II

THEMES AND CASE STUDIES

THEME 3: CHILD CARE FINANCING & POLICY REFORM

Many interview participants described a child care financing and policy landscape that is difficult to navigate and does not adequately support providers or families. Subsidy systems were frequently described as difficult to access and insufficient to cover the true cost of care, with reimbursement rates that often fall short of operational realities. Providers also pointed to funding instability and reliance on short-term resources, which make long-term planning, workforce retention, and program sustainability increasingly difficult. In addition, policy changes such as Universal Prekindergarten (UPK) and Transitional Kindergarten (TK) expansion were identified as influencing enrollment patterns in ways that can unintentionally destabilize providers.

Together, these insights highlight the need for structural reforms that improve affordability for families, provide more adequate and predictable funding for providers, and better align public investments with the realities of delivering high-quality infant and toddler care. The case studies that follow explore how financing reforms, reimbursement strategies, and innovative funding partnerships can help address these challenges while strengthening the long-term stability of the child care system.

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CASE STUDY 5: VERMONT ACT 76 CHILD CARE REFORM

Inland Empire interview connection:
"Reimbursement systems are currently insufficient and not reflective of actual costs." — Provider systems interview summary [C5]

Vermont's Act 76 is one of the strongest examples of state child care financing reform because it addresses both family affordability and provider reimbursement. Passed in 2023, Act 76 expands child care financial assistance, increases reimbursement rates, and creates a dedicated Child Care Contribution payroll tax to fund child care investments.

This case directly connects to the Inland Empire interviews. Providers repeatedly described a system where reimbursement does not reflect the true cost of infant/toddler care. Interviewees also described payment instability, confusion around subsidies, and concern about being paid based on attendance rather than enrollment. These issues make it difficult for providers to budget, retain staff, or keep infant/toddler slots open.

Implementation approach:
Vermont's reform expands eligibility for the state's Child Care Financial Assistance Program and increases provider reimbursement rates. The reform is designed to reduce family costs while helping providers receive more predictable and adequate funding.

Funding strategy:
Act 76 created a 0.44% Child Care Contribution payroll tax. Employers pay at least 0.33%, and employees may pay up to 0.11%. This dedicated funding stream is one of the most important parts of the model because it treats child care as workforce and economic infrastructure.

Outcomes and impacts:
Act 76 directly expanded eligibility to higher-income families, reduced or waived copays for lower-income families, and increased provider reimbursement rates. It is designed to help families afford care while stabilizing providers.

Limitations:
Payroll taxes can face political resistance from employers or workers. The policy also requires strong administrative capacity so families understand eligibility and providers receive payments efficiently. Vermont's smaller population makes implementation easier than it would be in California.

Key lessons for the Inland Empire:
The most important lesson is that funding reform must address the true cost of care. The Inland Empire should advocate for reimbursement based on enrollment rather than daily attendance, higher infant/toddler rates, and funding formulas that account for staffing ratios, language access, transportation, and small-provider costs. Vermont's payroll contribution model could also inform conversations with major regional employers, especially in logistics, health care, education, and public agencies.

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CASE STUDY 6: MICHIGAN MI TRI-SHARE CHILD CARE PROGRAM

Inland Empire interview connection:
"There are warehouses and corporations here…child careis critical for their employees." —Child careadvocate interview [C6]

Michigan's MI Tri-Share Child Care Program offers a useful employer partnership model for communities where child care access affects workforce participation. Under MI Tri-Share, the cost of licensed child care is split equally among the employer, employee, and the State of Michigan. Regional facilitator hubs help administer the program, support employer participation, and manage payments.

This case is especially relevant to the Inland Empire because the region's economy includes logistics, warehousing, health care, education, and shift-based work. Interview participants described parents working nontraditional hours, commuting long distances, and struggling to find care that matches work schedules. They also suggested that large corporations and employers should be part of the solution.

Implementation approach:
Employers voluntarily participate in MI Tri-Share. Eligible employees receivechild carecost support through a three-way split. Regional hubs help connect families, employers, and providers. The model frameschild careas a workforce retention strategy.

Funding strategy:
The cost is shared: one-third employer, one-third employee, one-third state. This makes child care more affordable for families while engaging employers directly in the solution.

Outcomes and impacts:
The program has expanded to multiple regions and has been replicated or considered by other states. It can help reduce child care costs for working families and support employer recruitment and retention.

Limitations:
Tri-Share does not solve the whole child care crisis. It helps with affordability but does not automatically create new infant/toddler slots. It also depends on employer participation, which can be uneven. Some communities may have few employers enrolled, limiting impact.

Key lessons for the Inland Empire:
MI Tri-Share could inform a regional employer child care strategy, especially for large IE employers. However, it should not replace public investment. A strong IE model would pair employer cost-sharing with infant/toddler slot creation, provider grants, facilities support, and nontraditional-hours care. The case is best used as a targeted workforce-affordability tool, not a universal child care solution.

References

Theme 3

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