



November 2023

## 2023 Roadmap Snapshot: Variation in Child Care Subsidy Policies Across States

Our [2023 Prenatal-to-3 State Policy Roadmap](#) provides detailed information on child care subsidies and several other evidence-based state policies impacting the prenatal-to-3 system of care. By providing financial assistance to help with child care expenses for families as parents work or pursue education or training, child care subsidy programs can positively impact child and family well-being and the health of the workforce and economy. Though subsidy programs are funded through a combination of federal and state funds, states have considerable flexibility in how they choose to implement their programs.

### What are the Key Policy Levers for Child Care Subsidies?

[State policy choices](#) on income eligibility thresholds, family copayments, and provider reimbursement rates significantly impact the degree to which families with low incomes are able to access and use subsidized child care. State leaders may consider the following:

- 1 EXPANDING ACCESS** to subsidy programs by setting **eligibility thresholds at or above 85% of the state median income (SMI)**. States are permitted to set thresholds up to 85% of the SMI using federal funds, and could choose to expand eligibility past that threshold using state funds.
- 2 IMPROVING AFFORDABILITY** by following federal guidance that suggests that **states limit family copayments to 7% of a family's income**.
- 3 ENSURING EQUAL ACCESS** to the market for families with child care subsidies and adequate provider participation in subsidy programs by following federal government recommendations to **set reimbursement rates at or above the 75th percentile of the state market rate survey (MRS)**. States can also **set reimbursement rates using a cost estimation model**, which may more accurately reflect the costs of providing high-quality child care.

### Key Policy Levers: Child Care Subsidies

**16** states set **income eligibility** thresholds at or above 85% of the state median income (SMI)

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|----|----|----|----|----|----|----|----|
| AR | CA | LA | ME | NV | NH | NM | NY |
| ND | OK | SC | TN | TX | UT | VT | VA |

**24** states **limit copayments** to 7% of family income or less for all families

|    |    |    |    |    |    |    |    |
|----|----|----|----|----|----|----|----|
| AZ | AR | CA | GA | ID | IL | IN | KS |
| LA | MD | MS | NE | NV | NJ | NM | NY |
| OK | OR | RI | SC | SD | UT | VA | WA |

**26** states set **equitable infant and toddler reimbursement rates** at or above the 75th percentile of the market rate survey or set rates based on a cost estimation model

|    |    |    |    |    |    |    |    |
|----|----|----|----|----|----|----|----|
| AL | AR | DE | DC | ID | IL | IA | KS |
| KY | LA | MD | MN | MS | MT | NH | NM |
| NY | ND | SC | SD | TX | UT | VT | VA |
| WA | WI |    |    |    |    |    |    |

**7**

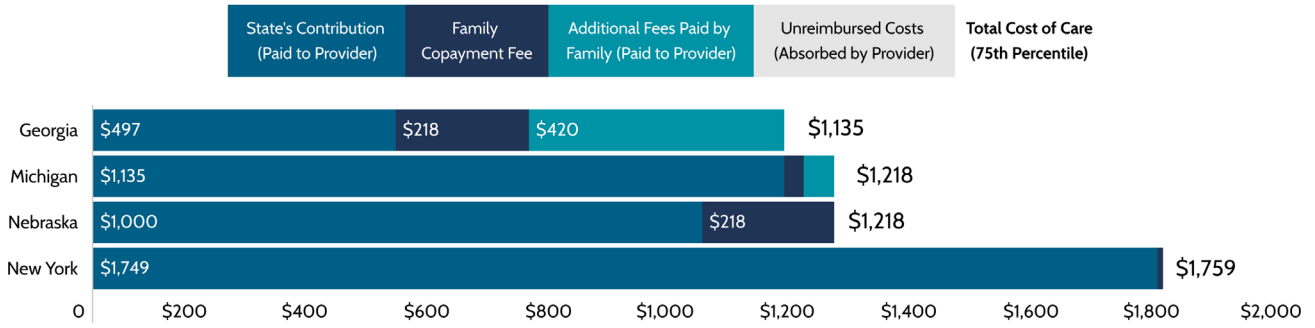
states have implemented all key policy levers for child care subsidies

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| AR | LA | NM |
| NY | SC | UT |
| VA |    |    |

## How do Child Care Subsidy Policies Interact to Impact Families?

Within the Roadmap, we provide detail on the core policy levers and illustrate how these policies interact to impact families across the states. The graphic below (pulled from a full 51-state graphic in our Roadmap) shows significant variation in child care subsidy policies across states—impacting the level of resources families must dedicate to child care each month.

### Variation Across States in the Distribution of the Total Cost of Child Care



Note: Data for this measure are based on monthly child care subsidy rates and copayment fees for a family of 3 with income at 150% of the FPL with an infant in center-based care.

In Georgia, child care providers charge \$1,135/month at the 75th percentile of the market rate survey. The state contributes only a fraction of that cost to providers (\$497), however, leaving families with copayments and additional fees that amount to over half of the total cost of care. By contrast, Michigan and New York contribute nearly the full amount of the cost of care at the 75th percentile to providers, leaving families in those states with comparatively few child care expenses. In Nebraska, the state contributes a majority of the cost of care at the 75th percentile and does not allow providers to charge any additional fees to families—even still, families are left with a copayment of \$218/month.

## What Progress Have States Made Over the Last Year?

Over the last year, several states made enhancements to their child care subsidy systems through legislation and/or agency action.

**Income eligibility:** 18 states increased income eligibility thresholds.

- Idaho, Indiana, and Iowa increased to reach families at or above 150% of the FPL.
- New Mexico increased to 400% of the FPL.
- Vermont passed legislation to increase to 575% of the FPL beginning in October 2024.

**Family Copayments:** 5 states decreased copayments.

- California enacted legislation to eliminate copayments for families under 75% of the SMI and to limit copayments to 1% of family income for all other eligible families.
- Vermont will be eliminating copayments for families under 175% of the FPL in 2024.
- Minnesota will limit copayments to 7% of a family's income beginning in 2028.

**Reimbursement rates:** 25 states increased reimbursement rates for infants in center-based care.

- Indiana nearly doubled reimbursement rates in the last year.
- Missouri, North Carolina, and North Dakota increased their reimbursement rates by more than 35%.

To learn more about how states vary in their implementation of child care subsidies, please visit our State Policy Roadmap.

