State Session Round Up: Summer 2025

The 2025 state legislative sessions provided both opportunities and hurdles for states to improve their child care systems. In 2025, all states were in session while 47 states and Washington, D.C., were scheduled to pass budgets, meaning policymakers in every state had an opportunity to advance proposals that improve the child care system.

But this was also the first year states navigated a legislative session without the availability of federal relief funding specifically allocated for child care. And while fall 2024 budget forecasts trended to look generally healthy and some states—including Connecticut, Pennsylvania, Wisconsin and Virginia—ended 2024 with budget surpluses, other states found themselves on the opposite end facing budget shortfalls. Uncertainty over spending at the federal level has caused some states to scale back their budgets or begin conversations around potentially returning in the fall for special session to adjust their approved expenditures.

While not an exhaustive list, this report explores the progress states have made around child care and early learning policies during their 2025 legislative sessions. As of publication, several states had yet to approve state budgets, including Michigan, North Carolina, Pennsylvania, and Washington, D.C. Oregon's budget was approved by the legislature, but awaits final approval from the governor.

You can find a more comprehensive overview of state policies implemented in 2025 in CCAoA's State Policy Dashboard.

STATE ADVOCACY SPOTLIGHT

Alaska

During Alaska's 2025 legislative session, the Senate initially proposed cutting $13.8 million in child care funding, including the full elimination of the state's child care operation grants and reduced support for subsidy.

thread, Alaska's Child Care Resource & Referral agency, led the way on advocacy efforts to address these cuts. More than 2,000 emails were sent to lawmakers through thread's action alerts, 75 phone calls were made, and 140 people joined a rally on the Capitol steps in support of child care funding. thread facilitated three trips to Juneau during the 2025 legislative session, leading to more than 130 meetings with legislators.

They helped generate over 20 media stories lifting the voices of families, educators, and community leaders. Thanks to strong grassroots advocacy led by thread, the legislature passed two major bills this session, one of which expanded access to subsidy for more families by raising income eligibility limits, improving quality standards, and helping families gradually transition off subsidies.

STATE OF PLAY

After multiple years of strategic federal and state investment during the pandemic, and increasing annual funding for the Child Care and Development Block Grant (CCDBG), the overall supply of child care grew. Child Care Aware® of America's (CCAoA) recent report shows a 1.6% increase in center-based programs and, notably, a 4.8% increase in licensed family child care (FCC) homes from 2023-2024, with three states—California, Massachusetts, and Virginia—largely driving the national FCC increase. This marks the first time in several years that CCAoA's data reveals an upward trend in the number of licensed family child care homes. These gains reflect that smart state policies and sustained investments can move the needle. As pandemic relief funding has ended, more states have stepped up and increased funding for investments in strategies to increase teacher wages, stabilize child care businesses, support more families with help offsetting the high cost of child care, and more.

But not every state is making these investments. Before the start of 2025 legislative sessions, some states announced changes to roll back some child care programs and policies because of federal relief funding expiring and a lack of sufficient state investments to continue these policies as is. This has included discontinuing stabilization grants, reinstating family copayments, freezing subsidy program enrollment and establishing a waitlist, and lowering subsidy eligibility thresholds.

CCAoA's analysis found that during the 2025 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 seven themes:

- Overall funding increases for child care
- New or enhanced funding streams for child care
- Flexible grants to support child care operations
- Compensation efforts & workforce supports
- Public-private partnerships
- Alignment to the 2024 Child Care and Development Fund (CCDF) final rule
- Changes to child care regulations

OVERALL FUNDING INCREASES FOR CHILD CARE

Some states made historic investments for child care in 2025, using state general funds or allocating available federal funding. You can read more about past investments states have made to support their child care systems in CCAoA's report, *An Uneven Start: 2025 State Funding for Child Care & Early Learning*. Investments made in 2025 includes:

- **Arizona:** The final budget included $45 million in state funding for its subsidy program and to help address the current subsidy waitlist, which was reinstated in 2024 due to federal relief funding ending and high demand. This represents the largest state investment in over a decade, and builds off an increase in state funding from the prior year of $12 million.

- **Illinois:** The final budget included $14.2 million to start the new Department of Early Childhood, and an increase of $244.5 million for several programs, including Early Intervention, Home Visiting, and workforce wage supports.

- **Massachusetts:** The final budget included a record $1.06 billion for the state's subsidy program at, and level-funded other early learning programs, such as the state's Commonwealth Cares for Children (C3) operational grants.

- **North Dakota:** The final budget included a one-time appropriation of $21.9 million to support child care, including $4 million to expand the Best-in-Class preschool program, $7.8 million to support child care programs related to infrastructure, quality, and support for special needs children, and $11 million to support child care programs providing infant and toddler care. An additional $21.6 million was included in the budget to continue the changes implemented last session for the state's subsidy program.

- **Rhode Island:** The final budget included $3 million in funding to establish a new infant care rate category for the subsidy program. It sets infant rates 20% higher than toddler rates to help cover the costs of a 1:4 staffing ratio for babies aged 6 weeks to 18 months.

- **Tennessee:** The final budget included an additional state investment of $5.9 million to cover child care for more working families through an expansion of the subsidy program and to ease the benefits cliff.

- **Texas:** While not using state general funding, the final budget included $100 million over the biennium in unexpended TANF funds to support addressing the subsidy waitlist, currently at 95,000 children.

- **Washington:** The final budget included $383.7 million to fund a collective bargaining agreement for family child care providers, which includes funding to increase subsidy reimbursement rates to the 85th percentile of the 2024 Market Rate Survey beginning July 1, 2025 (and July 1, 2026, for centers).

- **Wisconsin:** The final budget included $66 million in new state funding for a Get Kids Ready elementary school readiness initiative to support licensed or certified child care programs provide school readiness programming to four-year-olds. This marks the first entirely state-funded child care initiative in Wisconsin's history.

NEW OR ENHANCED FUNDING STREAMS FOR CHILD CARE

One trending policy solution starting to see more support in states is the establishment of dedicated funding streams outside of general fund allocations for child care. This may be through new taxes or through the establishment of new child care trust funds. In the 2025 legislative sessions, state examples include:

- **Connecticut:** The state enacted legislation that creates an Early Childhood Endowment to fund expansion of the state funded Early Start program. Connecticut will allocate general fund surpluses to support the Early Childhood Endowment, of which funds will be used to raise wages for early educators, provide a health care subsidy, create an additional 20,000 subsidized preschool and infant/toddler spaces, eliminate copays for families below $100,000 and cap costs at 7% for families with higher incomes.

- **Louisiana:** The state enacted legislation that increases the online sports wagering tax rate from 15% to 21.5%. Sports wagering is a dedicated revenue stream for the Louisiana Early Childhood Education Fund. If gaming revenues do not fall due to this increase, proceeds into the ECE Fund could increase, up to the $20 million cap.

- **Montana:** The state enacted legislation that establishes the Montana Growth and Opportunity Trust, a permanent fund designed to manage and allocate volatile state revenues for various initiatives, including a Montana Early Childhood Account. Up to $10 million annually can be transferred to support technical assistance grants, recruitment and retention efforts, grants to support providers in pursuing training and continuing education, quality improvement initiatives, and more.

- **New Mexico:** While not a new funding mechanism, New Mexico enacted legislation to increase the minimum annual distribution from the Early Childhood Trust Fund from $250 million to $500 million, or 5%—whichever is greater, benefiting more than 85,000 children from birth to age 5.

- **Vermont:** The final budget included a new child care reserve fund to provide more long-term stability to the system and includes language that will better protect the public investment of Act 76, the state's recent child care expansion, in future budget negotiations.

- **Washington:** The state enacted legislation to expand the capital gains tax by 2.9%, retroactive to January 2025. Revenue generated under this tax is allocated to the Education Legacy Trust Account, which helps expand access to early learning and child care programs, among other education related efforts.

FLEXIBLE GRANTS TO SUPPORT CHILD CARE OPERATIONS

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 2025 to keep these types of payments going. This includes:

- **Alaska:** The final budget included $7.725 million in ongoing state general funding for grants that provide operating support to child care professionals and programs across the state.

- **Massachusetts:** The final budget included level-funding for Commonwealth Cares for Children (C3) operations grants at $475 million, which address operational costs for providers, prioritizing equity and subsidized enrollment. The state has supported this program with state general funds since FY2023.

- **Wisconsin:** The final budget allocated $110 million in one-time funding for direct payments to providers, starting August 2025. This funding, which is supported through interest accrued on federal relief funding, represents a reduction in direct payments to providers from the previous Child Care Counts Stabilization Payments program, which appropriated $170 million through reimbursements from the Federal Emergency Management Agency (FEMA) made for expenses Wisconsin incurred for pandemic response.

COMPENSATION EFFORTS & WORKFORCE SUPPORTS

Research shows that child care workers are among the lowest paid workers in the United States, which results in high turnover as child care workers leave the field for other occupations where they can access benefits and higher wages. The national average wage for a child care educator is $15.42 an hour, which translates to roughly $32,074 annually. Compared to the national living wage, the minimum income someone can make to meet their basic needs in the United States, at $22.13 an hour, the average wages

for a child care educator falls far below this benchmark. Recognizing the critical role they play and the challenges of low pay and limited benefits in the field, several states in 2025 were actively working to recruit and retain child care staff, including:

- **Arizona:** The final budget included $1 million in remaining ARPA funding to provide subsidy for the children of providers with a household income up to 85% State Median Income (SMI). To be eligible for the funding, a provider must have an infant or toddler with or without a delay/disability, or a child 3-5 years old with a delay/disability, who is served by the provider.

- **Arkansas:** The state enacted legislation that allows early childhood workers to participate in the Arkansas Teacher Retirement System. Participation is voluntary, and the early childhood worker is not entitled to state matching funds or contributions.

- **Illinois:** The final budget allocated $158.5 million, a 27.3% increase over the prior year, for Smart Start Workforce Grants to provide wage increases, support stability for the child care sector, and serve additional families through the subsidy program.

- **Iowa:** The governor announced she will continue the pilot program that allows eligible child care workers to qualify for subsidy assistance for their own children, regardless of income. In its pilot stage, the program served over 900 families and 1,500 children.

- **Maine:** The final budget appropriates $30 million to continue funding child care workforce compensation and $2.5 million for the Child Care Employment Award, which provides categorical eligibility for child care professionals, including family child care providers, to receive subsidy assistance for their own children. The funds were initially cut by the governor but were restored by the legislature.

- **Minnesota:** The final budget included nearly $130 million to support Great Start Compensation Payments, ensuring child care professionals receive better pay. This represents a slight increase over the prior year but does not match inflation.

- **New York:** The final budget provided $3 million to establish a child care worker substitute pool that will be operated by child care resource and referral organizations (CCR&Rs). Of this allocation, $500,000 is set aside for the Early Care and Learning Council to provide technical assistance and platforms to operate the pool and to support child care providers.

- **Ohio:** The final budget established a new Child Care Provider Recruitment and Mentorship Grant Program to increase Ohio's supply of licensed child care providers, including at least 120 new family child care homes, especially in areas or communities of the state most in need of such care. To be eligible for a program grant, an applicant must demonstrate that it is able to establish a software platform, with a customizable dashboard, that may be accessed by licensed child care providers to assist them with tasks such as marketing their businesses, enrolling children, communicating with families, billing for services, and reporting expenses, among other deliverables. The new program is funded at $1 million in FY2026 and $1.85 million in FY2027.

- **Oklahoma:** The Oklahoma legislature overrode the governor's veto to create the Child Care Subsidy Program for eligible employees working in a child care facility in the state. The program will be administered by the Oklahoma Partnership for School Readiness through November 2028. To be eligible for the program, child care employees at licensed facilities must have incomes under $120,000 for two-parent households and $60,000 for single-parent households. It also specifies that employees must work a minimum of 20 hours per week and that their children must attend a program participating in the subsidy program.

- **Rhode Island:** The final budget included a three-year extension of the pilot program to cover the cost of child care for providers, which has proven to help attract and retain early educators in the state.

- **Tennessee:** The final budget appropriated an additional state investment of $7.2 million to expand the WAGE$ Program and reduce turnover in the state's child care workforce by increasing pay and rewarding further education.

- **Texas:** The state enacted legislation that allows localities that maintain a subsidy waitlist to prioritize children of child care educators for subsidy, if eligible for services based on household income.

While these bills were not ultimately enacted in 2025, the legislature in each state made significant strides in advancing them:

- **Montana:** The governor vetoed legislation that would have expanded subsidy eligibility for child care workers to help providers afford care for their own children.

- **South Dakota:** The governor vetoed legislation that would have expanded subsidy eligibility for child care workers to help providers afford care for their own children.

- **Vermont:** The Senate advanced legislation to create an ECE profession. If passed next year, Vermont would become the first state in the country to officially recognize the profession of early childhood education.

PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships leverage support from both the public and private sectors to attain a shared goal. They can be an effective strategy for bringing together and maximizing diverse resources, perspectives and expertise.

There are several models for public-private partnerships in child care and early learning. While each model is unique in structure, all share some general characteristics. They bring together the public sector (federal, state, or local governmental entities); and representatives from the private sectors (employers, philanthropic foundations, chambers of commerce, community organizations) around shared goals. Sometimes these models occur in conjunction with other stakeholders, such as parents or non-profits. Each partner contributes time, money, expertise, or other resources to the partnership. Decision-making and management responsibilities can be shared among the partners. Read more about public-private partnerships and state and local examples in CCAoA's resource.

Public-private partnerships supported in the 2025 legislative session include:

- **Iowa:** The governor announced the establishment of a Statewide Solutions Fund, which allows individuals, corporations and large businesses with an opportunity to invest in quality child care services, including child care workforce wages, across multiple Iowa counties. In 2024 Iowa ran a pilot program in ten communities across the state. Donations will be used in two ways: restricted funds will go to regional child care solutions funds, and unrestricted funds will be matched 2:1 by the state to amplify impact.

- **Missouri:** The final budget included $10 million from federal CCDF funds to support a new Child Care Innovation Grant program to support partnerships between employers, community partners and the child care industry in an effort to increase available slots for families.

- **Ohio:** The final budget appropriated $10 million for the Child Care Cred program, under which the costs of child care are shared by participating employees, their employees and the Department of Children and Youth. The Child Care Cred program is unique from other state cost-sharing programs, in that participating employers and employees will each be responsible for 40% of costs and (subject to available funds) the state will be responsible for the remaining 20%. Families are eligible if their participating employer is located in the state and their household income is less than 400% of the federal poverty level (FPL).

Both houses of Virginia's legislature included $25 million to establish an employer cost-share pilot program that would provide subsidies for early care and education through public-private partnership, but this funding was vetoed by the governor due to federal fiscal uncertainty.

ALIGNMENT TO THE 2024 CCDF FINAL RULE

The Administration for Children and Families (ACF) announced new regulatory changes to CCDF in 2024 which would lower families' child care costs, improve child care provider payment rates and practices and simplify subsidy eligibility enrollment. Learn more about the 2024 CCDF Final Rule here.

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 waiver. Many states have already implemented provisions included in the 2024 CCDF Final rule, as indicated in their 2025-2027 CCDF Plans. Some states acted during their 2025 legislative sessions to address the newly required and encouraged policies:

- **Alaska:** Using a sliding fee scale, the state enacted legislation that limits family copayments to not exceed 7% of the family monthly income.
- **California:** The final budget extended enrollment-based payments through June 30, 2026, and adds $52 million in state general funds to support the transition to paying child care providers prospectively.
- **Maine:** The state enacted legislation that requires the Lead Agency to directly contract with child care providers to build the supply of care for infants and toddlers, children with disabilities and children in underserved geographic regions. The law also encourages the use of contracts to support other subpopulations, including homeless children, children receiving services under the child welfare system, children who need care during nontraditional hours, children for whom English is a second language, and other regional child care needs.
- **Missouri:** Per an email from July 1, 2025, the Lead Agency announced it will begin implementing changes to the child care subsidy program, including paying based on authorized enrollment and prospective payments once technical updates to the Child Care Data System are complete, which is expected to take approximately six months.
- **New Hampshire:** The final budget included language to eliminate any requirement to report hourly attendance and by December 2025, to implement a system of prospective payments. The final budget also requires the Lead Agency to develop and implement a two-year presumptive eligibility pilot program. The budget allocates $100,000 through June 30, 2027, to support these measures.
- **Ohio:** The final budget included language that requires payment to subsidy providers to be made prospectively, by changing references from “reimbursement” to “payment” and beginning no later than July 1, 2026, requires the Lead Agency to reimburse based on a child’s enrollment.
- **Washington:** The final budget appropriated $11.7 million in new funding to support enrollment-based pay and prospective payments for providers.

CHANGES TO CHILD CARE REGULATIONS

States put in place child care regulations to provide safeguards to protect the health and safety of children and program staff and support the overall quality of a child care program. Quality child care supports children’s growth, development, and educational advancement and creates a positive economic impact for families and communities.

CCAoA strongly encourages policymakers to consider solutions that invest in child care to address the root causes driving the sector’s supply challenges. Instead of relaxing health and safety regulations, solving our child care crisis requires public investment that supports health, safety, and quality, and leads to the viability of the system long-term.

There may be opportunities to reduce or modernize burdensome local and state regulations that make it difficult for providers to operate a child care business but not weaken the health and safety protections for children and staff. For example, some zoning laws restrict the hours child care programs may operate or require programs to obtain costly permits or business licenses. In some localities, Homeowner Associations (HOAs) may prohibit child care programs from establishing their business at all. These policies can hinder the growth of child care supply. The following states enacted sensible regulatory changes to support their child care programs in 2025:

- **Oregon:** The state enacted legislation that allows child care centers in areas zoned primarily for multi-unit residential use and prohibits local governments from adding additional conditions of approval for co-located child care centers.

- **Texas:** The state enacted legislation that prohibits a local government from adopting or enforcing a measure that requires family child care homes to comply with health and safety standards that exceed those set by the state.

In **Nevada**, the legislature passed a bill that would allow licensed family child care programs to operate in communities with Homeowners Associations (HOAs). If passed, HOAs would be prohibited from denying a child care provider the right to become licensed for home-based child care, if they met necessary requirements for licensure. Unfortunately, the governor vetoed this legislation.

Other early childhood education wins:

Outside of the above key policy themes, some other wins for child care and early learned appeared throughout the 2025 state legislative sessions, albeit on a smaller scale, including:

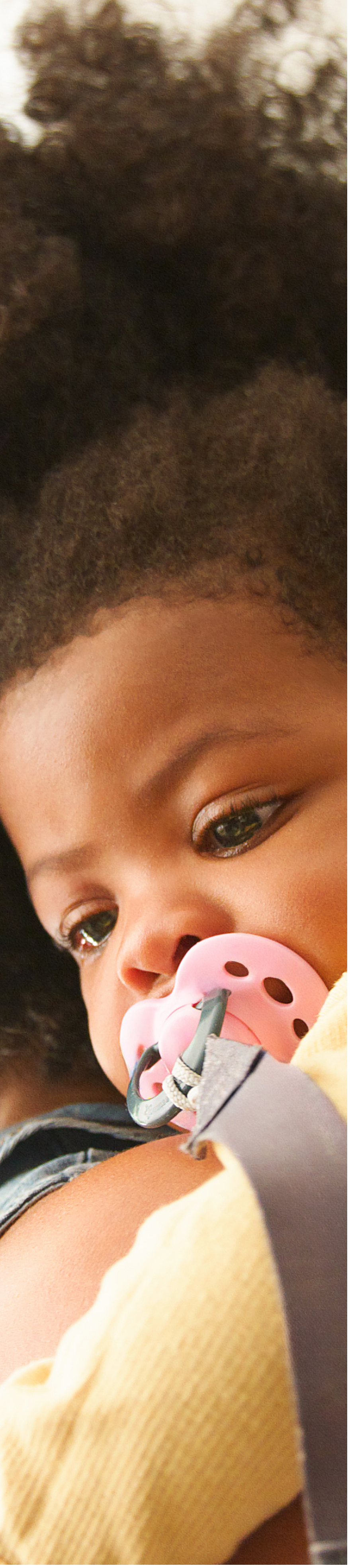
- **Delaware:** The final budget included $1.7 million to build a data system for child care licensing and a workforce registry.

- **Kansas:** The state enacted legislation that consolidates nearly 20 existing programs serving young children into a new Office of Early Childhood, opening mid-2026. The office will house child care licensing, child care subsidy, home visitation programs, and the Kansas Children's Cabinet and Trust Fund. The office will be led by a director appointed by the governor and confirmed by the Kansas Senate. The office will be responsible for the state's early childhood system, serve communities and stakeholders by developing a statewide strategy for expanding access to child care, and administer services currently spread throughout various state agencies.

- **Illinois:** The state enacted legislation that establishes the Department of Early Childhood, consolidating early childhood services and streamlining access and resources, with full administration starting on July 1, 2026.

- **Minnesota:** The final budget allocated $1.6 million in FY2026 and $1.5 million in FY2027 for the Farm to School program, expanding its reach into early childhood settings.

- **New York:** The final budget included $110 million to build or renovate child care facilities, with $10 million of those funds reserved for home-based child care programs.



- **Washington:** The final budget provided nearly $100 million in capital funding for the Early Learning Facilities Fund, including $51 million for competitive grants, $9 million for minor renovation grants and $3 million for the new Emergency Fund.

POLICY CONSIDERATIONS FOR 2026

States play an integral role in shaping the policies that determine child care access, affordability, quality and sustainability. Even without the availability of federal relief funding, many states continued to make progress toward improving their child care systems in 2025. For some, this included record-level state investments, like in Arizona and Massachusetts, or the first-time state general funds were being expended for child care, like in Wisconsin.

But it's clear from CCAoA's analysis of 2025 state legislative actions that America has a patchwork child care system that holds us all—children, families, child care providers, communities, employers, and our military—back. It will be paramount for state policymakers to ensure child care is protected from cuts in their 2026 legislative sessions, a time when states will need to weigh potential shifts in funding as they address coming federal funding changes to Medicaid and SNAP. These federal spending cuts are hitting at a time when states are already experiencing slower revenue growth and tighter budget conditions as of spring 2025. In 2026, states may be compelled to make tough choices among spending cuts, tax increases, or a combination of both because of these weaker state budget forecasts. Some states, like Virginia, have already announced potential plans to return to their state capitals this fall or winter for a special legislative session to discuss the impacts of the federal spending cuts on their state budgets.

Without additional public investment and policy intervention, the current market is unable to meet the urgent needs of families and communities around child care supply and affordability. This hinders our children's healthy development and ability for our communities to thrive. CCAoA will continue to monitor the status of remaining unfinished state budgets and special sessions and what this means for child care and early learning state investments.