

# POLICY RECOMMENDATIONS

## State and Federal Rules Related to Child Care Subsidies

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Access to affordable and high-quality child care is critical for supporting the well-being of families, child development, and workforce participation. State and federal child care subsidy programs play a crucial role in helping families access child care.

The policy recommendations below provide guidance on improving state and federal child care subsidy programs. The recommendations focus on improving program access, fostering family well-being, and addressing barriers that limit the effectiveness of current subsidy programs. These recommendations can support creating policies that enhance child care availability, affordability, and quality, thereby supporting families and fostering more equitable economic opportunities and outcomes across states and our nation.

## STATE RECOMMENDATIONS

- Eliminate and/or Reduce Child Care Assistance Copays

Some states are taking action to eliminate and/or reduce child care assistance

copays through their implemented policies. For instance, California will not require child care subsidy copayments for families earning less than 75% of the state median income (SMI)—up from 40%. Copayments will also be capped at 1% of monthly income for families earning more than 75% of the SMI. Montana is expanding child care subsidy eligibility up to 185% of the FPL and will use a sliding scale for family copayments, not to exceed 9% of family income.<sup>1</sup>

- Increase Subsidy Rates for Child Care

Missouri has increased the child care subsidy rates for the Fiscal Year (July 1, 2024, to June 30, 2025). With this, most, not all, child care providers will see an increase in their subsidy rate.<sup>2</sup>

- Increasing Parental Leave Time

Extending parental leave allows parents to spend more time at home with their infants, reducing demand for care. This also increases parents' attachment to the labor force. When this was implemented in California, the state saw a 12 percent reduction in nonparental care during the first year of life, which can lead to stronger parent-child attachment, child well-being, and stronger maternal mental health.<sup>3</sup>

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<sup>1</sup> <https://www.americanprogress.org/article/states-are-taking-action-to-address-the-child-care-crisis/>

<sup>2</sup> <https://dese.mo.gov/childhood/child-care-subsidy/child-care-subsidy-rates-and-sliding-fees#:~:text=Governor%20Parson%20signed%20the%20Fiscal,preschool%20and%20school%20age%20children.>

<sup>3</sup> [https://pn3policy.org/wp-content/uploads/2021/02/PN3PolicyImpactCenter\\_B004202102\\_PaidFamilyLeaveandChildCare.pdf](https://pn3policy.org/wp-content/uploads/2021/02/PN3PolicyImpactCenter_B004202102_PaidFamilyLeaveandChildCare.pdf)

# FEDERAL RECOMMENDATIONS

- Eliminate and/or Reduce Child Care Assistance Copays

The Biden-Harris administration put forth a rule that limits the amount that families pay to 7% of their household income and makes it easier for states to eliminate co-payments for children in households below 150% of the poverty level, families that have a child with a disability, and other vulnerable families. This was a part of the Build Back Better plan that did not pass the Senate. It is recommended that a similar rule be introduced legislatively at the federal level.<sup>4</sup>

- Increase Subsidies for Child Care

The Urban Institute modeled a reality in which all families nationwide with incomes below 150 percent of the federal poverty guidelines (FPG) who meet the other eligibility criteria and want a subsidy received subsidize child care. Their research-based modeling shows that increasing subsidies for families to have greater access to child care will allow for greater participation in the workforce and higher family incomes, which will allow more families to be lifted out of poverty.<sup>5</sup>

- Set Child Care Costs Based on the Cost of Care

It is recommended that child care subsidies for families be based on the actual cost of providing care, rather than the market rate for tuition. It is a requirement

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<sup>4</sup> <https://www.hhs.gov/about/news/2024/02/29/biden-harris-administration-announces-new-rule-reduce-costs-more-than-100000-families-receiving-child-care-subsidies.html#:~:text=Reducing%20costs%20to%20families%3A%20The,disability%2C%20and%20other%20vulnerable%20families>

<sup>5</sup>

[https://www.urban.org/sites/default/files/2019/07/11/expanding\\_child\\_care\\_subsidies\\_would\\_support\\_parental\\_work\\_and\\_raise\\_family\\_incomes\\_across\\_the\\_united\\_states.pdf](https://www.urban.org/sites/default/files/2019/07/11/expanding_child_care_subsidies_would_support_parental_work_and_raise_family_incomes_across_the_united_states.pdf)

for states to set rates high enough that families receiving a child care subsidy have the same access to comparable child care options as families not receiving a subsidy; setting the child care costs based on the true cost of care is an equitable way for states to meet this requirement.

This also better stabilizes child care businesses and allows sites to pay teachers higher wages, which can increase teacher retention and ultimately keep the doors open for families to access child care.<sup>6</sup>

- Cooperation Requirement for Child Care Assistance Eligibility

Several states do not have child support cooperation requirements for child care assistance eligibility. These requirements can be detrimental because they often cause families to go through many “hoops” to receive assistance, and they disproportionately exclude and burden single-parent families while having the potential to adversely impact the economic stability and job opportunities for families. More states could adopt legislative rules to remove the child support cooperation requirement.<sup>7</sup>

- Increasing Parental Leave Time

A federally paid family leave program would increase parental leave time at the federal level. This can improve parental engagement and attachment to their child, increase their overall well-being, and potentially improve their long-term educational outcomes, as seen when Norway implemented such a rule.<sup>8</sup>

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<sup>6</sup> [https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2020/06/Limitations\\_of\\_Market\\_Rate\\_Surveys\\_for\\_Child\\_Care\\_Brief\\_FINAL1.pdf](https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2020/06/Limitations_of_Market_Rate_Surveys_for_Child_Care_Brief_FINAL1.pdf)

<sup>7</sup> <https://www.zerotothree.org/resource/hurting-families-that-need-it-most/>

<sup>8</sup> <https://www.americanactionforum.org/research/how-children-benefit-from-paid-family-leave-policies/>

- Set Child Care Costs Based on the Cost of Care

A rule to set the cost of child care based on the cost of care, not the market rate, for subsidies families receive is recommended. This will allow agencies to use their funding more strategically to invest in higher wages, better facilities, and improved quality of child care.<sup>9</sup>

- Expanded Child Tax Credit

Expanded child tax credits can play a vital role in reducing childhood poverty and increasing the financial stability of families. By providing direct financial support, these credits enable families to cover essential expenses like child care, which is often a major financial burden. This can also give families more choices regarding child care, perhaps enabling a parent to stay home while receiving additional income to pay bills, whereas if they worked out of the home, child care costs could exceed their income. It is recommended that an expanded child tax credit be reintroduced into legislation to support more families in moving out of poverty.<sup>1011</sup>

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<sup>9</sup> <https://www.americanprogress.org/article/states-can-improve-child-care-assistance-programs-through-cost-modeling/>

<sup>10</sup> <https://www.whitehouse.gov/cea/written-materials/2023/11/20/the-anti-poverty-and-income-boosting-impacts-of-the-enhanced-ctc/#:~:text=The%20resulting%20analysis%20shows%20the,effects%20of%20the%20stimulus%20payments.>

<sup>11</sup> <https://www.cbpp.org/research/federal-tax/about-16-million-children-in-low-income-families-would-gain-in-first-year-of>

## ADDITIONAL RESOURCES

The Center for Law and Social Policy (CLASP) published an analysis and an extensive study rooted in data that provides examples of some of the varied family situations in different states and their cost of childcare.

Here is the Fact Sheet published by CLASP: [https://www.clasp.org/wp-content/uploads/2022/01/2021\\_cappingcopaysstate\\_updated\\_0.pdf](https://www.clasp.org/wp-content/uploads/2022/01/2021_cappingcopaysstate_updated_0.pdf)

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The Child Care Subsidy Policy Recommendations document was developed with support from Ascend at the Aspen Institute, through The Family Conservancy's partnership in the [2Gen Accelerator Community](#).