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INDIANA'S SUBSIDIZED CHILDCARE SYSTEM

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EXECUTIVE SUMMARY

Numerous studies have indicated that access to childcare is critical for Hoosier parents' ability to work. This is especially critical for low-income families and single-parent families.

This report will focus on the programs that already exist in Indiana to help low-income families that are dependent on reliable access to childcare to work – the Child Care Development Fund (CCDF) and On My Way Pre-K 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 (\$147 Million in 2025 and \$200 Million in 2026) and repurposed \$133 Million in federal TANF funds to provide a continuity of services for those children already enrolled in the programs.
- Despite measures taken by the state, many families will remain on the waitlist, and less than 20% of eligible children will be enrolled in these programs by the end of 2026^[1].
- The state has operated these programs historically on a pay-as-you-go basis, allowing for a spike of enrollments in 2024 that were not sustainable, given historic state funding levels.
- 100% of families that utilize CCDF and On My Way Pre-K are doing so in order to go to work, are enrolled in education or training, or both.
- There is a dearth of reliable, validated, and publicly available data on childcare costs (subsidized and non-subsidized) in Indiana compared to other states.

A second report to be released in Summer 2026 will discuss potential funding and service delivery models that might be considered as a long-term and sustainable solution, to meet the needs of low-income working parents in Indiana. The federal CCDF program, the primary funding source for Indiana's existing programs, allows considerable flexibility to states to design their programs to meet the needs of their citizens. Recent state legislative changes allowing for the implementation of childcare microcenters and the Employer Child Care Expenditure Tax Credit, allowing employers to directly invest in the childcare expenditures of their employees, deserve further review. Other states also have leaned into different delivery and funding models, and we will dig into how those might have advantages or drawbacks compared to Indiana's current system.

[1] This does not include the approximately 20,000 children enrolled in the Headstart and Early Headstart programs, which are not administered directly by the State of Indiana.

BACKGROUND ON THE IMPORTANCE OF CHILDCARE TO WORKING FAMILIES

Numerous studies have been undertaken in recent years in Indiana around the critical need for childcare, for Hoosier parents to participate in the workforce. A 2024 study from the Indiana Chamber Foundation indicated that the availability of childcare is one of the most critical determinants in whether a parent can participate in the workforce^[2]. A Ball State University Center for Business and Economic Research study in the same year indicated that this is especially true for working mothers making a median wage - after childcare costs and taxes, only have a modest financial incentive to work^[3]. These studies show the realities of childcare availability and its impact on the decision on how and when to work for the majority of Indiana's 1.7 million families, regardless of income.

When one drills down and considers low-income families, childcare availability becomes even more important. A 2024 federal study on barriers to employment for lower wage jobs indicates that challenges securing childcare result in an inability in earning a family-sustaining income, accessing employer provided benefits, and retaining employment^[4]. In Indiana, over 1 Million Hoosier families do not make sufficient income to meet their needs^[5], 15.7% of Hoosier children live in poverty, and 39.7% of single mother households fall below the federal poverty level^[6].

In Indiana, a family may be eligible for subsidized childcare if they are at or below 135% of the federal poverty level (\$43,890 per year for a family of 4^[7]). However, Indiana currently has a waitlist for the subsidy, where priority is given to very low-income families, children of childcare workers, and those applying for On My way Pre-K, a sub-program of the larger subsidized childcare system in the state. Approximately 300,000 Hoosier children may meet this income criteria currently, far exceeding the current program funding capacity.

[2] Indiana Chamber Foundation. Untapped Potential in Indiana: How Childcare Impacts Indiana's Workforce Productivity and the State's Economy. https://www.indianachamber.com/wp-content/uploads/2023/08/Untapped_INDIANA_072924_DIGITAL.pdf

[3] Faulk, Dagny, Michael Hicks, Madelyn Ponsier. Child Care and Women's Participation in the Workforce: Estimates for Indiana. June 26, 2024. Ball State University Center for Business and Economic Research.

[4] Abt Associates. Employment Processes as Barriers to Employment In the Lower-Wage Labor Market: Literature Review. February 2024. https://acf.gov/sites/default/files/documents/opre/OPRE-employment-processes-barriers-feb2024_Final.pdf

[5] Indiana United Ways. The State of Alice in Indiana – 2025 Report. <https://iuw.org/alice-2025/>

[6] Indiana Youth Institute. Kids County Data Book 2026. https://iyi.org/wp-content/uploads/2026/02/IYI_2026-Data-Book.pdf

[7] <https://aspe.hhs.gov/sites/default/files/documents/b1bfa16b20ae9b89d525bc35de7c1643/detailed-guidelines-2026.pdf>

HISTORY OF SUBSIDIZED CHILDCARE IN INDIANA

The Childcare and Development Block Grant (CCDBG), also called the Childcare and Development Fund (CCDF), is the primary source of federal funding for childcare subsidies for low-income working families and funds to improve childcare quality. Indiana, like many states, also provides additional childcare assistance through Temporary Assistance for Needy Families (TANF) funds^[8].

While the beginnings of subsidized childcare began in the 1930s^[9], CCDBG/CCDF began in 1990, through the Childcare and Development Block Grant Act of 1990 (and was part of the broader “welfare reform” movement of the 1980s and 1990s). The program was updated and reauthorized again in 2014^[10]. Through this legislation, states are given broad authority on how to manage their programs, but are required to provide a state match and maintenance of effort^[11].

Since CCDF began in Indiana in the 1990s, Indiana has met its match and maintenance of effort obligations primarily through a yearly CCDF state match appropriation. Additional state programming was added in 2005 (the School Age Childcare Grant^[12] and Childcare Licensing funding) and 2011 (Headstart liaison funding^[13]). In 2007, the state created an unfunded pre-K pilot program, and began funding pre-K/early childhood funding (which would eventually become the On My Way Pre-K program) in 2013. The state began investing significant dollars into pre-K in 2015, with a noticeable increase in 2018.

While functionally there are two distinct subsidized programs in Indiana – the CCDF program and the On My Way Pre-K, for fiscal purposes they pull from the same bucket of dollars. All state match and TANF dollars are combined with federal CCDF funds and then money is paid to CCDF and On My Way Pre-K providers.

[8] Indiana plans to continue to use TANF block grant funds for childcare assistance, for families at 127% of the federal poverty level. These funds are typically combined with other federal childcare funds (CCDF).

https://www.in.gov/fssa/dfr/files/Indiana-TANF-State-Plan_Renewal.pdf

[9] Bipartisan Policy Center. History of Federal Funding for Childcare and Early Learning. October 2019.

https://bipartisanpolicy.org/wp-content/uploads/2019/10/WEB_BPC_ECH-History-Brief_R01.pdf

[10] CCDF Fundamentals for State and Territory Administrators,

https://acf.gov/sites/default/files/documents/occ/rg_ccdf_fundamentals.pdf.

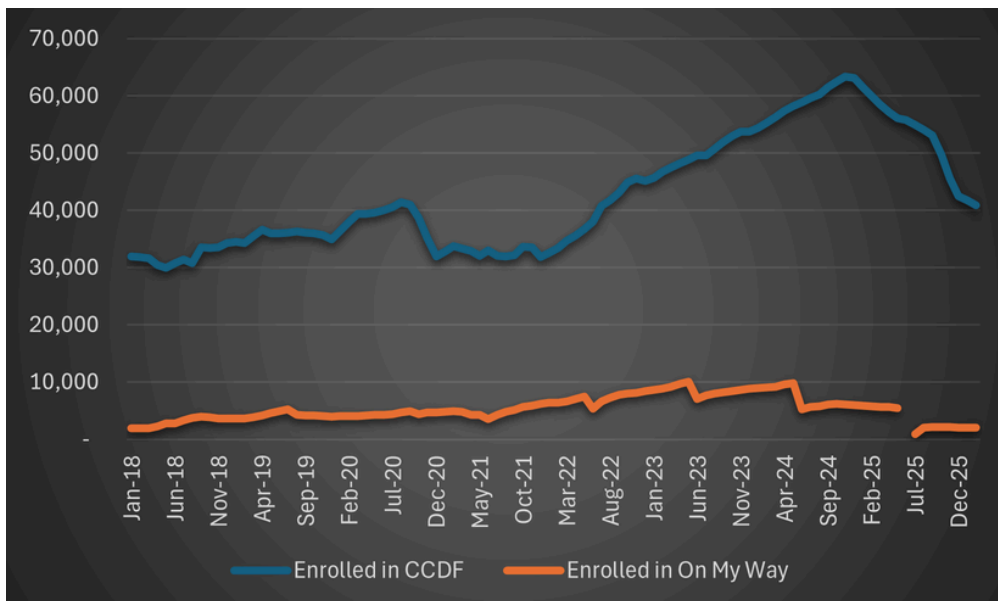
[11] Under a maintenance of effort provision, a state is required, as a condition of eligibility for federal funding, to maintain its financial contribution to a program at not less than the amount of its contribution for some prior period. A maintenance of effort formula ensures that Federal assistance results in an increased level of state-related activity and that a State does not simply replace State dollars with Federal dollars over time.

<https://www.in.gov/fssa/files/ACF-118-CCDF-FY2025-2027-IN.pdf>

[12] The School-Age Childcare Program provides up to \$40,000 to school-age childcare programs in public school corporations that provide before and/or after school care and care during school breaks.

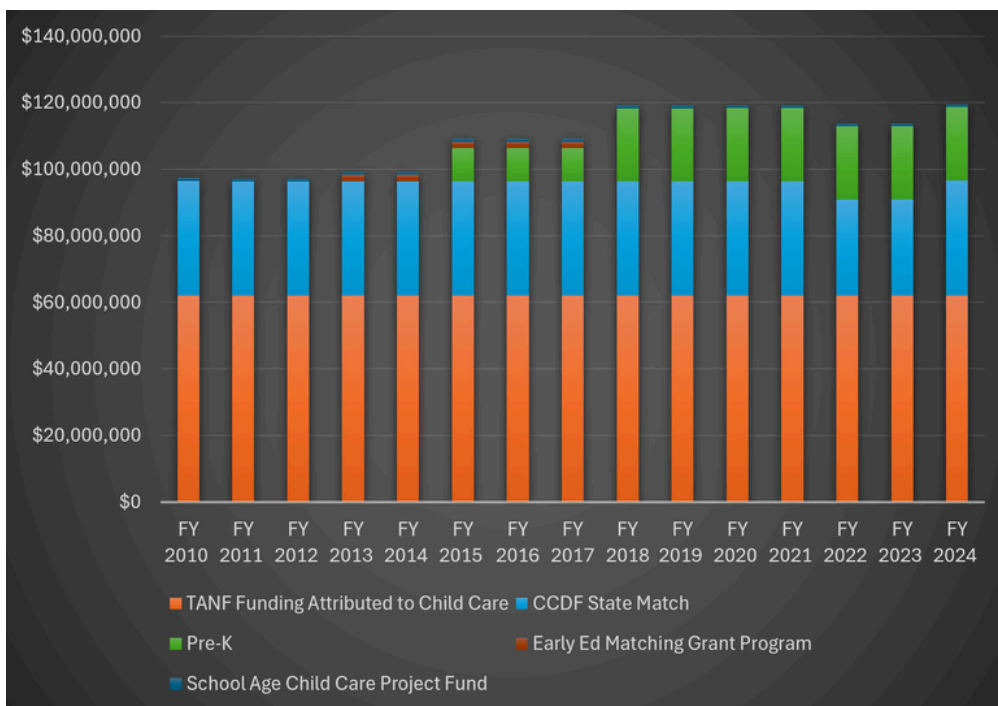
[13] Headstart is not administered by the State, but rather the state has provided funding in the past for Headstart collaboration out of the Indiana FSSA Office of Early Childhood and Out-of-School Learning. For more information on Headstart, go to <https://indianaheadstart.org/>

Figure 1 - Childcare Development Fund and On My Way Pre-K Enrollment (2018-2025)



For context, prior to 2013, childcare funding in Indiana (including the federal TANF block grant funding of approximately \$62 Million per year^[14]) was less than \$100 Million. After 2015, the state investment rose year over year until 2022. Figure 2 below shows recent state investment (including TANF) in childcare.

Figure 2 – Historic State Investment in Childcare



[14] Enrollment, waitlist, and provider capacity information provided by Indiana FSSA Office of Early Childhood and Out-of-School Learning.

Funding and Enrollment Trends – Indiana Compared to Other States

Federal childcare funding in Indiana has remained flat except for an increase in 2018 and significant increases in funding due to the coronavirus pandemic in 2020 and 2021. For FFY 2020, increases included \$78.8 Million in CARES Act Funding. For FFY 2021, increases included \$225.2 Million in Coronavirus Response and Relief Supplemental Appropriations Act funding and \$878 Million in The American Recovery Plan (ARPA) funding. It is now expected that federal funds will continue at or below pre-pandemic levels for federal CCDF moving forward, which should be below \$200 Million each year.

Indiana has consistently invested state resources at a rate higher per capita than many peer states. See Table 1 for a comparison of Indiana to other states, for the most recent allocation of federal CCDF funds.

Table 1 – 2025 State Comparison of CCDF Funding and State Investment^[15]

State	Total Childcare Funding (State + Federal)	Rank Total Investment	Rank State Investment (Real \$)	State Investment as % of Total Funding	Rank of % State Investment	Total Funding Per Capita	Rank of Funding Per Capita
Alabama	\$245,865,407	20	28	8%	49	\$47.34	7
Alaska	\$33,272,799	47	40	26%	5	\$45.13	13
Arizona	\$286,449,481	17	23	12%	40	\$37.57	39
Arkansas	\$140,863,884	32	37	7%	50	\$45.22	11
California	\$1,429,726,582	2	1	23%	13	\$36.33	42
Colorado	\$185,379,682	27	17	24%	11	\$30.83	49
Connecticut	\$145,060,280	31	21	27%	4	\$39.33	32
Delaware	\$45,133,459	41	39	21%	20	\$42.58	20
Dist. of Columbia	\$28,813,458	49	47	22%	16	\$41.54	23
Florida	\$853,146,527	4	5	15%	27	\$36.36	41
Georgia	\$515,713,323	8	14	12%	42	\$45.63	10
Hawaii	\$54,928,775	40	36	20%	21	\$38.34	37
Idaho	\$70,477,638	39	42	11%	43	\$34.72	47
Illinois	\$544,295,984	5	4	24%	10	\$42.79	19
Indiana	\$318,566,311	14	19	13%	38	\$45.68	9
Iowa	\$134,869,654	33	32	13%	37	\$41.65	21
Kansas	\$130,247,074	34	30	15%	30	\$43.75	17
Kentucky	\$243,828,227	21	29	8%	47	\$52.93	1
Louisiana	\$237,623,312	23	26	9%	44	\$51.45	2
Maine	\$40,648,400	43	48	15%	28	\$28.73	50

[15] Grant Year 2025 CCDF Allocations (Based On Appropriations), Non-Reallocated.

State	Total Childcare Funding (State + Federal)	Rank Total Investment	Rank State Investment (Real \$)	State Investment as % of Total Funding	Rank of % State Investment	Total Funding Per Capita	Rank of Funding Per Capita
Maryland	\$253,316,677	19	13	25%	8	\$40.43	29
Massachusetts	\$289,726,863	16	10	29%	2	\$40.50	28
Michigan	\$415,084,848	10	15	14%	33	\$40.98	26
Minnesota	\$241,578,587	22	16	23%	12	\$41.43	24
Mississippi	\$145,939,765	29	43	5%	51	\$49.40	4
Missouri	\$260,657,686	18	22	15%	31	\$41.57	22
Montana	\$38,498,645	45	49	14%	32	\$33.63	48
Nebraska	\$97,314,112	36	33	18%	24	\$48.22	5
Nevada	\$115,388,921	35	34	14%	34	\$35.16	46
New Hampshire	\$40,514,908	44	35	29%	1	\$28.63	51
New Jersey	\$338,640,985	12	9	25%	7	\$35.47	44
New Mexico	\$95,991,801	37	41	8%	45	\$45.16	12
New York	\$859,589,177	3	2	26%	6	\$42.97	18
North Carolina	\$501,198,256	9	12	15%	29	\$44.76	14
North Dakota	\$31,178,598	48	46	21%	19	\$39.00	34
Ohio	\$523,171,350	7	8	17%	26	\$43.96	16
Oklahoma	\$204,918,995	26	25	12%	41	\$49.70	3
Oregon	\$152,948,201	28	24	19%	23	\$35.79	43
Pennsylvania	\$523,220,159	6	6	21%	18	\$40.06	30
Rhode Island	\$43,003,668	42	38	23%	14	\$38.58	36
South Carolina	\$225,671,017	25	31	8%	46	\$40.51	27
South Dakota	\$35,697,911	46	44	19%	22	\$38.18	38
Tennessee	\$325,762,964	13	18	14%	35	\$44.53	15
Texas	\$1,486,400,352	1	3	12%	39	\$46.88	8
Utah	\$145,908,562	30	27	13%	36	\$41.23	25
Vermont	\$22,774,330	50	51	22%	15	\$35.33	45
Virginia	\$346,413,622	11	11	22%	17	\$39.01	33
Washington	\$315,972,488	15	7	28%	3	\$39.49	31
West Virginia	\$83,638,627	38	45	8%	48	\$47.36	6
Wisconsin	\$231,397,620	24	20	17%	25	\$38.74	35
Wyoming	\$21,706,824	51	50	24%	9	\$36.87	40

Prior to 2025, many believed that increased levels of federal spending on CCDF would continue. This expectation was not realized – as federal funding tapered off, the state found itself in a cash flow crisis where current enrollments and provider rates exceeded sustainable funding sources by about \$225 Million.

It is important to note that CCDF/On My Way Pre-K have historically been administered as a “pay-as-you-go” system, where children and families were screened for eligibility, enrolled in the system, and then the state reimbursed childcare providers for their services. While the Office of Early Childhood and Out-of-School Learning estimates that each child served stays in the program for approximately 2.5 years, they didn’t obligate all of the funds needed for each child at the time of enrollment, therefore creating a cash flow problem when funds dried up and they were obligated to continue to pay for the children already in the system.

Provider reimbursement rates were increased in 2023, when the state transitioned from a market-rate model to a cost-survey model^[16]. This change, meant to cover the real cost of services for providers, resulted in state reimbursement rates sometimes exceeding market rates. When federal funding tapered off, the state moved back to a market rate system, and cut provider rates by approximately 10% for infant and toddler care, 15% for preschoolers and 35% for school-age children.

In December 2024, the state instituted a waitlist for the CCDF and On My Way Pre-K. As a result of this up and down of funding, the state had 34,000 children enrolled in 2018, peaked at 69,000 enrolled in late 2024, and had an enrollment of 43,000 in February 2026.

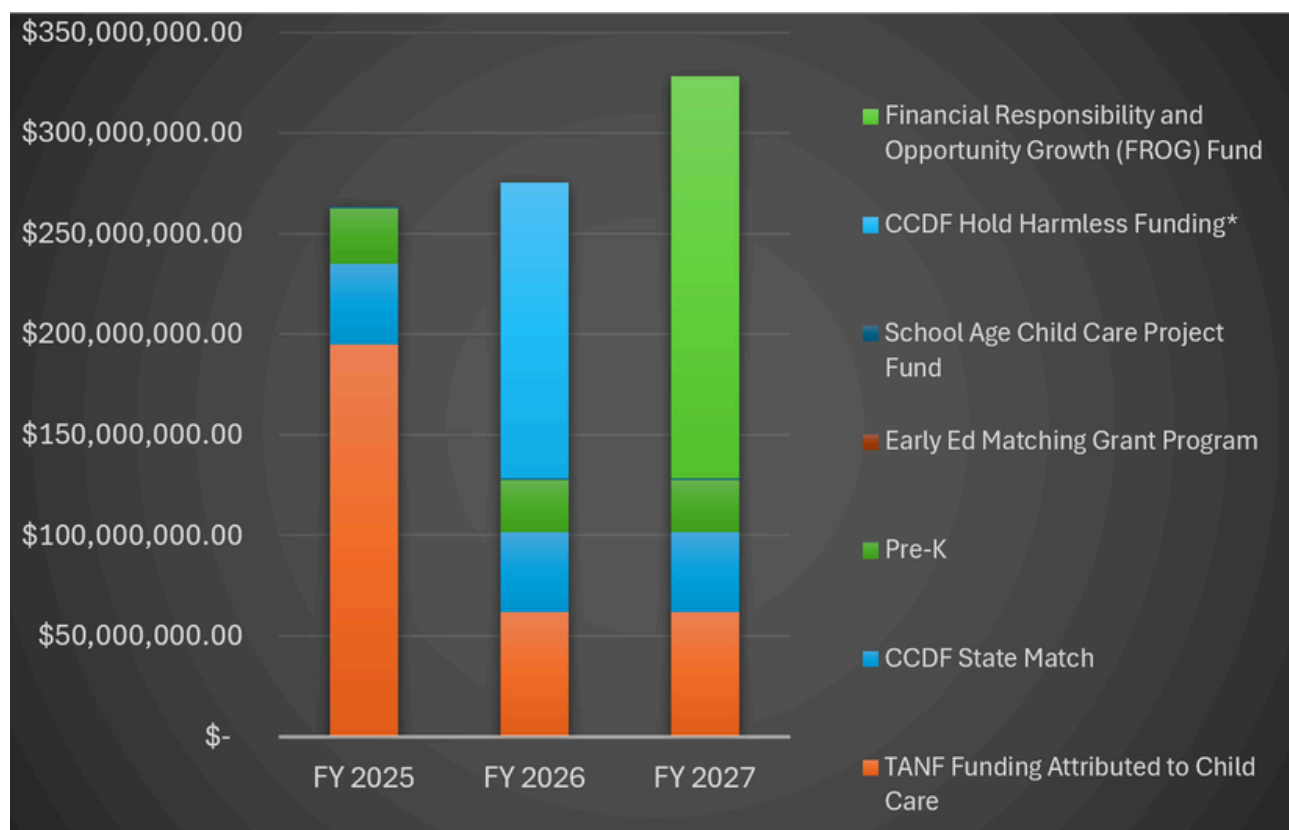
In FY 2025, the state tapped surplus TANF reserves of \$133 Million (in addition to the yearly \$62 Million in TANF funds usually attributed to the program) to partially cover the loss. In the 2025 state budget, fiscal leaders provided a one-time \$147.25 Million “CCDF Hold Harmless” line item to help cash flow the program to protect the children that were already enrolled.

Additionally, the Governor and the State Budget Agency released \$200 Million from the Financial Responsibility and Opportunity Growth (FROG) Fund^[17] in April 2026 to expand access to CCDF. With this funding, the state will increase the number of CCDF enrollments by 14,000 to a projected level of 57,000. Starting in May 2026, the state began prioritizing enrollment of siblings of current voucher holders, infants, toddlers, and 3/4/5-year-olds. Additionally, a set of exemptions was created for children of foster and kinship families, children with special needs, homeless children, children of childcare workers, and children of Ivy Tech students. See figure 3 for more detail on the most recent transfers of funding to CCDF/On My Way Pre-K.

[16] <https://www.in.gov/fssa/carefinder/system-updates-2023/>

[17] <https://events.in.gov/event/governor-braun-announces-200-million-investment-to-expand-child-care-affordability-and-reduce-waitlists>

Figure 3 - Recent Funding Enhancements for CCDF/On My Way Pre-K



These recent investments by the State should not be seen as an expansion of the program, but rather an infusion that allows for a “right sizing” of subsidized childcare for the time being. This may not represent state obligations moving forward. However, even with 57,000 children in CCDF/On My Way Pre-K and an additional 20,000 (approximately) served by Head Start, there are surely hundreds of thousands of Hoosier children who need childcare so that their parents can work that are not able to access this system.

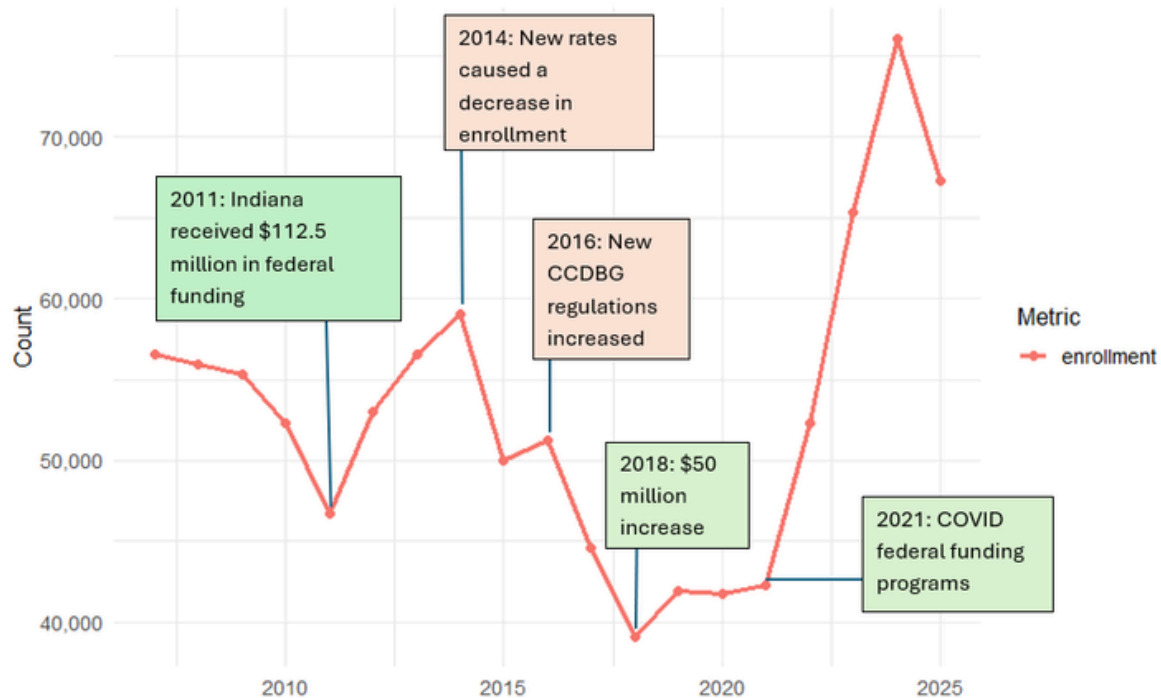
In 2023, Indiana reported^[18] that 100% of the parents who utilized CCDF/On My Way Pre-K were doing so to go to work or to go to training. Also, parents who utilize these programs typically have multiple children – Indiana had the 5th highest ratio of children to families in 2023 at 1.78 children per each family served.

Enrollment Trends and Demand

In Indiana, subsidized childcare enrollment trends have shown times of growth after injections of additional funding and have tapered off when waitlists were temporarily closed, regulations were increased, or provider rates were changed. Figure 4 from the Office of Early Childhood and Out-of-School Learning at the Indiana Family and Social Services Administration shows historic changes in enrollment.

[18] Childcare and Development Fund Statistics, FFY 2023 CCDF Data Tables (Preliminary).
<https://acf.gov/occ/data/child-care-and-development-fund-statistics>

Figure 4 - Indiana Subsidized Childcare Enrollment Trends
(Source: Indiana Office of Early Childhood and Out-of-School Learning)



Much discourse centers on supply and demand when discussing childcare costs and the need for childcare subsidies. According to the Office of Early Childhood and Out-of-School Learning, there were 4,170 providers eligible to participate in the state programs as of Spring 2026. Many researchers and information speak primarily to the availability of licensed providers. However, in 2023, a full 27% of program payments were to providers who are operating legally but without licensure (only New York, Nevada, and Hawaii provided more subsidies to unlicensed providers). Therefore, it is important to distinguish between all providers (who may not be licensed but are eligible for Indiana’s CCDF/On My Way Pre-K programs) and licensed providers. Note that according to state data, there were 2,705 licensed home-based and center providers in Indiana in February 2026.

As mentioned in Figure 4, enrollment in CCDF and On My Way Pre-K tends to spike when funding and eligibility are expanded, and tends to decrease when regulations are increased or rates are adjusted. The Office of Early Childhood and Out-of-School Learning tracks provider closures and the state has seen the loss of 175 providers, with the capacity to serve 2,177 children from February 2025 – February 2026. The data shows in Figure 5 that licensed home providers are the most impacted provider type in regard to closures, and Figure 6 shows that capacity at ministries has seen the most negative change and centers (licensed and exempt) have seen the largest increases in capacity.

Figure 5 - Historic Change in Number of Providers by Type of Provider

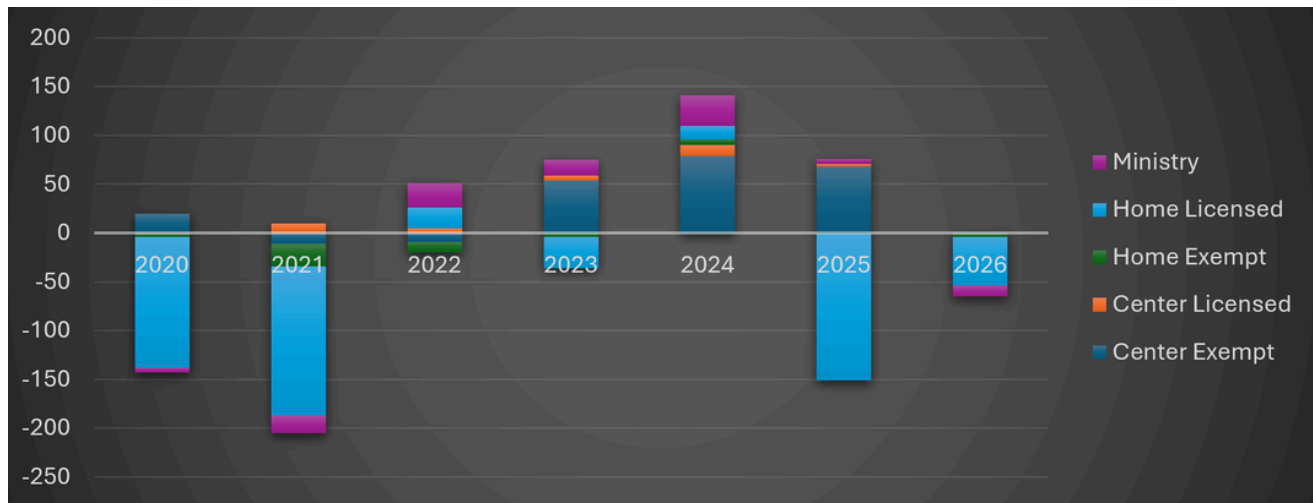
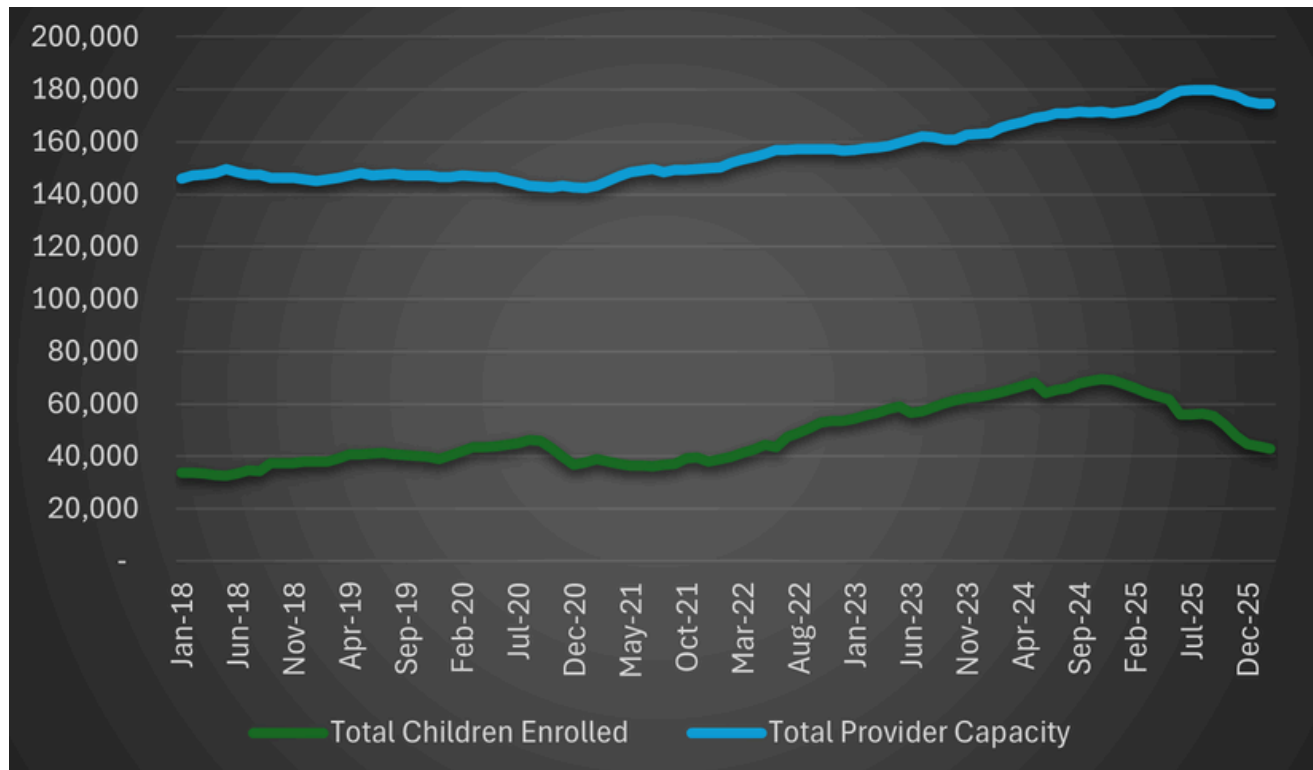


Figure 6 - Change in Service Capacity by Provider Type



The data shows that there is more provider capacity than enrollments in CCDF and On My Way Pre-K. See Figure 7 for more detail on the difference between program enrollment and total provider capacity.

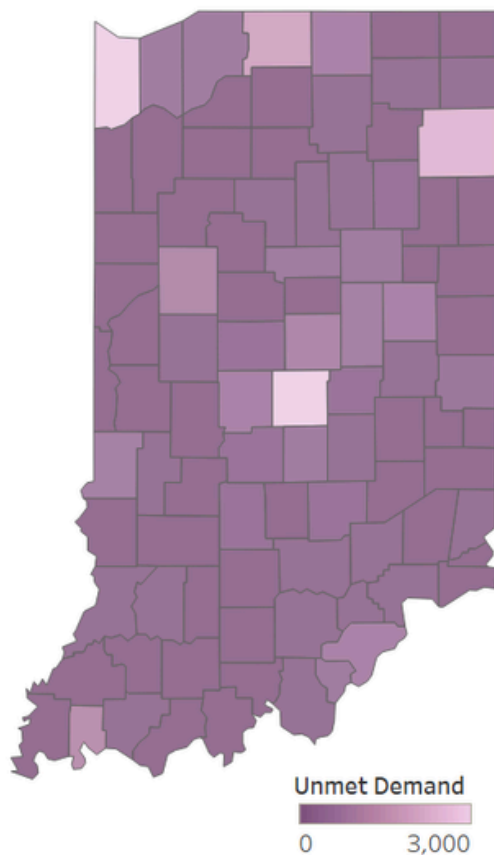
Figure 7 – Enrollment and Program Provider Capacity (2018-2025)



This of course does not consider geographic distribution of capacity, as well as market demand and parental preference of provider type and quality. We know that as of March 2026, there were 35,000 children on the Indiana waiting list. Nearly one-third of that list resides in Marion County.

Once the state hits its target enrollment of 57,000 by the end of 2026, there will still be more than 20,000 children on the waitlist and not receiving services, even with the recent \$200 M investment. See Figure 8 for a map showing where unmet need for CCDF/On My Way Pre-K exists.

Figure 8 - CCDF and On My Way Waitlist Demand by Geography (March 2026)



Cost of Childcare in Indiana

Government support for working families vis a vis childcare funding is especially important when considering that childcare costs in Indiana are often reported to be disproportionately higher than other states, when looking at the cost burden of childcare compared to the wages of Hoosier families^[19].

In truth, public data on childcare costs in Indiana is hard to find. In our 2025 State Competitiveness Index Analysis^[20], we found that Indiana was one of the few states that did not provide data to the U.S. Department of Labor Women’s Bureau National Database of Childcare Prices – we were instead required to use data from the Federal Reserve Bank of St. Louis^[21] for that analysis. Many state “rankings” that are widely reported use survey data from groups that either do not appear to have Indiana data sets or the data is of insufficient quality.

Table 2 shows publicly available data from the federal government, the Indiana Office of Early Childhood and Out-of-School Learning, and the Federal Reserve Bank of St. Louis to show the cost of subsidized and unsubsidized childcare in Indiana^[22]. The publicly available data is limited to certain provider types and age categories.

[19] Lending Tree Childcare Affordability Study. January 2026. <https://www.lendingtree.com/debt-consolidation/child-care-affordability-study/>

[20] 2025 Indiana Competitiveness Index. <https://indianafiscal.org/page-1665722>

[21] <https://www.stlouisfed.org/community-development/child-care-economic-impact>

[22] St. Louis Fed data was provided on an annual basis for 2023. We adjusted these amounts for inflation and also broke them out into weekly figures. CCDF national amounts were from the <https://acf.gov/occ/data/fy-2023-ccdf-data-tables-preliminary>, Table 15 and amounts were adjusted for inflation and broken into weekly figures. State provided CCDF data was weekly provider reimbursement rates as of May 2026.

Table 2 - Weekly Cost of Subsidized and Unsubsidized Childcare in Indiana

	CCDF (Subsidized) Childcare Costs							St. Louis Fed Market Costs (Center-Based Care Only)	
	IN Center	IN Child's Home	IN Family Home	IN Total Avg.	US Center	US Child's Home	US Family Home	IN	US
3/4/5 Years Old	\$163	\$97	\$146	\$160	\$180-\$189	\$125-\$128	\$150-\$156	\$117	\$127
Infant	\$267	\$97	\$145	\$249	\$239	\$120	\$172	\$240	\$262
Kindergarten	\$149	\$97	\$145	\$147	\$154	\$117	\$136	Not Available	Not Available
School Age	\$50	\$97	\$56	\$52	\$124	\$115	\$122	Not Available	Not Available
School Other	\$136	\$97	\$145	\$136	\$134	\$128	\$133	Not Available	Not Available
Toddler	\$233	\$97	\$145	\$220	\$213-\$231	\$124-\$126	\$168-\$173	\$150	\$144

From the information above, it does suggest that costs for center-based CCDF infant and toddler care is higher in Indiana than the nation. For most other categories, Indiana appears to be reasonably in line with national averages. It also appears that the St. Louis Federal Reserve data may not reflect the actual market rate for center care in Indiana.

It is important to note that the average weekly wage for a worker in Indiana in May 2026 is \$1,123 – that means that average toddler care for one child represents nearly 20% of the weekly wage of a Hoosier parent in the workforce. When combined with other cost of living factors, these costs are not affordable for the average worker. Low-income families who are not able to access the state's subsidized system will struggle to maintain consistent employment if they must absorb these costs themselves.

However, without more discrete data available for non-subsidized childcare rates (and not just restricted to licensed center rates), an analysis on the true Indiana childcare cost burden on families will be difficult to undertake.

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