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INDIANA'S SUBSIDIZED CHILDCARE SYSTEM - IMPACT OF EXPANSION AND LESSONS FROM OTHER STATES

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EXECUTIVE SUMMARY

This brief is the second in a series examining subsidized childcare policy in Indiana. In the first brief, we outlined the state of subsidized childcare programming and funding in Indiana. This second brief discusses potential funding and service delivery models that might be considered as a long-term and sustainable solution, to meet the needs of working parents in Indiana. Specifically, we look at innovations and funding models in Indiana and other states to expand access to childcare to improve workforce outcomes and labor force participation. Upon further review we find that:

- **Childcare costs are high for working Hoosiers.** When comparing average childcare costs in Indiana to average wages, childcare for young children (under age 6) will likely absorb between 13% and 20% of gross weekly wages per child. Additional subsidies will positively impact working parents, particularly working mothers.
- **Employers and governments benefit from increased subsidized childcare.** Increased subsidized childcare will likely result in a small positive increase in labor force participation and transition some parents from part-time to full-time work, therefore resulting in a stronger workforce and increased tax base^[1].
- **Innovations exist but have yet to reach scale.** A handful of states employ models that incorporate public-private partnerships (where employers contribute to the costs of the subsidies), but these programs have not reached scale and suffer from complex administrative structures. Indiana has piloted innovations such as employer tax credits and micro-center pilots, but are also not at scale. A holistic and expanded system, if funded, would not preclude Indiana from continuing to offer programming that includes innovations already incorporated or building more employer-driven solutions.
- **Identification of a stable and responsible funding source is critical.** New Mexico's recent creation of a childcare endowment may provide lessons on how Indiana might fund a sustainable subsidized childcare system that meets the needs of employers and working families, while remaining fiscally responsible.
- **Indiana will need to partner with parents and providers to build childcare capacity.** While there is currently excess capacity for subsidized childcare in Indiana, if subsidies are increased to meet of significantly more working families and employers, there will likely not be sufficient capacity. A robust increase in childcare funding will require additional resources and support for childcare providers, to scale capacity to meet the needs of Hoosier families.
- **Data and program evaluation is key.** If Indiana opts to expand subsidized childcare programming, it is critical that data collection and reporting on outcomes is a priority, to ensure that ongoing program evaluation and determination of return on investment is possible.

[1] Waddell, Sonya Ravindranath. District Digest. Early Childhood Education in the Fifth District: The Challenges and Opportunities. 2025.

INTRODUCTION

In our May 2026 [brief](#) on Indiana’s subsidized childcare system, we discuss Indiana’s existing childcare programs – the Child Care Development Fund (CCDF) and On My Way Pre-K (OMW) programs. These programs are functionally administered out of one shared fund, including federal and state appropriations. Federal funding for these programs increased significantly during the coronavirus pandemic, and then abruptly returned to pre-pandemic levels in 2025, leaving the state with obligations that far exceeded their ability to pay. The state reacted to the decrease in federal funding by cutting provider reimbursement levels, curbing new enrollments, and instituting a wait list, while investing an additional one-time \$347 Million in state funding and an additional \$133 Million in federal TANF funds in to provide a continuity of services for those children already enrolled in the programs.

We also found that 100% of families that utilize CCDF and On My Way Pre-K are doing so to go to work, are enrolled in education or training, or both.

We expect that in 2026, 57,000 Hoosier children will be enrolled in CCDF/OMW, and an additional 12,000 children will be served by Early Head Start and Head Start^[2]. As a reminder, Head Start serves children in families under 100% of the Federal Poverty Level (FPL) and CCDF/OMW services children in families under 135% FPL.

Table 1. 2026 Annual Federal Poverty Level (FPL) and Standard Poverty Limits for Many Government Programs

Household Size	100% FPL	130% FPL	135% FPL	138% FPL	150% FPL	185% FPL	200% FPL	400% FPL	600% FPL
1 Person	\$15,960	\$20,748	\$21,546	\$22,025	\$23,940	\$29,526	\$31,920	\$63,840	\$95,760
2 Persons	\$21,640	\$28,132	\$29,214	\$29,863	\$32,460	\$40,034	\$43,280	\$86,560	\$129,840
3 Persons	\$27,320	\$35,516	\$36,882	\$37,702	\$40,980	\$50,542	\$54,640	\$109,280	\$163,920
4 Persons	\$33,000	\$42,900	\$44,550	\$45,540	\$49,500	\$61,050	\$66,000	\$132,000	\$198,000
5 Persons	\$38,680	\$50,284	\$52,218	\$53,378	\$58,020	\$71,558	\$77,360	\$154,720	\$232,080
6 Persons	\$44,360	\$57,668	\$59,886	\$61,217	\$66,540	\$82,066	\$88,720	\$177,440	\$266,160
7 Persons	\$50,040	\$65,052	\$67,554	\$69,055	\$75,060	\$92,574	\$100,080	\$200,160	\$300,240
8 Persons	\$55,720	\$72,436	\$75,222	\$76,894	\$83,580	\$103,082	\$111,440	\$222,880	\$334,320

[2] Headstart 2025 Needs Assessment. https://www.in.gov/dA/4cb4cb1436/IN-HeadStartNeedsAssessment2025.pdf?language_id=1

There is a dearth of reliable, validated, and publicly available data on childcare costs (subsidized and non-subsidized) in Indiana compared to other states. However, since the State of Indiana's Office of Early Childhood and Out-of-School Learning determines CCDF/OMW reimbursement rates based on regular provider surveys, we can use those rates as a proxy for market rates in Indiana^[3].

This brief will examine the real demand for childcare in Indiana, the impact of childcare on labor force participation, the business of childcare in Indiana, Indiana's innovations to expand access, and examples of what other states are doing that may provide lessons for Indiana moving forward.

Childcare's Impact on Labor Force Participation

The most recent data available indicates that there are 1.4 million children (ages 0-17) in Indiana^{[4][5]}. According to the Annie E Casey Foundation, in 2024 it calculated that roughly 369,000 of those children have parents that lack secure employment^[6]. While children aged 0-13 are eligible for subsidies under the CCDF program, this brief will primarily focus on families with children under 6. While securing adequate childcare is tough for everyone, working parents often have the most difficulty in finding and paying for childcare for infants, toddlers, preschoolers, and kindergarten aged children. In Indiana, most of these young children have working parents - 92% of children under age six have working parents (compared to 94% of older children). Broadly, that means that there are approximately 437,055 children under the age of 6 in Indiana that have parents in the workforce that may need assistance with childcare to sustain employment^[7].

We know that of these families, single parent homes have considerably lower labor force participation rates - Hoosier children under age 6 in single parent homes only have 78% of parents participating in the labor force (121,698 children under 6 fall into this category, and 86,806 of these belong to single mother households). While all working parents are impacted by the availability of accessible and affordable childcare, the impact on working mothers (single and married) is particularly relevant to their ability to work.

[3] Market rates do not necessarily represent the full costs realized by providers in the provision of childcare services.

[4] U.S. Census Bureau. "Own Children Under 18 Years by Family Type and Age." American Community Survey, ACS 1-Year Estimates Detailed Tables, Table B09002, 2024. <https://data.census.gov/table/ACSDT1Y2024.B09002?q=age+of+children+in+indiana&g=040XX00US18>. Accessed on 24 Jun 2026.

[5] These numbers are likely low, as the U.S. Census Bureau often undercounts children under 4. This has been a trend since 1970. U.S. Census Bureau, Despite Efforts, Census Undercount of Young Children Persists.

<https://www.census.gov/library/stories/2022/03/despite-efforts-census-undercount-of-young-children-persists.html>

[6] Defined as children living in single-parent families, this means the resident parent did not work at least 35 hours per week, at least 50 weeks in the 12 months prior to the survey. For children living in married-couple families, this means neither parent worked at least 35 hours per week, at least 50 weeks in the 12 months prior to the survey. Children living with neither parent were listed as not having secure parental employment because those children are likely to be economically vulnerable.

<https://datacenter.aecf.org/>

[7] U.S. Census Bureau. "Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents." American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B23008, <https://data.census.gov/table/ACSDT5Y2024.B23008?q=working+parents&g=040XX00US18>.

A non-exhaustive list of recent research that underscores the importance of childcare for working families follows:

- A 2025 national study by the U.S. Census Bureau’s Center for Economic Studies shows that higher childcare costs for children under age 5 reduce labor force participation among mothers, with lower-income mothers exhibiting being most impacted^[8].
- A 2025 study based in Michigan found that proximity to childcare providers is significantly associated with lower labor force participation for female workers and parents of young children^[9].
- A Boston Federal Reserve analysis in 2026 found that mothers of all incomes who used childcare worked an average of 4.1 more hours per week than mothers who were unable to use care. Interestingly, middle-income mothers with childcare were likely to work more even more hours, at 7 more hours per week than mothers who didn’t have childcare^[10].
- An analysis from the Chicago Federal Reserve in 2024 indicates that if all parents who are childcare impacted were not missing work due to lack of childcare, the average hours worked by all parents would increase by 1%, and labor force participation rate would increase by 0.17%. 80% of that projected increase would come from parents that currently work part-time transitioning to stable full-time employment, and the biggest increases would be seen by working mothers with children under the age of 5^[11].
- An analysis from the Bureau of Labor Force Statistics in Spring 2026 concluded that mothers of younger children remained less likely to participate in the labor force than mothers with older children. In 2025, 68% of mothers in the U.S. with children under age 6 participated in the labor force compared with 78.2% of mothers whose youngest child was ages 6 to 17^[12].
- A 2022 Census Bureau study indicated that a survey of working parents indicated that 15% of parents who had not worked in the last seven days reported they were unemployed due to lack of childcare. Of these unemployed parents, 35% were parents of young children. Nearly 9 out of 10 parents (87%) who did not work to care for children were women^[13].

[8] Araujo, Valeska, Linden McBride, Danielle H. Sandler. The Impact of Childcare Costs on Mothers’ Labor Force Participation. U.S. Census Bureau. April 2025. <https://www2.census.gov/library/working-papers/2025/adrm/ces/CES-WP-25-25.pdf>

[9] Reaves, John, Hope O. Akaeze, Holli A. Schlukbir, Steven R. Miller, Henry O’Akaze, and Jamie Heng-Chieh Wu. More Care, More Workers? Gauging the Impact of Child Care Access on Labor Force Participation. Social Sciences. July 2025.

[10] Savage, Sarah. Employment Implications of Child-Care Access in New England, Pre-and post-COVID 19. Federal Reserve Bank of Boston. January 2026.

[11] O’Dell, Mark and Brianna Smith. Chicago Fed Insights, November 2024. What Parents Say About How Childcare Problems Affect Employment and Hours Worked.

[12] Bureau of Labor Statistics. Employment Characteristics of Families – 2025. <https://www.bls.gov/news.release/famee.nr0.htm>

[13] Eggleston, Casey, Yeris H. Mayol Garcia, Mikelyn Meyers, and Yazmin Garcia Trejo. About 1 in 5 Parents Relied on a Relative for Child Care. U.S. Census Bureau. <https://www.census.gov/library/stories/2023/11/child-care.html>

Our May 2026 brief on Indiana's subsidized childcare system indicated that recent changes in state policy will result in a maximum of 57,000 enrollments in subsidized childcare in 2026. Currently, families must be at or below 135% of the federal poverty level to qualify to be added to the subsidy waitlist, with enrollment preferences given to very low-income families, children of childcare workers, and those applying for On My way Pre-K. Our initial analysis concluded that as many as 300,000 children (aged 0-17) may meet these current income limits and not be able to access the subsidies.

That initial report may be undercounting the true need. Consider that 437,055 children under age six have working parents that may need assistance in securing accessible and affordable childcare. Of these children, 121,698 children under age six live in single-parent households, and 86,806 live in single-mother led households. We know that parents of young children under the age of six are disproportionately impacted by the availability of childcare. While low-income working parents are certainly impacted by their ability to afford childcare, working mothers and parents of young children of all income levels are also impacted and the research demonstrates that their ability to secure and sustain full-time employment is highly dependent on the availability of affordable and accessible childcare. Therefore, limiting subsidies only based on income level may be missing the mark for many middle-income working families that are negatively impacted by lack of childcare.

The provision of childcare can also result in wage increases and lower dependence on government assistance programs. A Texas study of the impact of childcare subsidies finds that the receipt of these subsidies has a demonstrated impact on workforce outcomes. For very low-income parents receiving Temporary Assistance for Needy Families (TANF) who were provided with CCDF, 88.45% found employment and 58.81% of those that found a job after securing childcare were able to sustain that employment after one year. For non-TANF (but still low income) parents who received CCDF only, the state found that 86.81% maintained their employment after one year and they saw their wages increase^[14].

If the goal is to provide subsidized childcare is to improve labor force outcomes, increase the tax base, and reduce dependence on other government programs, there is sufficient evidence to demonstrate that additional subsidized childcare investment will result in positive results. Determining the right income or demographic criteria to expand subsidized childcare will depend upon policy decisions and funding levels.

[14] Evaluation of the Effectiveness of the Subsidized Child Care Program – Report to the 89th Texas Legislature. January 15, 2025

The Realities of Childcare Providers and Early Childcare Workers

It has long been understood the provision of childcare services is not a high margin business. A 2026 national survey of childcare providers showed that costs continue to rise for all providers. This includes increases in rent, staff wages, supplies, and insurance costs. As these costs increased, federal CCDF funding levels fell (see our May 2026 brief for more information on this federal CCDF fiscal cliff), and already thin profit margins became even smaller^[15]. Indiana providers are no different from their national peers. When Indiana decreased CCDF/OMW reimbursement rates to reflect market rates (as opposed to the true cost of services) in 2025 and re-instituted a CCDF waitlist, providers lost income and working families lost their ability to access subsidized childcare.

Childcare providers continue to struggle with the reality that they have always had limited access to low interest business loans^[16]. This means that in downturns for the industry, providers are often on their own, with limited access to emergency capital.

This is at the same time as early childcare workers continue to receive wages far below the state average. According to the Bureau of Labor Statistics, the average annual wage of workers in Indiana for 2025 was \$65,070. During the same time, the average annual wage of Hoosier childcare workers was \$29,700^[17]. This is important. If the state wants to maintain (or even increase) childcare provider capacity in Indiana, increasing the supply of trained childcare workers is critical. A career that pays 45% of the average annual wage in the state will likely prove unsustainable for many individuals who want to continue to work in this industry (not that Indiana is not alone on childcare worker wages– the national average for these workers in 2025 was \$33,324).

The retention (and expansion) of the childcare occupation in Indiana is critical to this discussion. A 2024 Ball State Study showed that a 10% increase in the number of childcare workers resulted in a 0.4% increase in the number of women working outside of the childcare sector. This emphasizes the previous research cited, in that increased childcare workers result in increased labor force participation in other sectors. Simply put, an expansion of the childcare worker labor force will net increased expansion in working women statewide. This study estimates that to meet this 10% increase in childcare workforce, there will need to be an 8% across-the-board increase in childcare worker wages. That will require more collaboration with the state to provide a framework for providers that will help make this wage increase possible^[18].

[15] National Association for the Education of Young Children. *National Workforce Survey Data Brief* (2026).

https://www.naeyc.org/sites/default/files/wysiwyg/user-174467/2026_survey_brief.pdf

[16] Federal Reserve Bank of Chicago. *A Summary of Lending to Childcare Businesses Under Programs of the U.S. Small Business Administration*. February 2025. <https://www.chicagofed.org/publications/chicago-fed-insights/2025/summary-lending-childcare-programs-us-small-business>

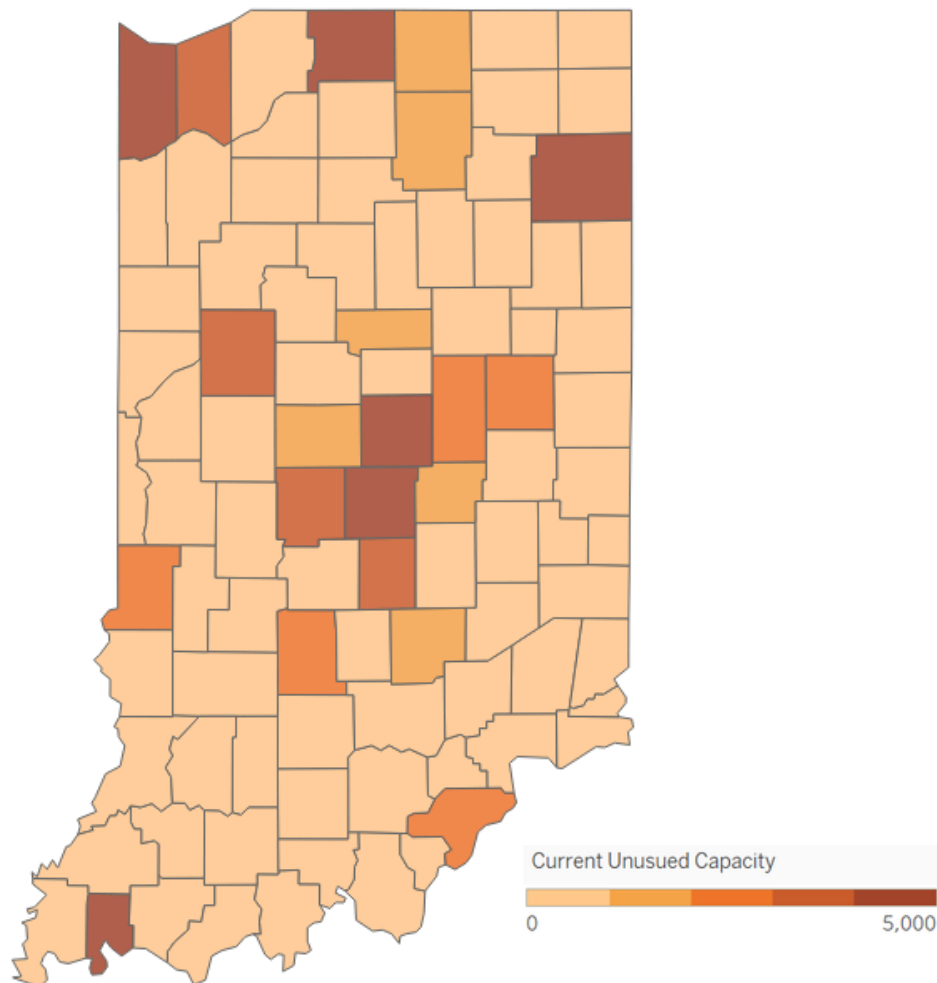
[17] Bureau of Labor Statistics, Quarterly Census of Employment and Wages. 2025.

[18] Faulk, Dagney, Michael J. Hicks, Madelyn Ponsier. *Child Care and Women's Participation in the Workforce: Estimates for Indiana*. Ball State University Center for Business and Economic Research. June 2024.

As outlined in our previous brief, there is currently unused provider capacity in Indiana’s subsidized childcare system. We looked at this again for this report, and utilized enrolment and capacity data provided by the Indiana Office of Early Childhood and Out-of-School Learning on 5/31/26^[19]. There is currently provider capacity to enroll 151,325 children, which vastly exceeds the amount of CCDF subsidies available. Right now, CCDF provider capacity exceeds enrollment by a factor of 4.5. In fact, 5 of Indiana’s 92 counties have no program enrollments as of the date of the analysis. Only one county appears to have enrollments that exceed reported capacity. Figure 1 shows a map of current unused capacity, with the darker orange areas having more slots for children to serve than are utilizing CCDF.

The median amount of unused capacity (slots for children not enrolled in CCDF) is 449 per county. In Marion County, unused CCDF/OMW capacity is at over 26,000, followed by over 10,000 in unused capacity in Hamilton County. Note that counties currently have more capacity than children being served by CCDF primarily due to limitations on CCDF enrollment and parent provider preference.

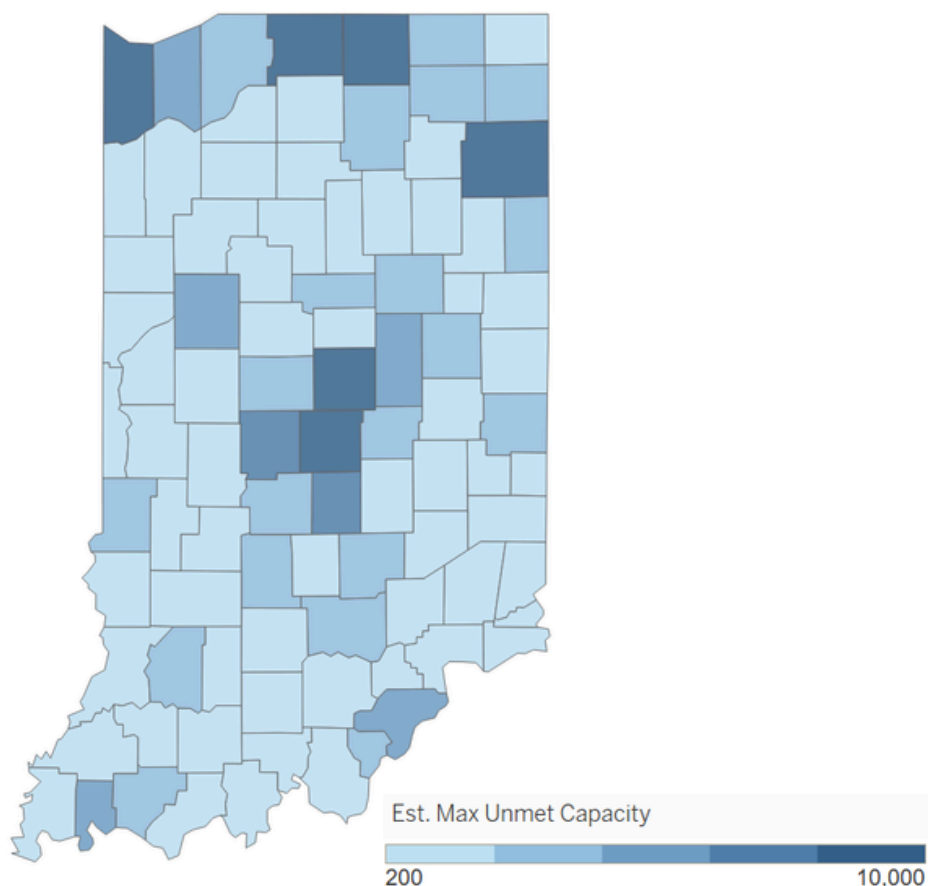
Figure 1. Unmet CCDF Provider Capacity as of May 2026.



[19] Summer CCDF/OMW enrollments tend to drop off and return to normal levels when school enrollment begins again in the Fall. Therefore, this analysis may underrepresent true enrollment during the school year.

However, if the state were to expand subsidies to serve all working families, the state could realize a maximum capacity deficit of up to 256,000, requiring the state to work with providers to increase capacity. Interestingly, the counties that currently have the most unused provider capacity will be those same counties that would need the most assistance to bring additional provider capacity online. Figure 2 shows the estimated maximum unmet need if all children were to be enrolled. The largest need for increased capacity will be in Marion County, which may need to increase provider capacity to serve over 28,000 additional children. The median per county increase is approximately 1,400.

Figure 2 - Maximum Unmet Need for Childcare Services (Universal Usage)



Note that this level of childcare utilization is unlikely, due to program funding capacity, provider decisions on whether or not to accept subsidies, and family preferences. This is for illustrative purposes only.

This report doesn't drill down into county-by-county provider coverage at the micro level, but the data does suggest that some rural counties in Indiana would qualify as childcare deserts - defined as areas where the supply of childcare is below the real demand for local families. In the following section on other state innovations, many of these focus on building supply in these childcare deserts.

Subsidized Childcare Innovations in Indiana and Nationwide

Employer Partnerships - Michigan Tri-Share and Other Public Private Partnership Models

Since 2021, several states have embarked upon childcare expansion models that require employer investment and participation. While all show promise, none have reached scale to date. The oldest program of this kind, and the most studied, is the Michigan Tri-Share model. The program exists on \$4.5 million each year in state funding and is combined with private philanthropic dollars. The goal of the program is to serve 5,000 families by 2028^[20].

This program is built on top of the state's CCDF program (which, like Indiana, pays 100% of childcare costs for participants). Michigan's Tri-Share is a cost-sharing approach where the state, the employer and the employee each pay one-third of the price of childcare, effectively giving families a 66 percent discount. Originally intended to serve households between 200% of FPL and 325% of FPL, the program was expanded in June 2025 to serve households up to 400% of FPL^[21].

As of May 2026, Michigan had 300 employers participating and has benefitted 900 families, covering 1,200 children at 840 childcare providers. In the past year, the program has expanded sufficiently to provide services to families in all 83 of Michigan's counties. Michigan reports that the program to date has saved participating families more than \$14 million in childcare costs^[22].

Since 2026, Michigan employers can now extend childcare benefits to employees above MI Tri-Share's income eligibility (known as MI Care-Share). With the MI Care-Share add-on, employers continue to contribute 33%, while the employee covers the remaining 67%^[23]. There is no data yet on the rate of utilization of MI Care-Share, but it appears that due to the slow ramp up of participation in Tri-Share since 2021, the income limit expansion and the addition of MI Care-Share was necessary to reach the original intent to serve 5,000 Michigan families by 2028.

One difficulty in the Tri-Share model is that the administration of this program is dispersed to a number of regional facilitator hubs – regional entities that recruit employers and employees into the program and administer the program at the regional level. This adds to the administrative burden (collecting payments from the state and employers to pay providers) and a 2024 program evaluation found that this model needs to be tweaked to retain regional flexibility while improving administrative consistency and program data collection.

[20] U.S. Chamber of Commerce Foundation. *Childcare Innovation Through Public-Private Partnerships*. June 12, 2025. <https://www.uschamberfoundation.org/education/childcare-innovation-through-public-private-partnerships>

[21] Sullivan, Emily Tate. *Could Michigan's Cost-Sharing Approach to Child Care be Scaled Nationwide?* EdSurge. December 17 2023. <https://www.edsurge.com/news/2023-12-17-could-michigan-s-cost-sharing-approach-to-child-care-be-scaled-nationwide>

[22] Michigan Department of Lifelong Education, Advancement, and Potential. *MI Tri-Share Reaches 300th Employer with Family Health Care, Celebrates \$14M in Savings for Michigan Families Statewide*. May 26, 2026. <https://www.michigan.gov/mileap/press-releases>

[23] MI Tri-Share. <https://www.michigan.gov/mileap/early-childhood-education/mi-tri-share-child-care>.

This 2024 Tri-Share evaluation report indicated that providers, employers, and participants were generally pleased with the program. However, the evaluation found that increased employer awareness and recruitment was needed to scale the program. A brief by the Chicago Federal Reserve indicated that one of the problems with the model is the slow growth in employer participation^[24].

As a family's ability to participate in Tri-Share is based upon decisions by their employer, the evaluation showed that 32% of participants were unable to continue to use the program due to a job change to an employer who doesn't participate. All of the program users (providers, employers, participants) indicated that increasing income limits (which were 325% of FPL at the time of the survey) were a barrier to participation.

According to the U.S. Chamber of Commerce Foundation, Michigan's model is only the most scaled program. Other states have also embarked on one of many similar public-private partnerships^[25].

- **Texas** used federal stimulus funds in 2022 to launch a Child Care Expansion initiative that provides grants to employers that invest in childcare facilities or sponsor "slots" for employees. The state is using CCDF funding to expand the program, and is investing \$12 million to provide technical assistance and support to childcare providers. Texas has prioritized funding to projects in childcare deserts^[26].
- **Iowa** provides Child Care Business Incentive grants for employer-led childcare expansion projects, targeted at childcare deserts, to provide more slots for employees of employer partners. The program began in 2022 and was renewed in 2024.
- **Tennessee** began piloting a program in 2024 to provide \$15 million per year in grant funding for three years to encourage employers to work with childcare providers to build sustainable solutions to expand childcare access for employees.
- Since 2023 **Kentucky** has offered an Employee Child Care Assistance project that provides match for employers who pay employees' childcare costs. Lower income families that are just above the state's income limits for CCDF receive a larger employer match from the state, and the match amount tapers as family incomes increase. **North Dakota** has offered a similar employer match program.
- **New York** and **North Carolina** are offering their own versions of the Tri-Share model. New York began piloting their program in 2023 in three areas of the state with \$4.8 million in annual funding. North Carolina began implementing its pilot in 2025, with \$900,000 in state funding over two years.

[24] Reijm, Heidi. Michigan's Tri-Share Program: One Promising Childcare Solution for Working Parents. Chicago Fed Insights. April 2024. <https://www.chicagofed.org/publications/chicago-fed-insights/2024/michigan-tri-share-childcare>

[25] Merchen, Aaron, Sasha Nicholas. Child Care Innovation Through Public Private Partnerships. U.S. Chamber of Commerce Foundation. 2025. <https://www.uschamberfoundation.org/education/childcare-innovation-through-public-private-partnerships>

[26] Texas Workforce Commission. *Fiscal Year 2025 Child Care Expansion Initiative Start-Up Program Discussion Paper*. <https://www.twc.texas.gov/sites/default/files/ogc/mtg24/commission-meeting-material-121024-item10-dp-cc-xpansion-initiative-fy25-twc.pdf>

Indiana Innovations

Since 2023, Indiana has piloted several childcare innovations. Robust data on utilization or impacts of these pilots is not yet available, but a description of these innovations is below:

Employer Tax Credit

In 2023, Indiana passed a pilot employer tax credit, which allows certain employers to receive a tax credit of up to 50% of their expenditures for childcare facilities that benefit their employees. The tax credit is limited to \$100,000 per employer and the total amount of credits that may be awarded in any year is \$2.5 million^[29]. This can work in tandem with the federal Section 45F tax credit, which also provides a tax credit for employers who invest in childcare expenditures for their employees^[30]. Incidentally, the Congressional Research Service indicates that very few employers to date have utilized the Section 45F credit^[31]. The Indiana Legislative Services agency will provide information on the utilization of the state employer tax credit to the Interim Study Committee on Tax and Fiscal Policy in Fall 2026^[32].

Microcenters

Indiana passed legislation creating a childcare microcenter pilot in 2024^[33]. Micro-facilities—smaller, non-residential, sites designed to serve between 3 and 30 children. These micro-facilities will benefit from streamlined regulations developed by OECOSL, which reduce operating costs for providers and encourage the establishment of childcare facilities in convenient community locations, such as libraries, schools, and shopping centers^[34]. The state selected six pilot locations in February 2025 and will select more in 2026. This is a promising model, particularly in childcare deserts, and pilots are also being explored in several other states, including Nebraska^[35].

Private Initiatives

Noble County has created a micro-Tri-Share program, which has been operating since 2023^[36].

[29] Indiana Department of Revenue, *Income Tax Information Bulletin #126 - Employer Child Care Expenditure Credit*. April 2026. <https://www.in.gov/dor/files/reference/ib126.pdf>

[30] Internal Revenue Service, *Employer-provided child care credit: Tax year 2026 and later*. <https://www.irs.gov/businesses/small-businesses-self-employed/employer-provided-child-care-credit-tax-year-2026-and-later>

[31] Congressional Research Service. *The 45F Tax Credit for Employer-Provided Care*. Updated September 4, 2025. https://www.congress.gov/crs_external_products/IF/PDF/IF12379/IF12379.3.pdf

[32] Legislative Services Agency Office of Fiscal and Management Analysis. *2025 Indiana Tax Incentive Review*. https://iga.in.gov/publications/tax_incentive_review/Tax-Incentive-2025-FINAL.pdf

[33] <https://iga.in.gov/legislative/2024/bills/senate/2/details>

[34] Indiana Family and Social Services Administration. *OECOSL's Micro Facility Pilot Program*. <https://www.in.gov/fssa/carefinder/oecosl-micro-facility-pilot-program/>

[35] U.S. Chamber of Commerce Foundation. *Unlocking the Potential of Microcenters to Expand Child Care Access*. September 13, 2024. <https://www.uschamberfoundation.org/education/unlocking-the-potential-of-microcenters-to-expand-child-care-access>

[36] Thrive by 5. *Noble County Tri-Share Program*. <https://noblethriveby5.org/tri-share/>

New Mexico Universal Child Care Funding Model

To level set, there is nothing exceptionally innovative about how New Mexico delivers their subsidized childcare program. What is interesting about the New Mexico model is how they pay for their newly expanded “universal” system.

In 2020, the state created a permanent endowment dedicated to childcare, capitalized with federal Covid funds and taxes and royalties on oil and gas production. The idea is that this childcare endowment will pay out investment earnings without drawing down the principal deposits. In this way, such fund balances will grow over time even without continued inflows. New Mexico requires that 5% of their fund’s total value, or \$500 million, is disbursed for childcare assistance each year^[27].

As to the “universal” aspect of the program, New Mexico’s system looked very similar to Indiana’s prior to 2021, when they expanded their childcare subsidies to those at 400% FPL. In 2025, the state claimed to provide “universal” childcare for children through age 13, but clarified in early 2026, that the income limits were effectively at 600% FPL. Any assistance beyond 600% FPL is contingent on investment earnings in the endowment^[28].

As a result of this massive increase in funding, the state of New Mexico is now driving initiatives around childcare worker training and improving provider capacity.

Indiana could opt to utilize future surplus amounts to create a similar childcare endowment to enhance state appropriations and TANF funding dedicated for childcare. Depending upon the size of such an investment and expected rate of return, this may over time lessen the yearly appropriations required to maintain state match and maintenance of effort requirements for federal childcare funding. Our recent [analysis](#) of the state’s fiscal health suggest that the state will have over \$5 billion in reserves by June 30, 2027.

[27] Perry, Andrew. *How New Mexico Will Pay for Universal Childcare*. Fiscal Policy Institute. October 29, 2025. <https://fiscalspolicy.org/how-new-mexico-will-pay-for-universal-childcare>

[28] Fischer, Karen. *Lessons from the first state in the nation to offer universal child care*. The Hechinger Report. June 10, 2026. <https://hechingerreport.org/lessons-from-nations-first-universal-child-care-program/>

Conclusion

Childcare is expensive and often inaccessible for working Hoosier families. If the state wishes to increase labor force participation, particularly for working mothers and low-income families, they may consider increasing subsidized childcare for working families, primarily for those with young children under the age of 6.

Increasing assistance with childcare will result in a stronger workforce and increased tax base. Studies show that increasing availability of childcare increases the labor force participation and the ability to work more hours for working mothers. More childcare also makes it possible for some working parents to transition from part-time to full-time work. There is some evidence that low-income individuals that utilize government assistance programs may find sustainable and higher wage work, thereby minimizing their use of other government programming, once they have access to accessible and affordable childcare.

Indiana can maintain the innovations that it has already begun (employer tax credits and childcare microcenters) and may look at other employer-led solutions, but also needs to look for permanent and sustainable funding solutions to increase the availability of childcare for more working parents that need it.

Any increase in funding or expansion of subsidized childcare in Indiana needs to be paired with more transparency around data, so that researchers can conduct program evaluations and return on investment analyses for the state. Examples of robust program evaluations from Michigan and Texas were used in analysis.

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