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VANDERBILT Peabody College

LEGISLATIVE SNAPSHOT

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The Impact of Expanded Income Eligibility for Child Care Subsidies: Analysis of Proposed State Legislation in 2024

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Introduction

The level of income at which a family becomes initially eligible for child care subsidies—the income eligibility threshold—is one of the key policy choices state leaders make to significantly impact access to child care subsidies. So far in 2024, at least 10 states have introduced legislation to increase their initial income eligibility threshold to make families with higher income levels eligible for subsidies.

Though many of these bills have not been successfully enacted in this legislative session, our analysis illustrates that their collective impact would have been significant. If all these proposals were to have become law, over 500,000 children under age 4 across the country would have become newly eligible for child care subsidies.

State Determinations of Income Eligibility

Child care subsidies provide financial assistance to help cover the cost of child care for families with low incomes. States have considerable flexibility in how subsidy programs are implemented, including determining eligibility criteria, family copayment amounts, and provider reimbursement rates.

States determine income eligibility based on a percentage of the state median income (SMI) or federal poverty level (FPL). Federal guidelines cap initial income eligibility at 85% of the SMI, though states may choose to exceed that threshold if they fully fund the program for the additional families served.

As of October 2023, 16 states set initial income eligibility at or above 85% of the SMI. State income eligibility levels range from as low as

Child Care Subsidy Funding

Child care subsidy programs are funded through a combination of state and federal funds. Federal funds represent the largest portion of subsidy funding and are allocated from the Child Care Development Fund (CCDF) to states in two funding pools: mandatory and discretionary. To receive mandatory funds, states are required to allocate a certain percentage of matching funds in addition to "maintenance of effort" funds. State matching funds are mostly derived from state general funds, although some states have dedicated funding sources for child care subsidies.

Once a child enrolls in a child care program, the state pays the provider the corresponding subsidy amount. Depending on the state and the family income, a family may be required to cover a portion of the cost as a family copayment.

Setting Income Eligibility

States may set their income eligibility as a percentage of the SMI or FPL. The use of SMI allows states to align eligibility for child care subsidies more closely to their states' economic context and to be responsive to changes, such as increases in the state minimum wage. The use of FPL allows states to benchmark eligibility on a common dollar amount, making this figure more easily comparable across states. New SMI figures are published in October of each year, and new FPL figures are published in January. Our Prenatal-to-3 State Policy Roadmap provides information on states' eligibility levels benchmarked against both the SMI and the FPL.

42% of the SMI in New Jersey to 166% of the SMI in New Mexico. New Mexico maintains the highest income eligibility threshold when translated into FPL, at 400%, and West Virginia has the lowest threshold among states, at 129% of the FPL.

The Potential Impact of State Legislation

Our team tracks and summarizes legislation on various prenatal-to-3 policies, including child care subsidies. The 10 states in the table below have introduced bills this legislative session (2024) to increase income eligibility for child care subsidies. Our analysis illustrates the broad impact that these proposals could have on the number of eligible children—though many of the bills included in our analysis have not been enacted this session. Even though child care slots are not guaranteed to subsidy-eligible children, these proposals would significantly increase the number of children under age 4 eligible to receive benefits.

	Current Income Eligibility (FPL)	Proposed Income Eligibility (FPL)	% of Newly Eligible Children	# of Newly Eligible Children	Total # of Eligible Children
Alaska H.B. 89	239%	300%	6%	2,283	15,981
Arizona H.B. 2850	165%	300%	17%	52,487	134,700
Florida H.B. 361	150%	250%	13%	112,105	316,560
Illinois H.B. 4432	225%	400%	14%	77,739	223,394
Indiana S.B. 224	150%	185%	6%	18,571	86,487
Massachusetts S. 2707	230%	402%	12%	32,102	87,728
New Jersey S. 2241/A. 1920	200%	300%	8%	31,843	122,674
New York A. 8852	335%	1,000%	19%	163,762	479,483
Rhode Island H.B. 7547	200%	744%	37%	15,461	22,972
Tennessee H.B. 2233/S.B. 2064	244%	293%	5%	16,589	139,406
			TOTAL:	**522,942**	**1,629,385**

Notes: This table includes a selection of bills proposed in the 2024 legislative session, regardless of their status in the legislature. For the states included in the table with multiple bills, the most generous bill and/or the bill with most recent action was included. Income eligibility is shown as a % of the FPL for ease of comparison and was converted from a % of SMI as necessary. In 2024, the FPL for a family of 3 is $25,820.
For additional details, see Methods and Sources.

Across the board, states are proposing increases to their income eligibility thresholds. The most modest change is a 35-percentage point increase in Indiana, which would result in a new threshold at 185% of the FPL ($47,767 annual income for a family of 3 in 2024). New York proposed the largest increase—665 percentage points—from 335% of the FPL to 1,000% of the FPL ($258,200 annual income for a family of 3 in 2024).

The potential impact of these expansions varies by state. Rhode Island's proposal, which would increase the state's income eligibility threshold to 744% of the FPL, would result in 37% of children under age 4 in the state becoming newly eligible—the highest percentage of children in our analysis. New York's large increase in income eligibility would translate to an additional 163,762 children newly eligible for child care subsidies, the largest number of children affected by a single state proposal in our analysis. The combined impact of all these proposals is striking—over 500,000 children under age 4 would become newly eligible for subsidies if these proposals had all become law.

Considerations for a Balanced Child Care Market

Though expanding income eligibility will increase the number of children eligible for subsidies, it is crucial to address the supply of child care in tandem with these changes to ensure that eligible families are actually able to access child care. If there are not enough child care slots to meet the increased demand of expanded eligibility, an unintended outcome of the policy will be longer waitlists and increased competition for these slots, instead of improved access.

In addition to enacting these important eligibility expansions, states must consider how to balance the supply side and the demand side of their child care markets by investing in adequate and timely reimbursement for existing providers and by incentivizing new providers to enter the subsidy system. A whole-systems approach is key to achieving the intended outcomes of these policies—ensuring that families in need have access to child care.