State Session Round Up: Summer 2024

Building off a busy legislative year in 2023, states continued to make progress in 2024 on advancing policies and investments for their child care systems. This year, states had multiple factors to juggle related to child care, including spending down remaining American Rescue Plan Act (ARPA) funding, developing new Child Care and Development Fund (CCDF) Plans for 2025-2027, and addressing new federal requirements in CCDF regulations.

While not an exhaustive list, this resource explores the actions taken in states to support child access, affordability, and quality during their 2024 legislative sessions. You can find a more comprehensive overview of state policies implemented in 2024 in CCAoA's State Policy Dashboard.

STATE ADVOCACY SPOTLIGHT

Alaska

Alaska's Child Care Resource and Referral Agency (CCR&R), thread, shared that the collective action of constituents weighing in with their state lawmakers over the legislative session was instrumental in shaping monumental legislation and ensuring that it addresses the real needs of their communities.

Over 130 Alaskans reached out to their State Senate to indicate their support for another round of provider compensation grants, which played a pivotal role in earning support from the Senate Majority Coalition and Senate Finance Committee for the $7.5 million budget request. Additionally, over 600 child care advocates, families, and workers joined thread in writing letters, making calls, and participating in advocacy trips to Juneau to support legislation that expanded subsidy eligibility, capped copayments at 7%, and required the development of future reimbursement rates to consider the true cost of care.

STATE OF PLAY

Child care and early learning policies and funding remained a popular policy area across state legislatures this year, but overall, CCAoA's analysis found fewer significant investments were enacted in 2024 compared to 2023. Several factors contributed to this. First, not every state was in session this year and only 33 states and the District of Columbia (DC) had to pass a state budget for Fiscal Year (FY) 2025. Of those states in session in 2024, 15 held shorter sessions compared to 2023.

CCAoA's analysis found that during the 2024 legislative session, states enacted legislation around several common policy themes for child care and early learning. While not exhaustive of all legislative and administrative activities this year, this resource explores legislation and funding states passed aligned to these themes:

- Funding to continue stabilization grants and wage supports for providers
- Addressing new policy requirements included in the 2024 CCDF Final Rule
- Increasing state funds for subsidy
- Expanding subsidy eligibility for child care providers
- Improving subsidy reimbursement
- Piloting public-private cost-sharing models
- Funding increases for mixed-delivery preschool programs

State Legislative Highlights

STABILIZATION GRANTS AND WAGE SUPPORTS

The American Rescue Plan Act (ARPA) appropriated $24 billion to make child care stabilization grants available to providers across all states. This funding, which was required to be spent by states by September 2023, has had wide-reaching impacts across the country. Research finds that the stabilization grants have been effective in lowering prices for families and increasing child care employment and wages, which helped stabilize the market.

When this funding stream fully expired in 2023, some states recognized the impact the federal stabilization grant funding had on the child care sector and have invested state general funds in 2024 to keep these types of payments going. This includes:

- **Alaska's** final budget included $7.5 million to support a round of direct operating grants for child care providers. This allocation builds on a $7.5 million appropriation provided in 2023 to increase wages for providers.
- **Connecticut** allocated $9 million in state funding to support a one-time wage supplement payment program to eligible early childhood educators. Educators are eligible for payments of at least $1,800 each.

STATE ADVOCACY SPOTLIGHT

Kansas

In Kansas, a bill to establish an Office of Early Childhood was amended to include deregulatory provisions that would lower training requirements and increase ratios and move these policies from regulations into state law. Kansas early childhood organizations swiftly initiated an advocacy plan, and more than 1,100 people took action to communicate with their lawmakers about why the bill should either be modified or voted down. As a result, the bill was significantly amended to remove the deregulatory provisions.

- **Illinois** included approximately $250 million in new state funding to expand early care and learning services and systems in the state. Of this funding, $122 million will be used to replace expiring federal relief funds allocated to the Smart Start Workforce Compensation Grants, Quality Support Contracts and the Early Childhood Apprentice Program to increase staff wages and other workforce supports.
- **Massachusetts** again allocated $475 million for its Commonwealth Cares for Children (C3) stabilization grants in its final state budget, and most notably, codified these grants into state statute permanently. For FY 2025, three funding streams will support these grants: $100 million from a new Early Education and Care Operational Grant fund, $175 million from Fair Share revenue, and $200 million from the High-Quality Early Education and Care Affordability Fund. The final budget also created a new formula based on the children providers enroll to distribute the C3 Grants. As part of the statutory change, providers are only eligible to receive these grants if they demonstrate a willingness to enroll children receiving subsidy. Language included in the final budget also limits how much funding is made available for large for-profit providers and requires that they spend a percentage of their grants on salaries.
- **North Carolina** passed a one-time allocation of $67.5 million to extend stabilization grant funding to providers through December 2024, at a reduced level compared to past grants. The funding includes a combination of ARPA-State Fiscal Recovery Funds ($32.8 million), "nonrecurring" CCDF dollars ($25.5 million), and state general funds ($9.1 million). The grants, which were originally funded using ARPA stabilization grants and then ARPA-CCDF funds, were set to expire in June 2024. With this new allocation of funds, providers will receive funding at 75% of the payments that programs were receiving through June 2024.
- **Washington, DC** approved $70 million annually for its Pay Equity Fund, which provides wage increases for early childhood educators, after the mayor's budget proposal had initially eliminated the fund entirely. Despite the restoration of funds, the Pay Equity Fund still faces a $17 million gap in funding for next year.

Some states have let this funding lapse without making further contributions with state or ARPA-CCDF funding. For example, in 2023, Kentucky appropriated $50 million in state funding to continue another round of stabilization grants, but the state did not allocate further funding during **Kentucky's 2024** legislative session.

ALIGNMENT TO 2024 CCDF FINAL RULE

In March 2024, the Administration for Children and Families (ACF) announced new regulatory changes to CCDF. The 2024 CCDF Final Rule includes policies that states are required to implement to lower families' child care costs, improve child care provider payment rates and practices and simplify subsidy eligibility enrollment. This includes:

- Capping family copayments at 7% of household income for subsidy-eligible families.
- Posting current information about copayment sliding fee scales on their consumer education sites
- Implementing payment practices that are consistent with the private-pay market, including paying prospectively and reimbursing based on enrollment instead of attendance
- Providing some services through grants and contracts to help increase the supply and quality of child care for children in underserved areas, infants and toddlers and children with disabilities
- Implementing subsidy eligibility policies and procedures that minimize disruptions to families and lessen the burden of CCDF administrative requirements on families

The 2024 CCDF Final Rule also recommends, but does not require, states to adopt additional policies and procedures to meet these goals. This includes, among other policies, considering a child presumptively eligible for subsidy prior to full documentation and verification.

The provisions of the 2024 CCDF Final Rule took effect on April 30, 2024, and states have until August 1, 2026, to reach compliance if granted a transitional and legislative waiver. Many states have already implemented provisions included in the 2024 CCDF Final rule, as shown in their 2025-2027 CCDF State Plan drafts. Some states took action during their 2024 legislative sessions to address the newly required and encouraged policies:

- **Alaska** passed legislation that, among multiple other provisions, prohibits family copayments from exceeding 7% of household income. Currently, Alaska's maximum copayment a family pays is 9% of their household income.
- **Colorado** enacted legislation that directs the state to adopt multiple provisions aligned with the 2024 CCDF Final Rule by August 1, 2026, or sooner, and subject to federal appropriations. The bill directs the state to create a simplified universal application that limits the application information to only what is necessary to determine eligibility. It also directs the state to limit family copayments to 7% of a household's income and to

provide family fee information in a variety of ways, including online, in mass media, on paper forms and brochures, and in targeted outreach efforts. The bill requires counties to pay providers prospectively on a weekly basis and based on enrollment. It also directs the state agency and counties to use grants and contracts for underserved populations, infants and toddlers, children with disabilities and families needing nontraditional-hours care.

- **Minnesota** passed legislation to pay providers prospectively starting January 1, 2026, to the extent funding is available.
- **New York** announced a new digital portal to streamline the subsidy application process and remove barriers that paper applications impose on families. Originally, only New York City and Schenectady used online applications, but with the new portal, families statewide can quickly determine their eligibility and apply online for child care assistance.
- **New York's** legislature unanimously passed legislation to require the implementation of statewide presumptive eligibility. The bill has not yet been submitted to the governor for approval.

INCREASING STATE FUNDS FOR SUBSIDY

- **Alaska** passed $5.6 million to support the state's child care subsidy program, which includes expanding the current subsidy eligibility threshold from 85% SMI to 105% SMI.
- **Florida** included $23 million to establish its "School Readiness Plus Program," which allows families earning up to 100% SMI to be eligible for subsidy.
- **Illinois** allocated a $36.5 million increase to address the state's growing subsidy caseload. This represents a 6.3% increase in funding.
- **Maryland** committed new state funds, in the amounts of $218 million for FY 2024 and $270 million for FY 2025, for the state's subsidy program. These increases are the state's largest single-year allocations ever made to the subsidy program.
- **Virginia's** biennial budget included historic state general fund investments of $366 million in FY 2025 and $461 million in FY 2026 to support its subsidy program, along with its Mixed Delivery Program and its Virginia Preschool Initiative.
- **Oregon** approved an additional $171 million in state and federal funding for the state's subsidy program, including $11 million in ARPA-CCDF funds. This funding included $99 million to be used immediately to address a significant enrollment increase in subsidy, as well as an additional $72 million for a special purpose account to potentially reduce the subsidy waitlist next year if necessary.

EXPANDING SUBSIDY ELIGIBILITY TO INCLUDE CHILD CARE PROVIDERS

Over the last two years, some states have taken steps to recruit and retain child care staff by allowing child care providers to qualify for assistance for their own children. In some states, providers are eligible for subsidies regardless of income, while in other states, this policy is limited to child care staff under a specific income threshold.

In 2022, Kentucky became the first state to allow staff working at least 20 hours in a child care program to qualify for subsidy, regardless of income. After one year of implementation, 3,200 early childhood employees and 5,600 children of early childhood employees in Kentucky benefited from child care assistance under this policy. In 2023, **Maine**, **Montana** and **North Dakota** followed Kentucky's lead and implemented pilot programs to provide assistance for child care staff as well.

In 2024, at least eight states implemented a similar policy to Kentucky's program to ensure child care providers can afford care for their own children.

- **Arkansas** received a federal waiver in January 2024 to offer subsidies to child care workers, as well as foster parents who become adoptive parents, regardless of income. The state is using CCDF funding to serve these newly eligible populations.
- **Indiana** enacted legislation that, among other policies, expands subsidy eligibility to individuals who are employed by a licensed child center and child care home, if their income does not exceed 85% SMI.
- **Iowa** passed legislation that extends its "Child Care Workforce" pilot program, which began July 2023, through June 30, 2025. Providers are eligible for subsidies, regardless of income, and must work at least 32 hours per week in a direct care position.
- **Kentucky's** biennial budget included $16 million per year in a combination of state and federal funding to continue the state's "Income Exclusion for Child Care Providers" program for two more years.
- **Maine** allocated $2.5 million annually in state funding through June 2026 to support its Child Care Employment Award pilot program, which will provide biweekly payments to child care staff to help cover the cost of child care for their own children. The pilot program is available to all staff roles and all licensed program settings. Children may be enrolled at the program where the staff member works, or at another licensed program in Maine.

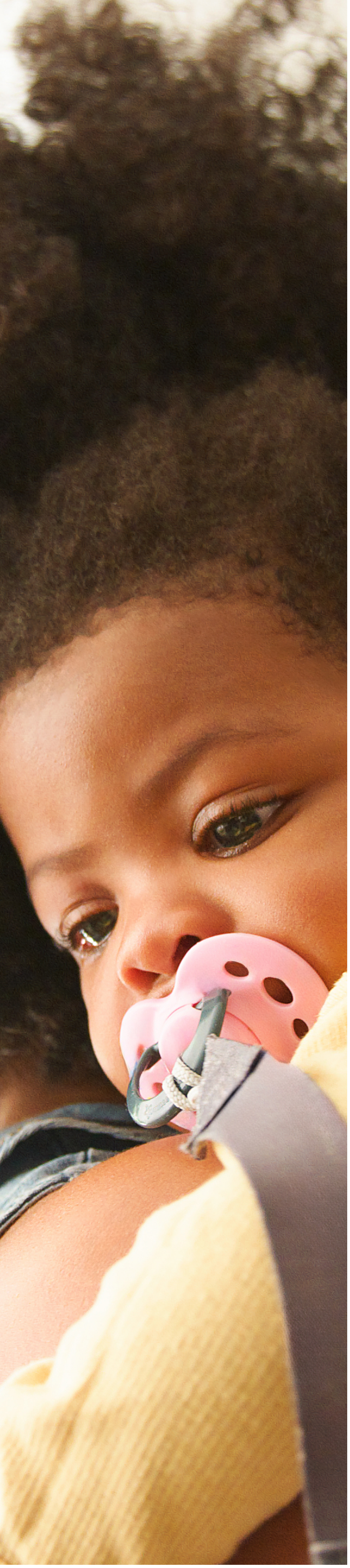
- **New Hampshire** signed into law legislation that directs the state's Lead Agency to submit a report and budget proposal for establishing a child care workforce assistance pilot program, due November 1, 2024.

- **Rhode Island** extended its Child Care for Child Care Educators pilot program through July 2025, which covers the cost of child care for child care staff with incomes up to 300% FPL. Rhode Island previously used $4 million in CCDF funding to launch this pilot program.

- **Utah** passed legislation that allows child care workers to qualify for the state's subsidy program, regardless of income. Implementation is contingent upon the availability of, and approval to use, federal funds to support the program.

- **Washington** enacted legislation that expands subsidy eligibility to children of child care staff who are employed in a licensed or certified child care center or family child care home, in the state's preschool program, or in a Head Start or Early Head Start program, with a household income up to 85% SMI. Other families must have an income of up to only 60% SMI at application. Separately, the state budget includes $1.2 million to support this change in subsidy policy.

- **Colorado**, **Illinois**, **Nebraska** and **Virginia** also introduced similar bills to expand subsidy eligibility to child care providers, but they did not ultimately advance. Colorado's larger child care bill that passed this year originally included language allowing child care employees to receive subsidy, regardless of income, but the language was removed when the bill was amended in the spring. Nebraska's original bill language excluded all earned and unearned income from eligibility determinations for child care staff who worked at least 20 hours a week, but the bill was ultimately amended to remove this provision due to fiscal constraints. Instead, the enacted legislation allows a child care provider to receive subsidy for children under the direct care of their own parents who are employed by the program, as long as the employer has attempted to make reasonable accommodations to ensure that a provider is not caring for their own child. Previously, Nebraska prohibited a child care provider from receiving subsidy if they cared for their own child.



IMPROVING SUBSIDY REIMBURSEMENT

Under CCDF, states set payment rates using a Market Rates Survey or a cost-based alternative methodology. Most often in states, child care providers that participate in subsidy systems are typically reimbursed based on a "market rate," based on average price. This market rate often does not reflect the actual cost of providing high-quality child care. The viability of child care businesses that participate in the subsidy systems supported by CCDF hinges on whether payments received cover the true cost of providing high-quality child care. In April 2023, states who had subsidy reimbursement rates below the 50th percentile of their most recent market rate survey were sent letters of non-compliance from the federal Office of Child Care. Raising all reimbursement rates higher than the 50th percentile threshold, with a target of at least the 75th percentile, a benchmark established in the 2016 CCDF final rule, would help states ensure that capping family copayments will not have an adverse effect on providers

Better yet, aligning reimbursement rates with the true cost of care helps maintain an adequate supply of providers who can afford to participate in the subsidy program. Some states are moving away from using market rate surveys and instead, are developing or have recently been approved by ACF to use an alternative cost estimation model to inform more equitable subsidy rates.

- **Arizona**, for the first time in over a decade, provided an increase in state general funds for child care of $12 million. This funding will be used to continue its enhanced quality rates for achieving high quality and will increase its rates to the 50th percentile of the Market Rate Survey for all children above the age of one year old. Reimbursement rates for infants are already set at the 75th percentile.
- **Delaware's** final budget included a $10.4 million increase for the state's subsidy program, along with approval to increase reimbursement rates to the 50th percentile of its 2024 Market Rate Survey. As a result, providers will receive a 15% increase on average.

- **Florida** increased its reimbursement rates for the first time in two years, with an investment of $46.4 million.
- **Georgia's** FY 2025 budget included $9.3 million to support increased reimbursement rates for the subsidy program, double the amount initially included in the proposed budget.
- **Iowa** passed legislation that requires half-day reimbursement rates to be paid to providers at least at the 65th percentile, but no more than the 80th percentile, of the 2023 Market Rate Survey rate.
- **Kentucky** budgeted close to an additional $70 million per year to maintain changes to its subsidy program that were implemented in 2021 with federal relief funding. Those changes include reimbursing child care programs at the 80th percentile of the Market Rate Survey.
- While outside of legislation, **Massachusetts** received federal approval in January 2024 to use a cost-informed alternative methodology to set payment rates by no later than July 1, 2025. The state is working to update, refine, and expand the state's current cost estimation models and, per their 2025-2027 CCDF Plan, intends for child care financial assistance rates to be adjusted based on the alternative methodology by January 2025.
- **Michigan's** FY 2025 budget included $65 million to fund a 15% increase for reimbursement rates and bonuses for child care workers.
- **Missouri's** FY 2025 budget included $54.8 million to increase rates to the 100th percentile for infants and toddlers and to the 65th percentile for preschoolers and school-aged children.
- **Washington's** final budget included $8.3 million in increases for subsidy rates, including a 5% increase for full-day and 9% increase for extended day programming. The budget also included $5.6 million for an infant care rate enhancement.

PILOTING PUBLIC-PRIVATE COST-SHARING MODELS

The "tri-share" financing model is a private-public cost sharing approach that splits the cost of an employee's child care equally among an employer, the employee and the state. Michigan was the first state to launch a tri-share program in 2021, and since then, public-private cost-sharing programs gained popularity across states. In 2024, **Hawaii**, **Massachusetts**, **Missouri**, **New Jersey**, **Pennsylvania**, **Tennessee**, **Virginia**, **West Virginia** and **Wisconsin** all introduced bills that established some form of cost-sharing models, but did not pass during the 2024 legislative session. As of August 2024, two states have enacted legislation related to tri-share cost sharing:

- **Kentucky** passed legislation that removes the pilot program designation and permanently establishes Kentucky's Employee Child Care Assistance (ECCAP), which splits the cost of child care between an employee, employer, and the state's Cabinet for Health and Family Services. The program was established in 2022.

- **Connecticut** passed legislation that establishes a tri-share pilot program in New London County and eligibility criteria for participation in the pilot program. This pilot will run for at least two years, and the state must report on the program metrics after the first year. Connecticut is allocating $1.8 million in ARPA-CCDF funds to support the establishment of this model, and one local employer, Electric Boat, confirmed it will participate in the Tri-Share Child Care Matching Program and provide a fiscal contribution amounting to $500,000.

As of August 2024, Ohio is still in session and considering a tri-share model under House Bill 610, which has support from the business community in Ohio. If passed, the bill would appropriate $10 million to establish the Ohio "Child Care Cred" Program.

FUNDING INCREASES FOR MIXED-DELIVERY PRESCHOOL PROGRAMS

Some states have established mixed-delivery preschool programs, which make programming available across different settings, such as schools, nonprofit organizations, child care centers, family child care homes, faith-based organizations and Head Start programs. Mixed-delivery programs give families the ability to choose the setting that best meets their unique and diverse needs. In 2024, our analysis found the following states who made funding increases for their mixed-delivery preschool programs.

- **Delaware** approved a $3.4 million increase for its preschool program, which equates to about 200 more seats available to Delaware children.
- **Michigan's** final budget included an increase of $85 million for the state's preschool program, called Great Start Readiness, and protected language that 30% of funding must be set aside for community-based providers, like child care centers and home-based programs. The Michigan House had proposed to remove this set-aside. As of 2023, less than 30% of the Great Start Readiness preschool programs were operated by community-based programs. The budget also increases income eligibility up from 300% FPL to 400% FPL and increases the per-child allocation.
- **Georgia's** final budget included a historic $97 million in state lottery funds for Georgia's preschool program to increase educator salaries, provide additional start-up funds, increase operating funds, and restore class size to 20 students from the current 22 students. This funding amount is double what was proposed in the original budget. Georgia's preschool program is a mixed-delivery system, operating in both public schools (52%) and private child care centers (48%) as of 2023, and supported with state lottery dollars.

What's Next for States?

States have an incredibly busy four months ahead of their 2025 legislative sessions, with a few key deadlines that are quickly approaching related to child care policy and investments:

- **September 30, 2024:** States will be required to have spent their last ARPA-CCDF dollars.
- **November 5, 2024:** Legislative races in 44 states will take place, with 78% of the nation's 7,836 legislative seats up for election this year. This has the potential to shake up state leadership and the makeup of state legislatures.
- **November 30, 2024:** If states are not in compliance with the 2024 CCDF Final Rule, they must submit a waiver to ACF by this deadline. Following ACF's review of state's 2025-2027 CCDF Plans this fall, states will then need to address areas of non-compliance by submitting state action plans.
- **December 31, 2024:** ARPA-State and Local Fiscal Recovery Funds (SLFRF) must be obligated, while jurisdictions have until December 2026 to fully expend this funding. While this funding isn't specific to child care, some states and localities have opted to use this funding to further invest in their child care systems. States have a timely opportunity with these funds to keep momentum going from policies that would otherwise expire with ARPA-CCDF funding.

CCAoA will monitor these deadlines and state compliance over the coming months. We're keeping a watchful eye on states and their supply of child care. Overall, as federal relief funds wind down, we haven't seen a major shift in closures or the implementation of waitlists yet across states, but both are on the table if there are not additional federal and state investments for child care.

States play an integral role in shaping the policies that determine child care access, affordability, quality and sustainability. But it's clear from CCAoA's analysis of 2024 state legislative actions that America has a patchwork child care system that holds us —children, families, child care providers, communities, employers, and our military—all back. It will be paramount for state policymakers to prioritize child care in their 2025 legislative sessions, a time when all states will hold regularly scheduled sessions, to address the new requirements of the 2024 CCDF Final Rule and mitigate the effects of ARPA-CCDF funding being fully exhausted.