

DECEMBER 2025

State Policy Lever Checklist

Child Care Subsidies

Child care subsidy programs provide financial assistance to help make child care more affordable for families who have low incomes. This assistance enables family members to participate in the workforce and pursue educational goals.

Subsidy programs are funded through a combination of federal and state funds and states have considerable flexibility in how these programs are implemented. States can set eligibility requirements, establish child care provider reimbursement rates, determine the out-of-pocket costs for families, and dedicate more sustainable funding for child care.

States should also consider strategies to stabilize the entire child care system (e.g., increasing child care educator wages, developing a stronger career pipeline, providing grants to open new programs) noting child care subsidy policy alone will only impact a portion of the system.

Below is a list of policy options state leaders may consider when crafting child care subsidy policies. **States should consider the implications of these policy choices and their collective impact on equitable access to child care subsidy programs in their state.**



We use the star symbol to highlight the equity of policy choices.

Research shows that child care subsidy receipt and greater state per child subsidy spending increase maternal employment and are linked to improved access to formal child care and greater household resources.



Table of Contents

This checklist covers the following components of implementing child care subsidy programs:

A. Eligibility Requirements (Page 3)

- A1. Income thresholds
- A2. Redetermination
- A3. Categorical eligibility
- A4. Presumptive eligibility
- A5. Priority groups
- A6. Work/education requirements
- A7. Additional activities
- A8. Child support

B. Administration and Implementation (Page 7)

- B1. Outreach
- B2. Application language
- B3. Application length
- B4. Documentation requirements
- B5. Submission methods
- B6. Interview requirements
- B7. Common application
- B8. Caseworker interactions

C. Provider Reimbursement (Page 10)

- C1. Reimbursement rate
- C2. Private rate regulations
- C3. Cost of care calculation
- C4. Provider payment considerations
- C5. QRIS participation

D. Family Contribution (Page 14)

- D1. Copayment amount
- D2. Additional fees

E. Funding (Page 16)

- E1. Dedicated funding
- E2. Impact

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

A. Eligibility Requirements

Although eligibility policies must meet federal requirements, states have significant latitude in setting subsidy eligibility policies. This latitude provides state leaders with the opportunity to institute eligibility requirements that recognize and respond to the needs of families seeking aid. Inclusive eligibility requirements are especially important given the legacy of educational and labor inequities that people of color experience.

A1. At what income level are families eligible to receive child care assistance?

The initial and continuing income eligibility thresholds to receive a child care subsidy vary considerably across states. In making eligibility determinations, states often consider family size and structure, as well as income level—usually as a percentage of the federal poverty level (FPL) or the state median income (SMI). After meeting the initial eligibility threshold, families maintain eligibility until either their income surpasses the continuing eligibility threshold, or, until their eligibility is up for redetermination.

Federal eligibility requirements restrict states from setting income eligibility thresholds for subsidies above 85% of the SMI, unless a state fully funds the program for families above this income threshold. As of October 2024, initial eligibility thresholds range from 33% to 162% of the SMI and from 103% to 575% of the FPL across states.



Expanding initial and continuing eligibility thresholds can extend subsidies to more families, but because of limited funds, states must balance the actual availability of child care slots alongside any expansion of eligibility to ensure families with the greatest need do not lose access.

- ☐ Initial eligibility income threshold: _____ % of SMI _____ % of FPL
- ☐ Continuing eligibility income threshold: _____ % SMI _____ % of FPL

A2. How often must eligible families re-apply to receive benefits?

The redetermination period is the time frame within which families must reapply to continue receiving subsidies after their initial receipt period—12 months is the federally-required minimum redetermination period. Some states extend the redetermination period for longer than 12 months under certain family circumstances, and some states also set income eligibility thresholds that are different from initial and continuing eligibility thresholds for families at redetermination.



Lengthening the redetermination period can decrease the degree of administrative burden felt by families, allow for fewer points of failure within the system, and provide for continuity of care. Families with fewer resources may experience administrative burden at greater levels.



Setting income eligibility thresholds for redetermination at equivalent levels to initial and continuing eligibility may prevent families from abruptly losing assistance.

- ☐ Redetermination period: _____ months
- ☐ Income eligibility threshold at redetermination: _____ % of SMI _____ % of FPL
- ☐ The redetermination period is extended for certain families, meeting the following criteria:

A3. Does your state have categorical eligibility? Check all that apply.

Categorical eligibility automatically makes families eligible for child care subsidies if they receive other means-tested programs or if they belong to certain population groups.

4



Categorical eligibility can facilitate access to child care subsidies for the most vulnerable families by making it easier to apply for and receive subsidies. Categorical eligibility also reduces administrative burden for state agencies by making it easier to determine eligibility for certain families.

- ☐ Yes, the state uses categorical eligibility for families in other means-tested programs, including:
 - ☐ Medicaid
 - ☐ Supplemental Nutrition Assistance Program (SNAP)
 - ☐ Temporary Assistance for Needy Families (TANF)
 - ☐ Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
 - ☐ Other: _____
- ☐ Yes, the state uses categorical eligibility for families in the following groups:
 - ☐ Children who are unhoused
 - ☐ Children in the child welfare system
 - ☐ Frontline workers
 - ☐ Child care workers
 - ☐ Children of incarcerated parents
 - ☐ Other: _____
- ☐ No, the state does not have categorial eligibility.

A4. Does your state have presumptive eligibility?

Presumptive eligibility provides families with immediate access to subsidized care while their application is being processed.



Presumptive eligibility may reduce administrative burden and wait times for families by providing immediate access to subsidized care.

- ☐ Yes, the state has implemented presumptive eligibility.
 - ☐ Presumptive eligibility is granted for _____ days while application is processed.
- ☐ No, the state has not implemented presumptive eligibility.

A5. Which specific groups are given priority status for receiving child care assistance?

Check all that apply.

With limited resources, states prioritize particular populations for child care assistance. Federally, states are required to prioritize children experiencing homelessness, children with special needs, and families with very low incomes, as defined by each state. Beyond the federally mandated groups, some states have chosen to prioritize certain children and families—including families receiving Temporary Assistance for Needy Families (TANF), children of frontline workers, children in the child welfare system, children of child care workers, children of incarcerated parents, etc.

- ☐ Families with low incomes, defined as: _____
- ☐ Children with special needs, defined as: _____
- ☐ Children who are unhoused
- ☐ Priority access is given/may be considered for the following populations:
 - ☐ Families receiving TANF
 - ☐ Children in the child welfare system
 - ☐ Children of frontline workers
 - ☐ Children of child care workers
 - ☐ Children of incarcerated parents
 - ☐ Other: _____

A6. What are the work, education, and training requirements for families receiving child care assistance? Check all that apply.

To receive child care subsidies, federal rules require parents/guardians to work or attend an education program or job training. However, states are given autonomy to determine what activities qualify under these broad terms.



States may use their broad authority to prioritize subsidies for parents seeking education or training options to promote parents' upward mobility.



Longitudinal research has failed to demonstrate that work requirements meaningfully increase the earning of recipients in the long term, making it important for states to consider alternatives. Providing a wide range of qualifying activities that recognize the unique circumstances families face may allow for more equitable determinations of eligibility.

- ☐ Requires _____ hours of work per week to qualify for full-time care and _____ hours of work per week to qualify for part-time care.
- ☐ Requires _____ hours of education per week to qualify for full-time care and _____ hours of education per week to qualify for part-time care.
- ☐ Job search activities are allowable and qualify families for ☐ full-time care and/or ☐ part time care.
 - ☐ Maximum time allowed for job search activities: _____ months
- ☐ Families may continue to receive subsidies for up to _____ months while on parental leave.

(Continued) A6. What are the work, education, and training requirements for families receiving child care assistance?

- ☐ Other activities are approved for eligibility, including:
 - ☐ General Educational Development (GED) preparation
 - ☐ English Language Learning (ELL) program
 - ☐ SNAP Employment and Training program
 - ☐ Self-employment
 - ☐ Registered apprenticeship program
 - ☐ Housing search activities
 - ☐ Other: _____

6

A7. Does your state authorize subsidized care for any additional parental activities?

Federal rules require states to pay for either full- or part-time care, rather than hourly increments. When setting coverage, states may choose to authorize subsidized care for approved activities outside of work, education, or training. Common activities include travel time, rest hours,¹ school breaks (for student parents), and parental leave.

★ States that authorize generous hours may promote continuity of care by supporting parents to maintain their child care slot, particularly with providers that require full-time enrollment.

★ Additional hours of care provide flexibility for parents working multiple jobs, managing irregular work or class schedules, or engaging in long commutes.

The state authorizes additional hours of subsidized care for:

- ☐ Travel time (maximum time: _____)
- ☐ Rest hours (maximum time: _____)
- ☐ School breaks (maximum time: _____)
- ☐ Parental leave (maximum time: _____)
- ☐ Other: _____

A8. Is enforcement of child support required for subsidy eligibility?

A minority of states require unmarried custodial parents to pursue child support to be eligible for child care subsidies.

★ Removing requirements to enforce child support to receive child care subsidies may be more inclusive of families' (particularly single mothers') choice to informally or formally pursue child support and recognizes that noncustodial parents may be unable, rather than unwilling, to pay.

- ☐ Yes, custodial parents have to pursue child support to be eligible for a child care subsidy.
- ☐ No, custodial parents do not have to pursue child support to be eligible for a child care subsidy.

B. Administration and Implementation

Families in need of child care assistance often do not have the time or resources to effectively navigate bureaucratic processes. Reinforcing long-standing beliefs that welfare is too easily accessible and therefore abused by “undeserving” individuals, many of the requirements to obtain a child care subsidy are focused on compliance and identifying fraud.

7

B1. What outreach occurs to inform families of availability of subsidies?

Outreach is a critical opportunity to increase awareness of the availability of child care subsidies. States may choose to work directly with parents or trusted intermediaries to increase awareness and access. Published documents may also be difficult to understand, especially for those with language or literacy barriers.



Simplifying documents or providing copayment and eligibility calculators may facilitate families' understanding of the program before they apply to receive subsidies.



Investing in outreach and education to build awareness throughout communities may increase uptake, particularly among underserved groups.

- ☐ Describe any outreach or educational information available in your state.

B2. What languages is your state's subsidy application available in? Check all that apply.

Federal regulations require states to provide meaningful access to consumer and provider materials for individuals with limited English proficiency. State leaders may reflect on the linguistic diversity of their residents to offer the most relevant translation services.



Providing written and spoken translation services may promote greater access for families with at least one parent with limited English proficiency.

My state's subsidy application is available in:

- ☐ English
- ☐ Spanish
- ☐ Mandarin
- ☐ Cantonese
- ☐ Tagalog
- ☐ Vietnamese
- ☐ Arabic
- ☐ Other:

If needed, bilingual/multilingual enrollment specialists are available for the following languages:

B3. How much time does it take to complete your state's subsidy application?

Although federal law only requires states to collect information on four eligibility criteria (child age, family income, reason for child care, and child citizenship status), many states request significantly more information, which may result in long and complicated applications.



State should refrain from requesting sensitive information such as a parent's Social Security Number (even if marked optional) to ensure all families feel safe applying for assistance.

My state's subsidy application is _____ pages

My state's subsidy application takes _____ minutes to complete

B4. What additional documentation is required to verify information in the application?

Almost every state or territory requires applicants to provide proof of income and verification of employment, although some states waive this requirement for applicants who are receiving other benefits such as TANF. Half of states also require household verification to determine family size and household income.

Documentation to verify employment may be especially difficult for parents working multiple jobs or in the gig economy. Parents who are undocumented may also be deterred from applying for care for their citizen child, because employers may fear being identified and parents may fear jeopardizing their employment by requesting documentation. Similarly, household verification may create challenges for families living in multigenerational households or families experiencing housing-related hardships, such as eviction, living doubled-up, or homelessness.



States can allow multiple documents to verify income, permit self-certification, accept documents that demonstrate income fluctuations, and permit non-consecutive pay stubs to facilitate income and employment verification.

The following documents must be submitted with the application:

B5. How are applications submitted? Check all that apply.

Since the COVID-19 pandemic, most states offer multiple methods for submitting subsidy applications.



Multiple methods of submission may reduce transportation barriers applicants may experience, including access to a vehicle and the time and financial costs of travel. At the same time, maintaining traditional submission methods may increase access for applicants that do not have broadband connectivity in their home or on their phone.

Families can submit applications by:

- | | |
|--------------------------------|------------------------------------|
| <input type="checkbox"/> Mail | <input type="checkbox"/> Fax |
| <input type="checkbox"/> Email | <input type="checkbox"/> In person |
| <input type="checkbox"/> Phone | <input type="checkbox"/> Online |

B6. Is an interview required as part of the application process?

Caseworkers may conduct an interview as part of the application process to verify family's application information.

9

★ Not requiring interviews, or at minimum providing multiple interview options for families, may reduce the time and resources needed to participate, especially considering most interviews are likely to happen during business hours.

- ☐ Yes, an interview is required and can be completed:
 - ☐ In person
 - ☐ By phone
 - ☐ By video call
- ☐ No, an interview is not required.

B7. Does your state provide a common application?

Families eligible for child care subsidies are often eligible for multiple means-tested federal programs, such as SNAP or Medicaid. Some states have implemented a common application to determine families' eligibility for multiple programs at once.

★ A streamlined application process increases the likelihood families will be connected to services by reducing the need for families to have the knowledge, resources, and time to complete potentially rigorous application processes for each relevant service separately.

- ☐ Yes, my state provides a common application, which assesses families' eligibility the following programs:
- ☐ No, my state does not have a common application.

B8. Do caseworkers have the time and resources to effectively support families applying or approved for child care subsidies?

Caseworkers play a pivotal role in families' willingness and ability to access subsidies by directly interacting with families to carry out subsidy policies. Parents' interactions with caseworkers can range from helpful to adverse, and Black and Hispanic parents are more likely to report negative encounters with caseworkers. Institutional changes, such as increased job training, increased wages, and decreased caseloads, may encourage more positive caseworker-recipient interactions.

Describe the experience of caseworkers in your state (e.g., pay, training, compliance requirements, caseload) and how this might impact their ability to serve families:

C. Setting Reimbursement Rates and Provider Payments

Child care is expensive, but child care providers also struggle to make ends meet. Because the cost families are able to pay often does not equal the actual cost of providing high-quality care, providers operate on extremely thin profit margins that effectively prohibit providers from investing in quality improvement or staff compensation. As a workforce made up primarily of women, and disproportionately women of color, low reimbursement rates reinforce the historic undervaluing of child care workers.

C1. How does your state determine provider reimbursement rates? Check all that apply.

The federal government requires states to set provider reimbursement rates based on either a market rate survey (MRS) or an approved alternative methodology, such as a cost estimation model, conducted every 3 years. Most states conduct an MRS—a survey of what child care providers charge families—to determine the price of child care and set their rates based on a certain percentile of the market. The federal government recommends that states set their reimbursement rates at the 75th percentile of the MRS, which is considered the equal access target.

Because market rate prices do not always account for the actual costs of providing high-quality care for children (e.g., providing livable wages and needed benefits to educators), leaders in some states are recognizing this incongruity and beginning to set reimbursement rates based on the estimated true cost of providing quality child care—using cost estimation models. Though several states are considering using cost estimation models to determine reimbursement rates in the near future, as of August 2024, only New Mexico, Virginia, the District of Columbia, and Colorado have implemented this approach.



Using cost estimation models to set reimbursement rates based on the true cost of providing quality care may allow for more appropriate workforce compensation and supports, infrastructure that supports safe and healthy environments, and other quality considerations.

- ☐ The state uses a market rate survey (MRS) to set reimbursement rates.
 - ☐ The most recent MRS was conducted in the year 20____.
 - ☐ The most recent MRS is used to set the current reimbursement rates.
 - ☐ An older MRS is used to set the current reimbursement rates, from the year 20____.
- ☐ Provider reimbursement rates are set:
 - ☐ At the 75th percentile for all providers.
 - ☐ At the 75th percentile for some providers. The differences are based on:
 - ☐ Regional reimbursements
 - ☐ Quality ratings
 - ☐ Type of care
 - ☐ Age of child
 - ☐ Other: _____
- ☐ The state has requested/received approval of an alternative methodology.
- ☐ The state is implementing/currently developing an alternative methodology (i.e., cost estimation model).

(Continued) C1. How does your state determine provider reimbursement rates?

11

- ☐ The state uses a cost estimation model to set reimbursement rates.
 - ☐ The cost estimation model was developed in year 20_____ and last updated in year 20_____.
 - ☐ The cost estimation model includes the following elements:
 - ☐ Adequate employee compensation
 - ☐ Educator benefits
 - ☐ Professional development
 - ☐ Staffing composition (e.g., lead teachers, assistant teachers, directors, administrators)
 - ☐ Additional staffing time/substitute teachers reserve
 - ☐ Staffing ratios and group size
 - ☐ Enrollment changes
 - ☐ Program size
 - ☐ Operating costs (e.g., materials, food, utilities, fees)
 - ☐ Facility costs (e.g., rent, mortgages, property taxes)
 - ☐ Operating reserve
 - ☐ Other(s): _____

C2. Does your state allow reimbursement rates to exceed private pay rates?

States that are moving towards reimbursing providers at higher rates may need to consider allowing reimbursement rates to exceed private pay rates. Currently, market rates (i.e., rates across the whole system) are set based on what providers can charge in a given area instead of the actual cost of providing quality care. Allowing differential rates will ensure that providers are paid at the true cost of care while families paying at the private rate are able to afford child care.



Paying the full reimbursement rate, even if higher than private pay rates, may incentivize providers to accept subsidies, increasing parental choice and providers' financial stability.

- ☐ Yes, reimbursement rates can exceed private pay rates
- ☐ No, private pay rates must match reimbursement rates

C3. What additional criteria are used to determine provider reimbursement rates?

Check all that apply.

In addition to setting reimbursement rates based on an MRS or an alternative methodology, states may increase reimbursement rates based on specific criteria.

12



Differential reimbursement rates may increase supply for underserved populations by incentivizing providers to accept subsidies for these populations.

- ☐ Type of care (e.g., center-based care or family/home-based child care).
- ☐ Age of the child
- ☐ Quality rating
- ☐ Specific populations
- ☐ Nontraditional hours
- ☐ Other: _____

C4. How are providers paid to provide care for qualifying children?

As a result of a 2024 federal rule, states are required to pay providers based on enrollment rather than attendance. Reimbursement rates calculated based on children's attendance can create a degree of uncertainty and instability for providers because children's attendance at child care on any given day may vary for reasons outside the provider's control, and the provider must continue to incur the cost of the absent child regardless of attendance. Additionally, the new rule requires states to reduce provider burden by providing prompt payments or contracting for slots. Paying providers before services are rendered improves economic security, allowing providers to pay staff on time and hire new staff as demand increases. Contracted slots—an agreement between the subsidy program and child care providers to designate slots for subsidy-eligible children—ensures certain enrollment changes do not affect the program's economic stability.



Reimbursing providers based on enrollment rather than attendance and paying providers promptly or ahead of services may provide a more stable source of funding and eliminates some degree of uncertainty for child care providers.



Contracted slots may be leveraged to increase supply of care for underserved populations, including children in underserved geographic areas, infants and toddlers, and children with special needs.

The state reimburses providers for care based on:

- ☐ Attendance
- ☐ Enrollment

Providers are paid: Check all that apply.

- ☐ Through some contracted slots
- ☐ Before services are provided
- ☐ _____ days after services are provided

C5. Are providers required to participate in the state quality rating and improvement system (QRIS) to accept subsidies?

Many states require providers to participate in quality rating and improvement systems (QRIS) to be eligible for subsidies. State QRIS can be an important tool to improve quality, but research indicates that QRIS do not necessarily capture differences in program quality that are predictive of gains in key developmental domains.

13



Revising QRIS to represent culturally inclusive definitions of quality may mitigate rating penalizations providers of color experience and increase parents' choice of quality subsidized care.



Creating a QRIS structure that provides access to the capital needed to make quality improvements, rather than only rewarding existing investments, may promote greater equity of resources across providers and increased access to quality care for families.

- ☐ Yes, providers must be registered and maintain a rating of _____ in the QRIS system to serve children receiving subsidies.
 - ☐ All providers receiving the same reimbursement rate regardless of rating.
 - ☐ Providers receive differential reimbursement rates according to rating
- ☐ No, providers do not need to participate in the state QRIS to serve children receiving subsidies.

D. Family Contribution

In most states, families that receive a subsidy are required to contribute a copayment—or a portion of child care costs—to their provider. With the disproportionate number of Black and Native American children eligible for subsidies, generous family copayment schedules are an important lever to address longstanding wealth inequities. Federal rules require copayments be capped at no more than 7% of a family's income to ensure affordability. As of October 2024, 28 states have set family copayments at or below 7% of a family's income.

14

D1. How are family copayments determined? Check all that apply.

All states determine family copayments based on family size and income. Some states use additional criteria to calculate the copayment—including number of hours in care, type of child care program, quality rating, location of the child care program, etc.

- ☐ The state waives copayments for all families.
- ☐ The state caps copayments at a percentage of a family's income. Describe:

- ☐ The state waives copayments below a certain level of income (_____ % of the FPL/SMI).
- ☐ The state waives copayments for certain families based on criteria other than income.
 - ☐ Children with special needs
 - ☐ Children who are unhoused
 - ☐ Children in the child welfare system
 - ☐ Families receiving TANF
 - ☐ Families with very low incomes
 - ☐ Other: _____
- ☐ Other factors are used to calculate copayments in the state:
 - ☐ Number of hours in care
 - ☐ Type of child care program
 - ☐ Quality rating
 - ☐ Location of the child care program
 - ☐ Other: _____
- ☐ Copayment calculations vary based on number of children:
 - ☐ The same fee is charged for each child
 - ☐ Additional children have a reduced fee
 - ☐ The copayment does not increase with additional children

D2. Does your state allow providers to charge families additional fees?

In addition to a copayment, 40 states allow providers to charge families the difference between the reimbursement rate and provider private pay rate—also known as additional fees. This additional cost burden can be significant for families. Although 11 states do not permit providers to charge families additional fees, states should consider whether providers are then absorbing those financial losses.

15



The cost burden on families with low incomes that receive subsidies can be alleviated by lowering copayments and/or eliminating additional fees but must coincide with increased reimbursements for providers to maintain funding to cover the cost of care.

- ☐ Yes, providers are allowed to charge the difference between the reimbursement rate and the private pay rate.
- ☐ In some regions of the state, providers are allowed to charge families additional fees.
- ☐ No, providers do not need to participate in the state QRIS to serve children receiving subsidies.

E. Funding

Subsidy programs are financed through a combination of federal and state funds, with most coming from the federal level. Insufficient federal and state investments limit the availability, generosity, and quality of subsidized care.

16

E1. Does your state dedicate any state funds over the required federal match to child care subsidies?

As part of the federal Child Care Entitlement to States, states are required to provide matching funds to draw down the totality of federally available funds for child care subsidies. States may choose to provide funding to child care subsidies above the required match, in an effort to increase subsidy eligibility, reduce family copayments, increase provider reimbursement rates, and improve educator compensation. Check all that apply.

- ☐ The state exceeds the federally required match.
 - ☐ The state has created a funding source dedicated to early care and learning (e.g., payroll contribution, trust fund) through legislation. Describe:

 - ☐ The state has increased state budget allocations from pre-existing funding sources (e.g., expanding general fund allocations, increasing appropriations from a trust fund). Describe:

- ☐ The state meets the federally required match but it does not dedicate any additional state funds to child care subsidies.
- ☐ The state does not meet the federally required match.

E2. What percentage of child care slots are subsidized?

In states with high rates of subsidized slots, subsidy changes will more heavily impact the overall market and have a greater opportunity to guide the market towards a more sustainable business model. The percentage of subsidized slots will depend on the funds available, the state's eligibility criteria, and other policies that encourage or discourage providers from accepting child care subsidies.

- ☐ How many total licensed or regulated child care slots are in your state?
- ☐ How many children receive child care subsidies?
- ☐ What percentage of licensed slots are subsidized? _____%
- ☐ Is there a child care subsidy waitlist?
 - ☐ Yes, there are _____ children on the subsidy waitlist
 - ☐ No