

# Addressing state child care affordability and access

When talking about child care we first have to look at what the current situation is in order to find effective solutions or even replacements.

## 1. Affordability / Cost

Day-care cost in Indiana is relatively moderate compared to very expensive states, but still burdensome. According to Visual Capitalist, the average monthly daycare cost in Indiana is **\$965**, below some more expensive states.

Multiple sources argue that Indiana is among the least affordable for some kinds of child care: WRTV reported that Indiana ranks 4th-least affordable in the country for toddler care in a licensed center.

According to the Indiana Youth Institute, in 2023 Indiana was ranked 15th least affordable for infant center-based care, 16th for toddler, and 34th for 4-year-olds.

There are significant economic impacts: a lack of affordable child care is costing Indiana billions in lost economic productivity, according to a report cited by the Indiana Capitol Chronicle.

## 2. Cost vs Income / Relative Burden

According to data in Indiana, center-based infant care can be a very large share of family income. For instance, on average infant care at a center is something like 24.4% of state median income.

For some families, child care expenses strain economic stability, making it difficult to sustain work, especially when high-quality care is limited.

## 3. Child Well-Being / Access

According to the 2023 KIDS COUNT® Data Book, Indiana ranks 24th in overall child well-being among the 50 states.

But in more specific domains, Indiana trails: it's 31st in "Family & Community" and 29th in "Health" in that report.

The lack of accessible, affordable care is seen as a significant drag on well-being; especially for working parents who may have to reduce work or leave jobs because of childcare challenges.

## 4. Economic Impact & Workforce Participation

The child care shortage in Indiana is having a measurable economic cost. The Indiana chamber of commerce and Early learning Indiana found in a recent report that limited access leads to lost productivity, missed work, and lost 4.22 annually in tax revenue

This suggests child care issues in Indiana are not just personal/familial but macro-economic, affecting labor force participation.

## 5. Regulation / Quality

Indiana uses a quality rating system for early childhood programs, which is a way it tries to monitor and support quality child care. (This is common in many states, though the specifics vary.)

There is concern, though: According to Axios reporting, some child care centers are struggling, and there have been reports (e.g., hundreds of centers at risk of closing) following the expiration of pandemic-relief funding, which could further limit access.

There is also legislative discussion in Indiana about loosening some regulations (e.g., easing licensing requirements or capacity limits) to try to boost supply.

On early education/pre-K: Indiana's On my way pre-k program has some more restrictive eligibility (for example, requiring parents to work or be in school), which is less common in some other states' universal pre-K models.

As we continue to look at the current situation we also have to look at the strengths and challenges we currently have/face.

# Strengths and challenges

## Strengths.

Indiana's child well-being ranking (24th) is decent, showing that on some dimensions the state is doing relatively well.

There is a significant number of child care providers, both centers and in-home, which gives some base capacity.

Efforts are being made to address child care affordability and supply via policy: lawmakers are actively discussing ways to support child care workers and providers.

Im not going to lie it does appear we do have some things that work in our favor to advance affordability and access for the many hoosiers who are struggling to work and raise their children. But now we need to look at the challenges to see what needs to be fixed or adjusted.

## Challenges:

Even though costs are not the absolute highest nationwide, for many Hoosier families, child care is still very expensive compared to income.

Access is a big issue: not all families have nearby quality care, and there may not be enough subsidized slots.

Child care workforce challenges: paying workers is expensive, and turnover or low wages can hurt quality.

Economic cost: the state is arguably “losing” economic potential because of constrained child care – parents missing work, leaving jobs, etc.

So now that we have reviewed the current situation, acknowledged the benefits and negatives we currently face, now lets talk solutions. Here are practical, realistic actions the Indiana General Assembly could take to improve child care quality, access, and cost, based on what’s worked in other states, existing research, and Indiana-specific constraints.

## Improve Child Care Access

### **Increase funding for child care deserts**

Indiana has large areas with zero or too few providers. The legislature could:

Expand the Build, Learn, Grow or similar grant programs to help providers open or expand in underserved counties.

Offer start-up grants or zero-interest loans to new centers and in-home providers.

Provide tax incentives for employers who create on-site or near-site child care.

### **Allow more flexible staffing structures (without weakening safety)**

Permit shared staffing pools among small centers.

Allow part-time and split-shift employees to count toward ratios if properly trained.

Simplify licensing for “micro-centers” (small programs in offices, hospitals, schools).

### **Support transportation infrastructure**

Many families can't reach existing care. As the state legislature they should authorize grants for child-care transportation shuttles/buses driven by highly vetted operators.

Allow CCDF (federal child care subsidy) to cover transport-related costs.

---

## **Improve Affordability / Cost**

### **Expand Child Care and Development Fund (CCDF) eligibility**

Indiana could raise the income eligibility limit closer to 200–250% of the federal poverty level (FPL), similar to states like Michigan or Minnesota.

This helps working families who earn too much to qualify but not enough to afford care.

### **B. Increase reimbursement rates to providers**

When state subsidy rates are too low, high-quality centers lose money on subsidized children. Raising reimbursement:

Expands supply.

Prevents closures.

Helps pay workers more (which improves quality).

Most states target reimbursement at the **75th percentile** of market rates; Indiana currently falls below this in many counties.

### **C. Provide state-level tax credits**

Options that have worked elsewhere:

**Refundable tax credits for parents** (Louisiana, Nebraska).

**Wage credits or stipends for early educators** to help retain workers.

**Employer tax credits** for subsidizing employees' child care.

### **D. Cap child care expenses as a % of income**

A few states are experimenting with this—e.g., no family spends more than 7% of income. Indiana could pilot this for low- and middle-income families.

---

## **★ 3. Improve Child Care Quality**

### **A. Increase pay and benefits for child care workers**

Quality is strongly tied to workforce stability. The legislature could:

Create a permanent early-educator wage supplement program.

Fund scholarships for CDA (Child Development Associate) certification.

Offer loan forgiveness for early childhood teachers.

### **B. Strengthen Paths to QUALITY (Indiana's QRIS) incentives**

Currently, many providers don't climb the rating system because incentives are too small. Indiana could:

Increase bonuses for Level 3 and Level 4 programs.

Provide facility-improvement grants tied to quality upgrades.

Pay higher reimbursement rates to higher-rated providers.

### **C. Expand partnerships with K–12 schools, health systems, and universities**

These institutions already meet safety and staffing standards and can become hubs for early childhood programs.

## **D. Improve access to child mental health and developmental services**

This boosts overall quality by:

Funding more early-intervention specialists.

Embedding support professionals (speech, occupational therapists) in early learning centers.

---

## **Policy Reforms That Help All Three Areas (Quality, Access, Cost)**

### **A. Simplify licensing and reduce unnecessary administrative burdens**

Without weakening safety, the state can:

Streamline paperwork.

Create tiered licensing (micro-center, small center, school-based).

Provide free compliance consultants so providers avoid costly mistakes.

### **B. Allow universal or expanded Pre-K**

Indiana's *On My Way Pre-K* is small and heavily income-restricted. Options:

Make Pre-K available to all 4-year-olds (like Oklahoma or Florida).

Expand eligibility to middle-income families.

Let private providers participate fully so funding flows to existing centers.

### **C. Fund regional child care coordination hubs**

Helps providers share:

Training

Payroll services

Substitute pools

Special education resources

This makes small providers more financially viable.

---

## **★ 5. Big, Transformational Options (long-term)**

If Indiana wanted to “go big,” it could consider:

- A **publicly funded early childhood system** (like K–12), phased in over 10–15 years.
- A **state-level child care insurance program**, similar to health insurance, where employers and employees contribute small amounts and all families can access subsidized care.
- **Universal child care for ages 0–5**, which some states (like New Mexico) are now moving toward using permanent funding streams.