prenatal-to-3 policy IMPACT CENTER
VANDERBILT UNIVERSITY

POLICY SNAPSHOT
NOVEMBER 2024

Child Care Subsidy Policies Across States

Child care subsidy programs are one of 12 evidence-based policies included in our **2024 Prenatal-to-3 State Policy Roadmap,** which details states' progress toward implementing policies that are proven to impact the prenatal-to-3 system of care. Child care subsidy programs positively impact child and family well-being and the health of the workforce and economy by providing financial assistance to help with child care expenses as parents work or pursue education or training. Subsidy programs are funded through a combination of federal and state funds, but states have considerable flexibility in how they choose to implement their programs.

What are the Key Policy Levers for Child Care Subsidies?

The current evidence base does not identify the specific policy lever that states should adopt and fully implement to ensure families have equitable access to affordable, high-quality care. States' **policy choices** on income eligibility limits, 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. Expand access to subsidy programs by **setting eligibility limits at or above 85% of the state median income (SMI).** States are allowed to set limits at or above to 85% of the SMI, but they are required to fully fund the program for families above this limit.
2. Improve affordability by meeting the new federal requirement of **limiting family copayments to 7% of a family's income.**
3. Ensure 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** limits at or above 85% of the state median income (SMI)

AR CA KS KY LA ME NH NM NY OK SC TN TX UT VT VA

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

AZ AR CA DE GA ID IL IN KS MD MI MS NE NH NJ NM NY ND OK OR RI SC SD TN TX UT VA WA

16 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

AR CO DC IA LA MD MN MS MO NE NM ND OR SC VT VA

4 states have implemented all key policy levers for child care subsidies

AR NM SC VA

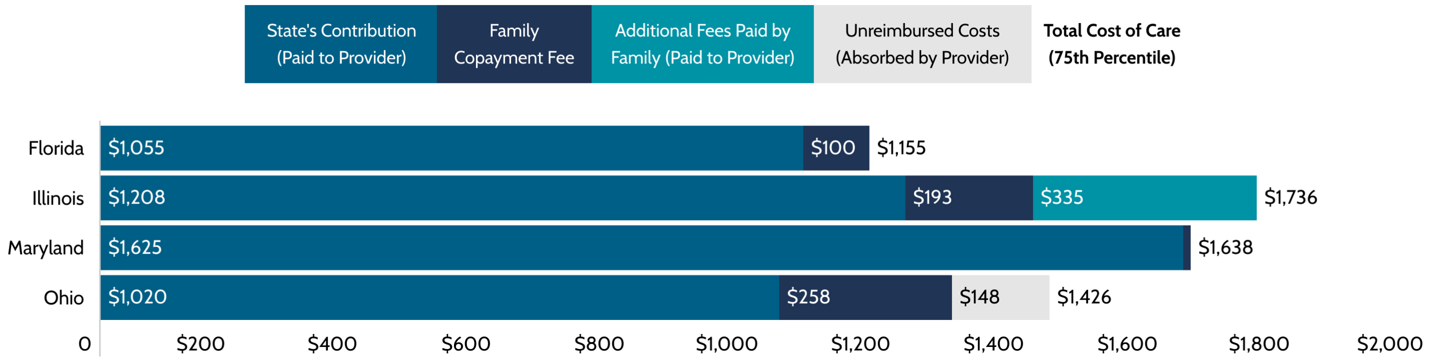
State newly implemented key policy lever since October 1, 2023.

Sources: As of October 1, 2024. State child care websites, CCDF plans, and CCDF program staff. For additional information, please refer to Methods and Sources.

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 and child care providers across 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 and the financial resources providers receive for each subsidized slot or the unreimbursed costs they must absorb.

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



In Florida, child care providers charge $1,155/month at the 75th percentile of the market rate survey. The state reimburses providers most of that total cost ($1,055), leaving families with a $100/month copayment and no additional fees. In contrast, Illinois and Ohio contribute a smaller percentage of the total cost of care to providers, which results in higher child care expenses for families. In Ohio, because providers are not allowed to charge families additional fees providers must absorb an unreimbursed cost of $148/month. Maryland contributes most of the total cost of care to providers and has minimal copayments, leaving families with low out-of-pocket expenses.

What Progress Have States Made in 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: 12 states increased income eligibility limits.

- Vermont increased its income eligibility limit from 102% of the SMI to 160% of the SMI.
- Maine increased its income eligibility limit from 85% of the SMI to 125% of the SMI.
- Rhode Island enacted legislation to increase its eligibility limit from 200% of the FPL to 261% of the FPL, effective January 2025.
- Alaska enacted legislation to increase its income eligibility from 79% of the SMI to 105%, effective January 2025.

Child Care Subsidy Policies Across States

Family Copayments: 15 states decreased copayments.

- New Hampshire, North Dakota, Tennessee, and Texas began limiting copayments to 7% of family income.
- Alaska and Colorado enacted legislation to limit copayments to 7% of family income effective January 2025 and August 2026, respectively.
- Delaware began waiving copayments for all families.

Reimbursement rates: 22 states increased reimbursement rates for infants in center-based care.

- Georgia, Kansas, Maine, Missouri, Montana, and Vermont raised their provider reimbursement rates by more than 25%.
- Colorado began setting reimbursement rates based on a cost estimation model.

LEARN MORE!
Visit the Roadmap