prenatal-to-3 policy IMPACT CENTER | VANDERBILT Peabody College

Child Care Subsidy Policies Across States

Child care subsidy programs provide financial assistance to help with child care expenses as parents work or pursue education or training. These programs have a positive impact on child and family wellbeing and the health of the workforce and the 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 to Increase Access to Child Care Subsidies?

States' policy choices impact the degree to which families with low incomes are able to access and use subsidized child care. We identified three key policy levers that align with federal guidance and requirements that state leaders may consider:

1. Expand access to subsidy programs by setting income **eligibility limits at or above 85% of the state median income (SMI).** States must fully fund the program for families above this limit.
2. Improve affordability by meeting the federal requirement of **limiting 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 **setting reimbursement rates at or above the 75th percentile of the state market rate survey (MRS), or setting rates based on a cost estimation model**—which may more accurately reflect the costs of providing high-quality child care.

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

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

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

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

20 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 MA
MN MS MO NE NH NM NY
ND PA SC TX VT VA

★ **7** states have implemented all key policy levers for child care subsidies

AR LA NM
NY SC TX
VA

State newly implemented key policy lever since October 1, 2024.

Sources: As of June 30, 2025. State child care websites, CCDF plans, and CCDF program staff. For additional details, please see Methods and Sources.

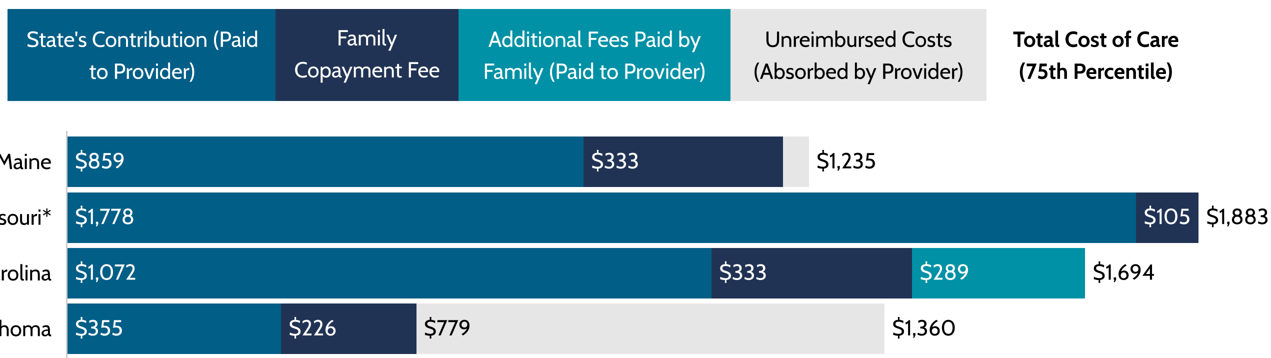
The 2025 Prenatal-to-3 State Policy Roadmap details states' progress toward adopting and implementing policies that are proven to impact the prenatal-to-3 system of care, including child care subsidies.

How do Child Care Subsidy Policies Interact to Impact Families and Child Care Providers?

Within the Roadmap, we illustrate how child care subsidy policies interact to impact families and child care providers across states. Figure 1 (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.

The share of costs families must cover includes both copayments and additional fees. If providers are allowed to charge families the difference between the private rate and the reimbursement rate (the additional fee), as in North Carolina, families face higher costs. When additional fees are prohibited, as in Oklahoma and Maine, providers must absorb those unreimbursed costs. States that reimburse at or above the market rate, as Missouri does, minimize additional fees for families and unreimbursed costs for providers.

Figure 1. 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. An "*" indicates this state's base reimbursement rate for an infant in center-based care exceeds the 75th percentile threshold; in these cases, the total cost of care is assumed to be the higher value of the base reimbursement rate.

What Policy Progress Have States Made in the Last Year?

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

3 states increased income eligibility limits.

- West Virginia implemented the largest increase, raising the income eligibility limit from 45% of the SMI to 85% of the SMI.
- Maryland increased the income eligibility limit from 66% of the SMI to 75% of the SMI.
- Rhode Island increased the income eligibility limit from 54% of the SMI to 66% of the SMI.
- Alaska legislators enacted a bill to increase the income eligibility from 73% of the SMI to 105%, effective January 2026.

5 states decreased family copayments.

- Connecticut, the District of Columbia, Kentucky, Louisiana, and West Virginia began limiting copayments to 7% of family income.
- Legislators in Alaska limited copayments to 7% of family income—the bill is pending implementation.

7 states increased reimbursement rates for infants in center-based care.

- Michigan, Minnesota, and New Hampshire raised provider reimbursement rates by at least 15%.
- Legislators in 6 states—Georgia, Illinois, Rhode Island, Vermont, Washington, and Wisconsin—enacted future increases to provider reimbursement rates.

Want to learn more about our services and resources?

Contact us by email at info@pn3policy.org or scan the QR code to access our contact form.

@pn3policy