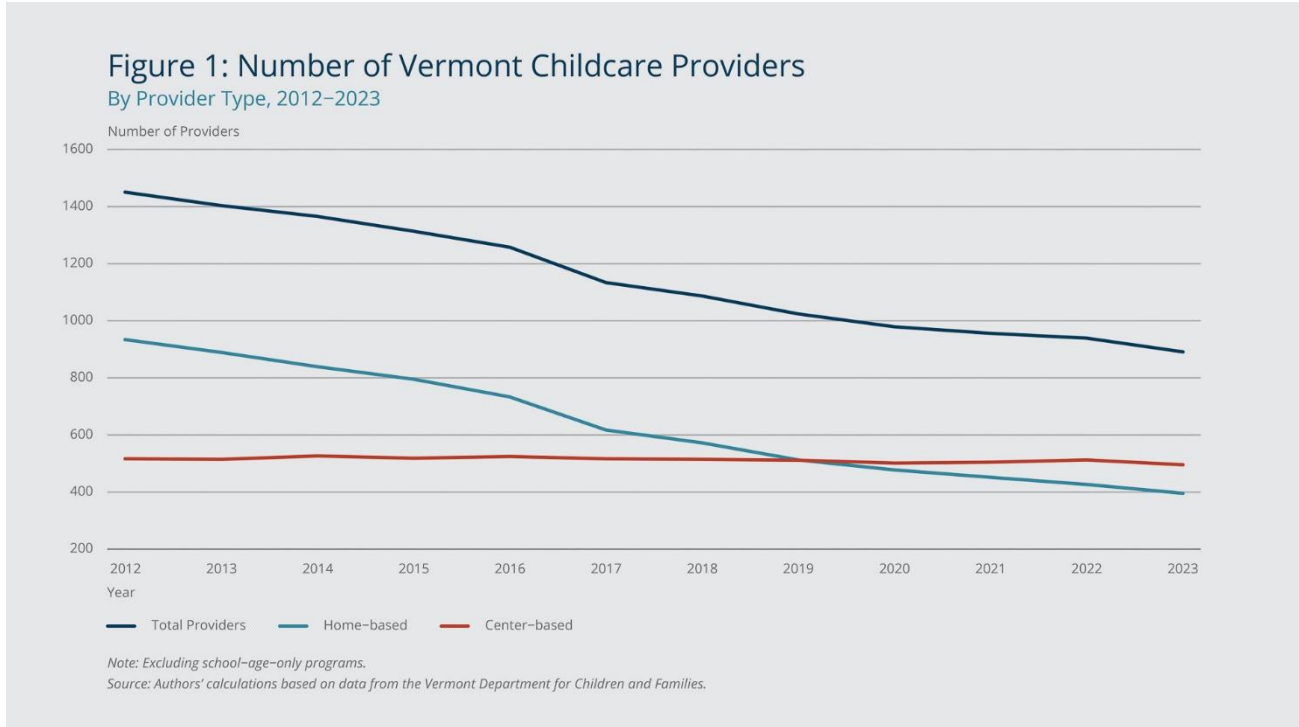
The state categorizes licensed childcare providers into 10 program types, which we group into two broad categories: center-based and home-based.⁹ The state approves a capacity for each license based on factors such as provider type, facility space, and the number of staff members. Capacity is defined as the maximum number of children allowed on the premises at any given time. Whereas many states set only a total capacity for each license, Vermont also specifies capacity by age group—infant, toddler, preschool, and school-age—for each licensed provider.¹⁰ To focus on childcare for children younger than school age, we exclude from our analysis providers that serve only school-age children, almost all of which are after-school programs. We also remove the school-age capacity from the total capacity for each provider.

In addition to providing information on capacity, the licensing data include state ratings of childcare quality for recent years. In 2016, Vermont began implementing a five-tier rating system known as STARS: STep Ahead Recognition System. The highest rated providers receive five stars, and the lowest receive one. Through 2023, the state based its assessments on five factors: regulatory history, staff qualifications and training, families and community, program practices, and administration.¹¹ In 2023, the state launched the STARS Revision Project, which is intended to simplify the rating system and reduce providers' burden by replacing the five factors with three: adult–child interactions, family and youth engagement, and responsive practices.¹² Following the STARS system's initial phase-in period, most licensed providers have received a rating each year since 2019.

A Significant Decrease in Home-based Childcare Providers

The number of licensed childcare providers in Vermont has declined significantly since 2012, primarily due to a decrease in home-based providers (Figure 1).¹³ By 2023, the state had seen a nearly 60 percent drop in home-based providers. By contrast, the number of center-based providers has remained relatively stable. As

a result, center-based providers have outnumbered home-based providers since 2019, despite the fact that in 2012, nearly two-thirds of the state’s providers were home-based.



All Vermont counties experienced a loss of home-based providers from 2012 to 2023, though to varying degrees. The decline ranged from 28 percent in Orleans County to 86 percent in Grand Isle County. If we exclude Chittenden County, the home of Burlington and a consistent outlier due to its significantly larger population and greater population density, we find that counties with a greater population density or a larger under-age-5 population density tended to lose a larger percentage of their home-based providers.

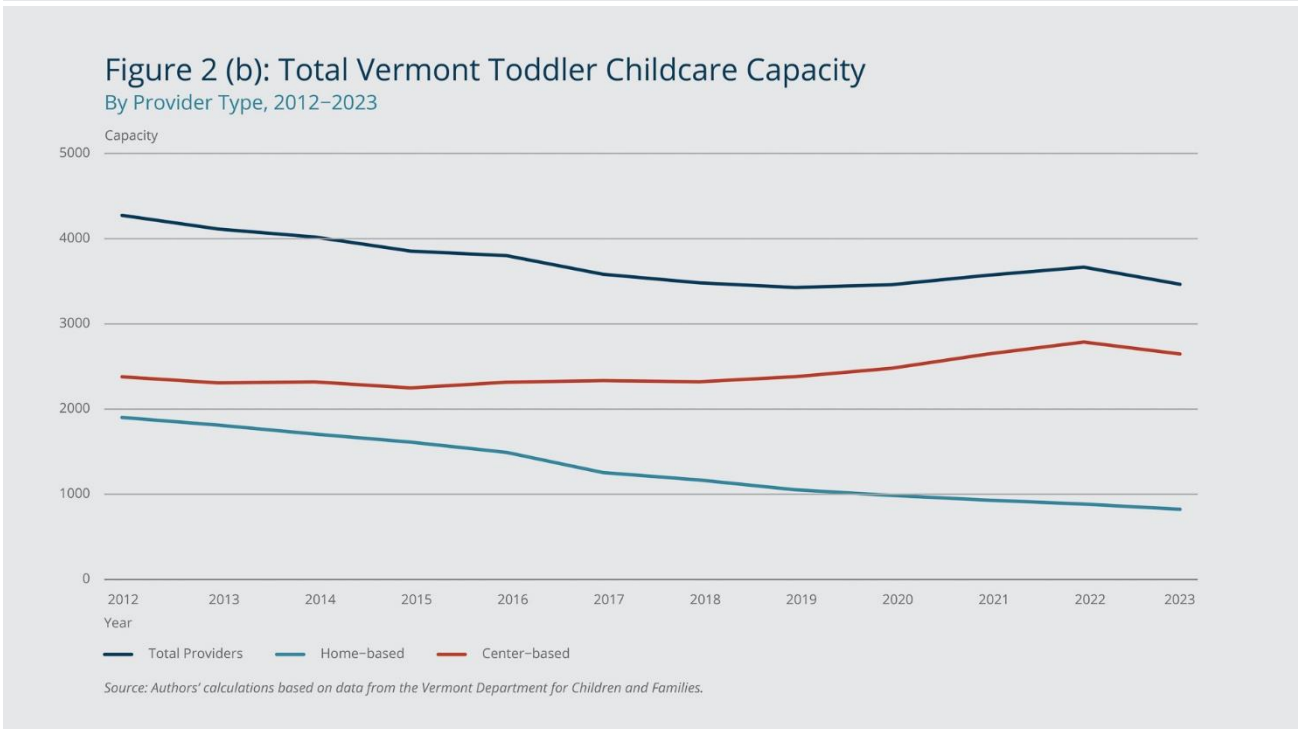
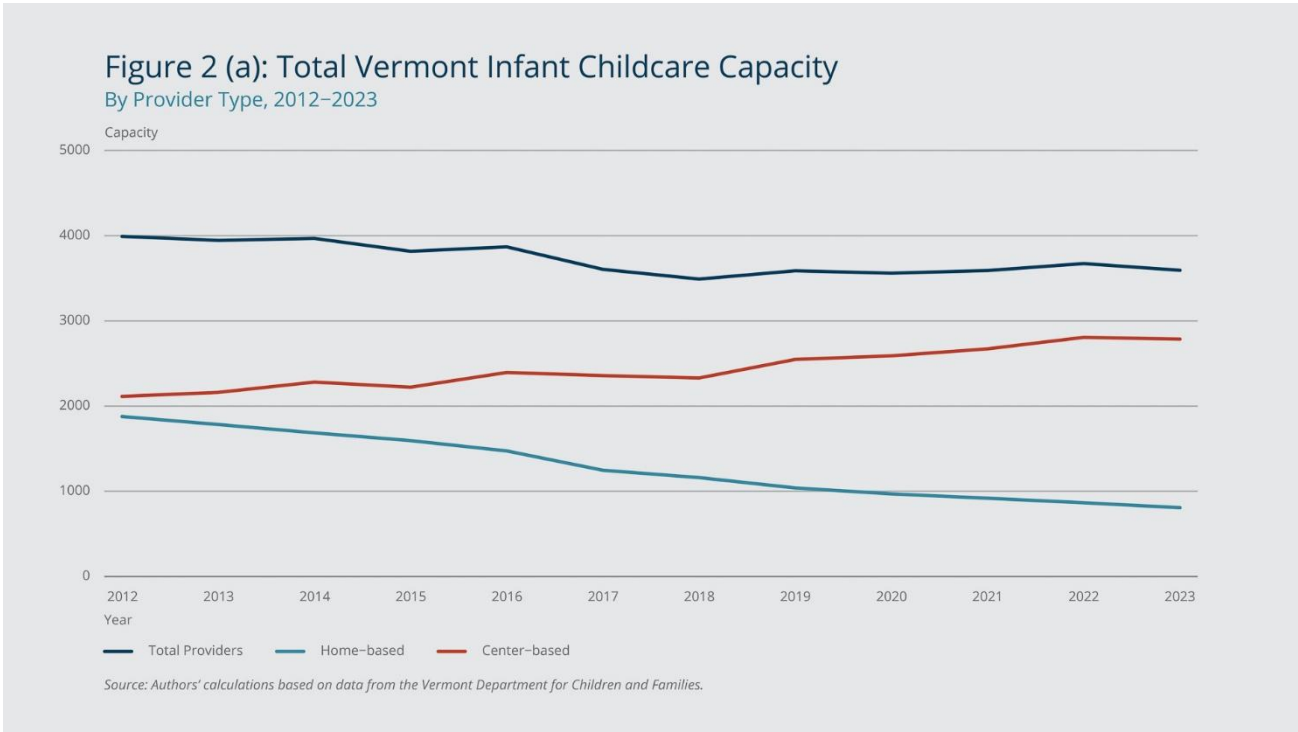
Fewer Slots for Infants and Toddlers

During the 2012–2023 period, statewide infant and toddler capacity decreased 10 percent and 19 percent, respectively (Figures 2a and 2b). The Infant and toddler capacity supplied by home-based providers declined nearly 60 percent, which is in line with the decrease in the number of home-based providers. Increases in center-based providers’ infant (32 percent) and toddler (11 percent) capacity partially offset those losses.

The increase in center-based providers’ capacity was not due to an increase in the number of center-based providers; that number was relatively stable during this period. Rather, it was due to an increase in the average size of centers, which grew from 4.1 approved slots for infants in 2012 to 5.6 in 2023.

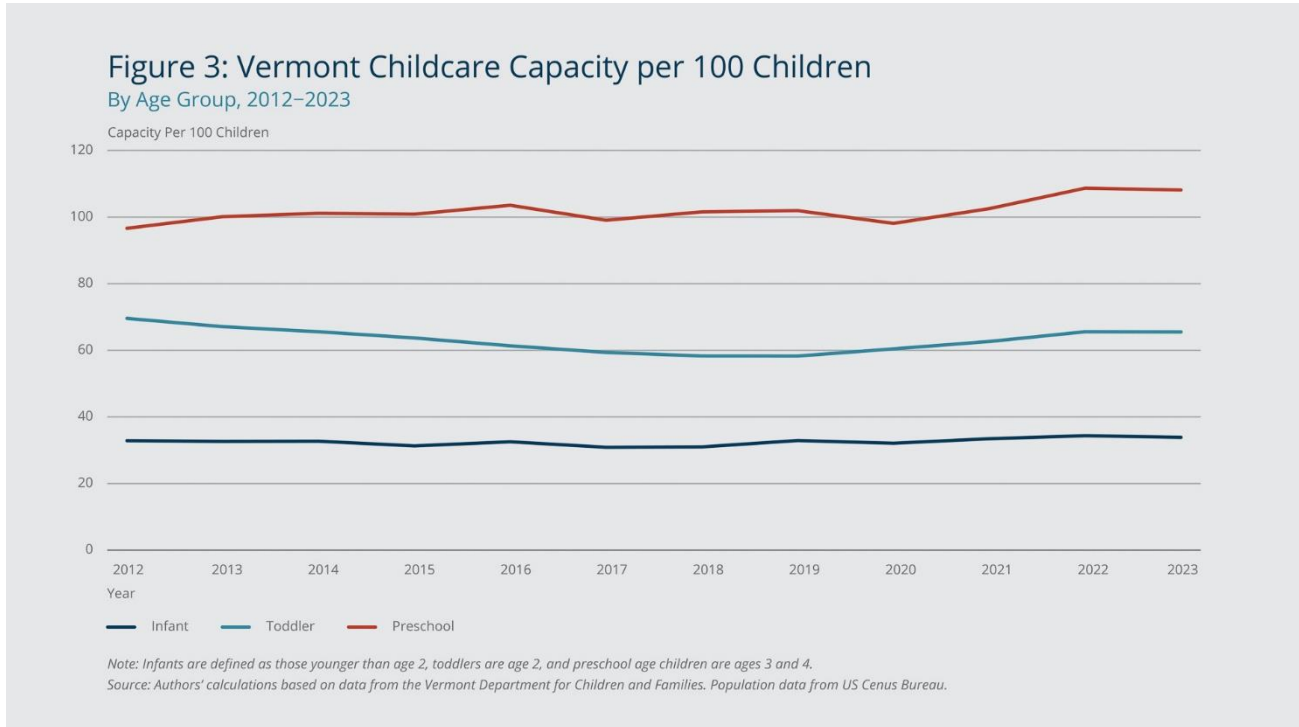
By contrast, statewide preschool capacity (not shown in the exhibits) increased during the 2012–2023 period, though by only about 1 percent. The increase was driven by the growing size of centers: the average preschool capacity per center increased from 20 in 2012 to 23 in 2023. Compared with home-based providers, centers tend to be more specialized in preschool care. Vermont allows centers to have a staff-to-child ratio of 1:10 for preschoolers. That ratio is much lower than the staff-to-child ratios allowed for infants and toddlers, which are 1:4 and 1:5, respectively.

The lower staff-to-child ratio affords the potential for a higher profit margin. As a result, centers have dominated the preschool segment of the childcare market for at least the last decade. In 2012, centers collectively offered preschool capacity that was more than five times larger than the preschool capacity of home-based providers.



A Decline in Vermont’s Child Population

Vermont’s child population has been declining since the early 1990s. During our study period of 2012 through 2023, the population of children under age 5 dropped nearly 12 percent. As Figure 3 shows, Vermont’s toddler daycare capacity per 100 toddlers decreased, while infant and preschool daycare capacity increased relative to the number of children in those age groups. Nevertheless, infant care remained scarce, with fewer than 40 slots available for every 100 infants in 2023.



The change in capacity per 100 children varies significantly across counties, as each experienced different changes in childcare capacity and child population. Of the state’s 14 counties, five saw a drop in the capacity per 100 children (Figure 4).¹⁴ With the exception of Essex County, in each of those counties, the decline in capacity was larger than the decline in the child population. In Essex County, which has the lowest population density in the state, the child population increased while the childcare capacity decreased.

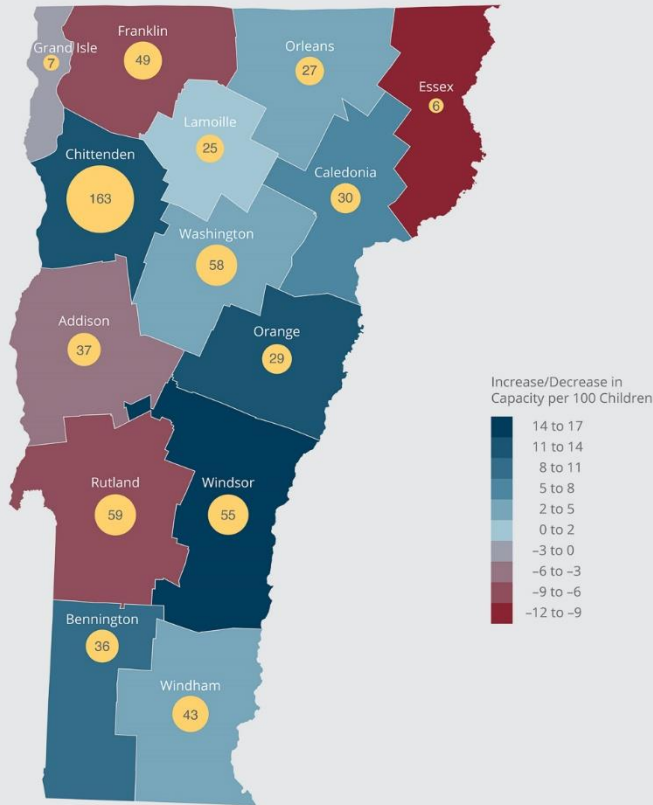
Higher Cost and Higher State-rated Quality of Childcare

With a shrinking pool of home-based providers in Vermont, many parents have no choice but to send their children to centers instead. These parents usually face higher childcare costs because centers tend to charge significantly more than home-based providers. According to the 2019 Vermont Child Care Market Rate Survey and Cost of Care Report, the mean market rates for full-time infant, toddler, and preschool care at centers were 51 percent, 50 percent, and 42 percent higher, respectively, than the corresponding rates of home-based providers.

As the cost of childcare has risen, so too has the quality, according to state ratings. The share of four-star and five-star recipients among the rated providers increased from 52.5 percent in 2019 to 56.6 percent in 2023, partly because centers have assumed a larger role in Vermont’s childcare sector. Note that more than 80 percent of the rated centers received a four-star or five-star mark in 2023 (Figure 5). By contrast, only 27

Figure 4: Change in Vermont’s Under-school-age Capacity per 100 Children, 2012 to 2023

By County, with 2023 Population in Thousands (in Yellow Circles)

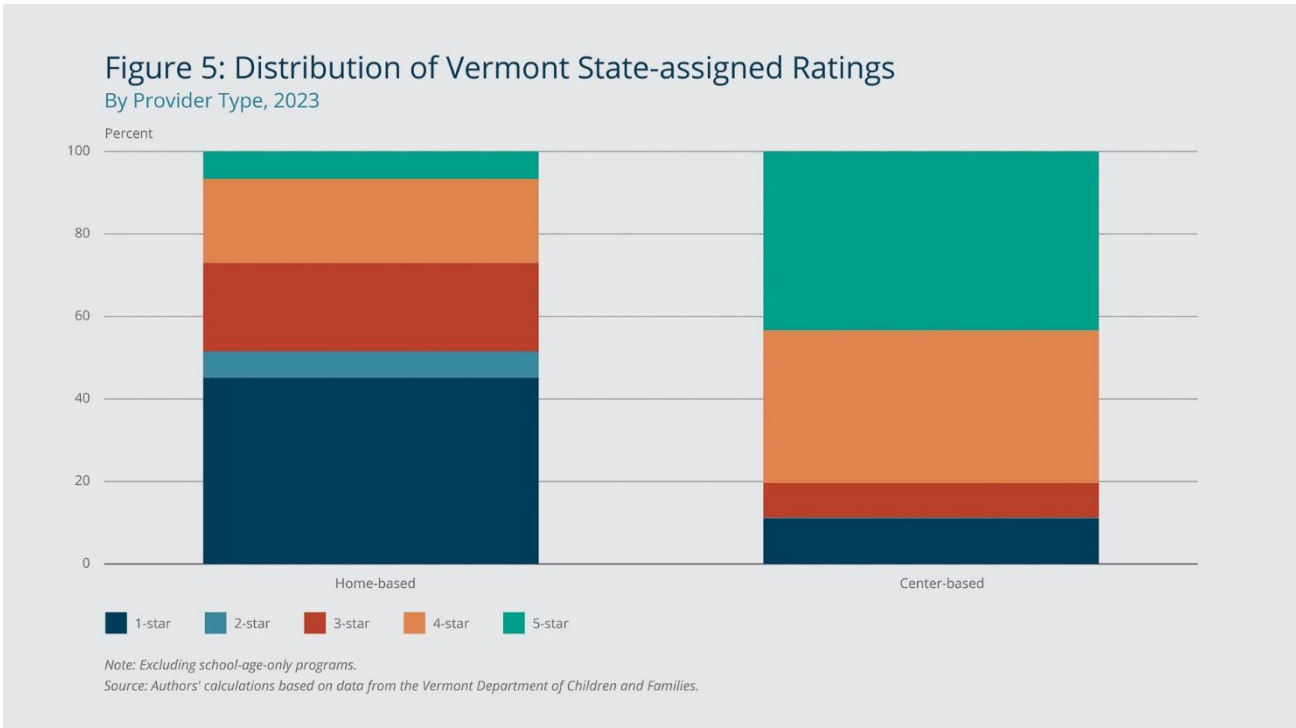


Note: Under-school-age capacity per 100 children is equal to 100 times the sum of infant, toddler, and preschool capacity divided by the number of children younger than age 5. The number in each yellow circle denotes the 2023 population (in thousands) of the respective county. The size of the circle increases with the population. Source: Authors' calculations based on data from the Vermont Department for Children and Families. Population data from the US Census Bureau.

percent of the assessed home-based providers were rated as four-star or five-star programs. About half of the rated home-based providers received only one star or two stars that year. Centers typically have formalized curriculum, staff with college degrees in early childhood development, and, compared with home-based providers, more resources to meet state standards.

Efforts to Increase Childcare Affordability and Availability

Recent trends in Vermont indicate that its childcare sector has moved away from home-based programs to center-based providers, which could have negative implications for the availability and affordability of childcare. Infant and toddler care capacity has become more constrained, as the loss of home-based capacity was only partially offset by the increase in center-based capacity. Areas that do not have the population and/or the income to support a center might even be left without the provision of group childcare. Childcare affordability could also become a more salient issue because families with young children have fewer home-based providers to choose from, and centers tend to charge parents significantly higher prices than home-based providers.¹⁵



The 2018 “Child Care and Prekindergarten Capacity Baseline Report” for the Vermont Legislative Joint Fiscal Office (Barrett and Wexler 2018) highlighted that the decline in home-based providers at the time was due mostly to older providers leaving the market and fewer new entrants. Why the lack of replacements? Potential home-based providers face several significant entry barriers. For example, they may receive substantial resistance from landlords (concerned about potential wear and tear of their properties) and homeowner associations (due to possible noise and traffic implications). In addition, as housing becomes increasingly unaffordable, the inability to own or rent a suitable property might further impede home-based providers from entering the sector. Furthermore, rising insurance costs and onerous requirements and regulations are often cited as reasons for childcare business closures. Regulation likely also affects entry into the sector. According to the Institute for Justice, Vermont is ranked as the 17th most burdensome state to obtain a home-based childcare license.¹⁶

Vermont’s legislators are aware that in the current environment both parents and providers suffer,¹⁷ and accordingly, they have taken several policy actions. Since 2018, Vermont has operated the Make Way for Kids: The Infant and Toddler Capacity Building Grant Program, which directs grants to home-based providers.¹⁸ More recently, in 2021, Vermont Governor Phil Scott signed into law Act 45 (H.171),¹⁹ which funded studies on how to make childcare more accessible and affordable. Those studies led to the formulation of Act 76 (H.217),²⁰ which became law in June 2023. Some components of the law benefit childcare providers directly. For example, in January 2024, the state increased the reimbursement rate to all childcare providers by 35 percent. In July 2024, the state further increased the reimbursement rate to home-based providers, providing an additional amount equal to half of the difference between previous home-based and center-based programs’ reimbursement rates.

Other parts of ACT 76 expand the eligibility for families to receive childcare subsidies. In April 2024, the family income cap for subsidy eligibility increased from 350 percent to 400 percent of the federal poverty level (FPL).

It was scheduled to increase again, to 575 percent of the FPL, in October 2024. In addition, the state made the subsidy application easier to understand and more accessible to families.

The state's support for childcare providers and families should help improve the availability, affordability, and quality of childcare, which, in turn, should benefit parents and Vermont's economy.

Endnotes

1. For instance, in February 2020, just before the onset of the COVID-19 pandemic, the gender gap in labor force participation for individuals aged 25 to 54 with children in their households was roughly 19.5 percentage points, as 93.8 percent of fathers participated in the labor market compared with 74.3 percent of mothers. By contrast, the gender gap for individuals in this age group without children in their households was notably lower, at about 6.1 percentage points. Data are from the Current Population Survey, as reported in Luengo-Prado (2021). Also, Savage and Robeson (2022), through interviews with some Massachusetts mothers, document the compromises and sacrifices that mothers make when deciding on childcare.
2. Care.com publishes an index (<https://www.care.com/care-index>) that compares cost, availability, and quality of paid childcare (nannies, centers, and home-based providers) across the nation. It estimates that the average cost of paid childcare relative to median income across the nation is 31 percent.
3. Data from the Quarterly Workforce Indicators (QWI) for the second quarter of 2023 show that 89.8 percent of Vermont childcare workers were women and that they earned about \$2,800 a month, or 54.8 percent of Vermont's average worker earnings.
4. According to QWI data for the second quarter of 2023, turnover in Vermont's childcare sector was 12.3 percent, well above the 8.3 percent average rate for all of the state's economic sectors combined.
5. See Savage (2019) for a comprehensive summary of the shortcomings of licensed early childcare in the United States.
6. School-day length (Ruppanner, Moller and Sayer 2019) and summer breaks (Price and Wasserman 2023) have been shown to affect female labor force participation.
7. The Vermont Department for Children and Families also provided 2010 and 2011 data. However, because the state did not collect providers' street address information for those two years, we excluded that time period from the study period.
8. To generate each year's licensing data, the Vermont Department for Children and Families includes all providers with an unexpired license at any time during the month of December of that year.
9. Center-based providers all follow Vermont's Childcare Licensing Regulations: Center Based Child Care and Preschool Programs. Home-based providers all follow the state's Childcare Licensing Regulations: Registered and Licensed Family Child Care Homes.
10. For the purpose of our analysis, an infant is defined as a child younger than 24 months, a toddler is a child 24 to 35 months old, a preschool child is 36 months to 59 months old, and a school-age child is 60 months old or older. Due to the arbitrary school-age cutoff for school enrollment (the month of September), some children older than 5 are still in preschool.
11. See National Center on Early Childhood Quality Assurance, Quality Recognition and Improvement System (QRIS) Resource Guide, "Vermont," webpage, <https://ecquality.acf.hhs.gov/states/vermont>.
12. For more information about the revisions, see Vermont Department for Children and Families, "STARS: Step Ahead Recognition System," webpage, <https://dcf.vermont.gov/cdd/providers/care/STARS>.

13. There are several explanations for why, according to Figure 1, the COVID-19 pandemic did not have a significant impact on licensed childcare providers. First, we may have overestimated childcare supply due to the limitations of the state licensing data. The data do not provide information on whether a provider was open and how many children a provider actually enrolled at any given point in time. It is possible that many licensed providers were closed during the pandemic despite having an unexpired license. Providers could afford to shut down due to government support from the Paycheck Protection Program and pandemic-related childcare grants. Second, the pandemic's impact is further diluted in the figure because the data for 2020 provide a snapshot as of December 2020, not March and April 2020, the peak of the pandemic. However, the Conference Board (2024) finds that the childcare industry experienced only a minor contraction nationwide during the early pandemic period.
14. Among counties where the capacity per 100 children grew, three (Chittenden, Orange, and Windsor) saw an increase in capacity but a decrease in the child population. Six other counties saw a decline in both capacity and the child population, with the former smaller than the latter.
15. Childcare workers likely have benefitted from this structural change. According to QWI data, employment in Vermont's childcare sector grew 3.7 percent from 2019 to 2023. Earnings grew 31 percent, and turnover decreased about 2 percentage points during that period. Employment and earnings growth in the childcare sector outpaced that of other sectors, and overall turnover in the Vermont economy did not decline from 2019 to 2023.
16. See Institute for Justice, "Child Care Home, Family Licensing," webpage, <https://ij.org/report/license-to-work-3/tw-occupation-profile/child-care-home-family/>.
17. See Alison Novak, "Vermont's Childcare System Isn't Working for Providers or Parents. They Hope Help Is on the Way," *Seven Days*, January 11, 2023.
18. For more details about these grants, see First Children's Finance, "Planning Grants," webpage, <https://www.firstchildrensfinance.org/vermont-grants/>.
19. See Vermont Act No. 45 (H.171), 2021, <https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT045/ACT045%20As%20Enacted.pdf>.
20. See Vermont Act 76(H.217), 2023, https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT076/ACT076%20As%20Enacted.pdf?_gl=1*1x0aroh*_ga*ODg5MTA4MTIxLjE3MjYxNjQ2OTg.*_ga_V9WQH77KLW*MTcyNjlzODU2MS4yLjEuMTcyNjlzODY4NC4wLjAuMA.

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