

Anchorage  
**EMPLOYER  
COST SHARE**  
Feasibility Study



**UNITED WAY**  
Anchorage



**DENALIDANIELS**  
+ ASSOCIATES

December 2025

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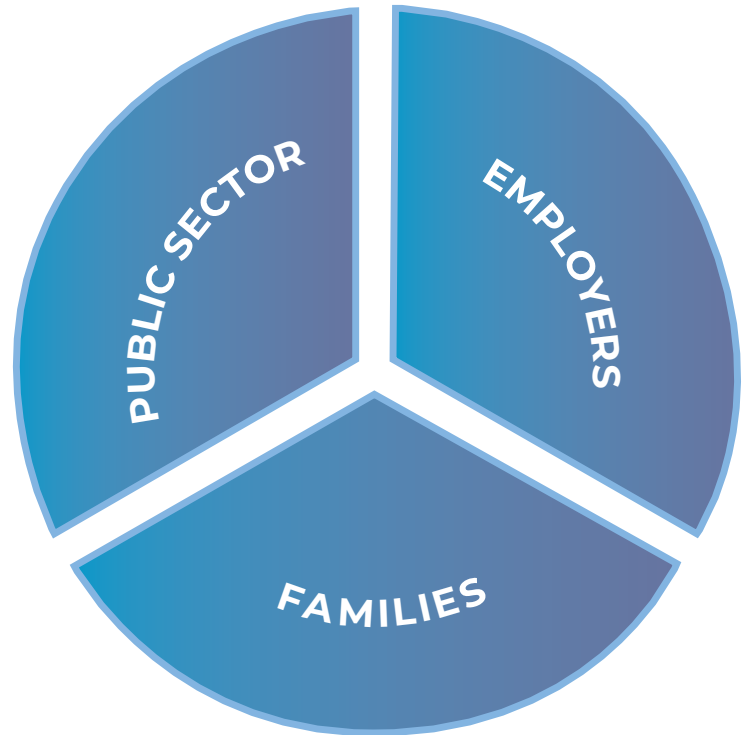
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Employer cost sharing, often referred to as "Tri-Share," is a model designed to make child care more affordable by dividing costs among three partners:



# Introduction

## The Anchorage Economy and Child Care: Why Availability and Affordability Both Matter

In 2023, the United States Chamber of Commerce Foundation estimated that Alaska loses approximately \$165 million annually due to limitations in the child care sector. Anchorage, home to a substantial portion of the state's jobs, bears much of this economic burden. That same year, Anchorage voters approved Proposition 14, dedicating marijuana tax revenue to child care and early learning initiatives, a clear signal of public recognition that the system needs reform.

Availability and affordability remain the two primary child care related factors preventing Anchorage families from participating in the workforce. While limited provider capacity continues to constrain access, affordability is a persistent challenge for working parents and employers. Local research confirms that these two factors together create significant barriers to stable workforce participation. Alaska employers have advocated for recent state and federal tax credits for employers that support employee child care needs. This demonstrates that employers in Alaska are interested in addressing the child care crisis.

This study acknowledges the importance of child care provider availability while focusing specifically on employer cost sharing as an affordability intervention. The report summarizes approaches used by other local governments, presents findings on Anchorage employer interest and offers recommendations. This work is informed by lessons learned from other locations and considers the feasibility of implementing an employer cost sharing model to help reduce child care costs for Anchorage families.

### SNAPSHOT: Anchorage Workforce + Child Care

#### Recruitment & Retention

**75%**

of Anchorage employers surveyed are concerned about recruitment & retention related to child care.

#### Availability

**82.3%**

of Anchorage employers report a negative impact from employee inability to find child care.

#### Affordability

**85%**

of Anchorage parents say cost is a barrier to finding child care.

## Employer Cost Share Models Defined

To address affordability challenges, employer cost sharing has emerged as a promising strategy nationwide. Employer cost sharing, often referred to as "Tri-Share," is a model designed to make child care more affordable by dividing costs among three partners: public sector, employers, and families.

At the time of this research, six states with cost sharing programs were identified, primarily within specific counties and municipalities, with additional efforts emerging nationwide. Early lessons learned from these locations show that implementation varies considerably, reflecting each community's policy environment, administrative structures, and local priorities. Not all states refer to their programs as "Tri-Share," but all employ a shared cost approach with the same underlying goal.

Interest in this approach is also growing in Alaska. The Governor's Task Force on Child Care recommended that the state "assess the feasibility of adopting a "Tri-Share" model in Alaska to include partnerships between the State of Alaska, the private sector, and families to share costs of child care, and to consider an appropriate administrative model for implementation to meet Alaska's unique needs."<sup>2</sup>

## Key features:

- ✓ Allows employers to offset employee child care costs through a cooperative structure.
- ✓ Costs divided among private sector, employers, and families.
- ✓ Often administered at the county or municipal level.

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## Potential benefits:

- ✓ Provides employers a tool to support recruitment and retention.
- ✓ Allows private sector contributions, increasing the overall pool of resources to support child care.
- ✓ Reduces out-of-pocket costs for workers with children which may result in them choosing other employment options or opting out of the workforce.



## 2025 Anchorage Employer Cost Share Feasibility Study

Building on this national and state level interest, the 2025 Anchorage Employer Cost Share Feasibility Study examines whether such a model could be effectively implemented in Anchorage. United Way of Anchorage led this project in recognition of the significant role child care affordability plays in the stability of Anchorage's workforce. With funding from the Anchorage Child Care and Early Education Fund (ACCEE), United Way initiated this effort to better understand whether an employer cost sharing model could be a feasible and effective strategy for Anchorage.

Denali Daniels + Associates (DDA) served as contracted partner, and the Anchorage Chamber of Commerce played a critical role throughout the process. DDA guided project design, facilitation, and conducted quantitative and qualitative employer research. The Chamber provided essential insights into the business community as well as venues for employer input. Together, these partners collaborated to evaluate the potential of employer cost sharing as one element of a broader approach to improving child care affordability in Anchorage.

# Primary & Secondary Methods

## Project Timeline and Methodology

The feasibility study was conducted in four phases, each designed to build a comprehensive understanding of whether employer cost sharing could be effective in Anchorage. The DDA team objectively evaluated how challenges in other states affect the viability of a cost-sharing program in Anchorage and whether lessons can be addressed to reach feasibility.

### PHASE 1



JULY-AUGUST 2025

#### Discovery

- Conducted Out-of-state Interviews
- Performed Secondary Research
- Designed Employer Survey

### PHASE 2



SEPT-OCT 2025

#### Quantitative

- Conducted Field Employer Survey

### PHASE 3



NOVEMBER 2025

#### Qualitative

- Conducted Focus Groups
- Compiled Thematic Analysis Report summarizing qualitative findings

### PHASE 4



DECEMBER 2025

#### Final Report

- Synthesized final feasibility report and recommendations

## Phase 1: Discovery

The discovery phase established the analytical foundation for the feasibility study and informed the design of the Anchorage employer survey. This phase focused on identifying how employer cost sharing programs operate in other states, the conditions under which they succeed, and the lessons most relevant to the Anchorage context. Activities included a structured review of available program documentation and interviews with program administrators in states with comparable models.

Six programs were reviewed: Michigan, Kentucky, North Carolina, North Dakota, Indiana, and West Virginia. Representatives from all locations were interviewed with the exception of North Dakota. While terminology and administrative structures varied, all models combined employer and public contributions to reduce child care costs for working families.

All models also restricted employee participation to employees with a certain range of total household incomes. This range was usually calibrated so that the program could serve families that made slightly too much money to qualify for the state's Child Care Assistance Program (CCAP). Program details are summarized here.

1

### MICHIGAN



START YEAR **2022**

PARTICIPATING EMPLOYERS <sup>(11/25)</sup> **272**

Eligibility: 200-400% Federal Poverty Level (Adjusted for family size)

Employer Payment: 1/3 of child care cost

Government Match: 1/3 of child care cost

Administered by: Local county-level hubs

Uses payroll deduction to collect employee childcare payments

2

### KENTUCKY



START YEAR **2023**

PARTICIPATING EMPLOYERS <sup>(07/25)</sup> **108**

Eligibility: 85-180% State median household income (Adjusted for family size)

Employer Payment: Employer sets the amount (minimum \$75/mo)

Government Match: 100-50% of employer contribution, diminishing with income

Administered by: State government

**3**

**NORTH DAKOTA**



START YEAR **2023**

PARTICIPATING EMPLOYERS (07/25) **unknown**

Eligibility: 0-150% state median household income (Adjusted for family size)

Employer Payment: Employer sets the amount (minimum \$150/mo)

Government Match: \$150/mo if employer pays less than \$300/mo. \$300/mo if employer pays \$300/mo or more

Administered by: State government

Recently expanded up to 11 counties

**5**

**NORTH CAROLINA**



START YEAR **2024**

PARTICIPATING EMPLOYERS (08/25) **16**

Eligibility: 180-300% Federal Poverty Level (Adjusted for family size)

Employer Payment: 1/3 of child care cost

Government Match: 1/3 of child care cost

Administered by: Local county-level hubs

Recently expanded statewide

**4**

**INDIANA**



START YEAR **2024**

PARTICIPATING EMPLOYERS (08/25) **12**

Eligibility: 150-400% Federal Poverty Level (Adjusted for family size)

Employer Payment: 1/3 of child care cost

Government Match: 1/3 of child care cost

Administered by: Northeast Indiana Early Childhood Coalition

Recently expanded up to 11 counties

**6**

**WEST VIRGINIA**



START YEAR **2025**

PARTICIPATING EMPLOYERS (10/25) **15**

Eligibility: 0-270% Median Household Income (Not adjusted for family size)

Employer Payment: Employer sets the amount

Government Match: 100-50% of employer contribution, diminishing with income

Administered by: Wonderschool

Pilot operating in 10 counties

# Phase 2: Quantitative Employer Survey

## Survey Purpose & Eligibility

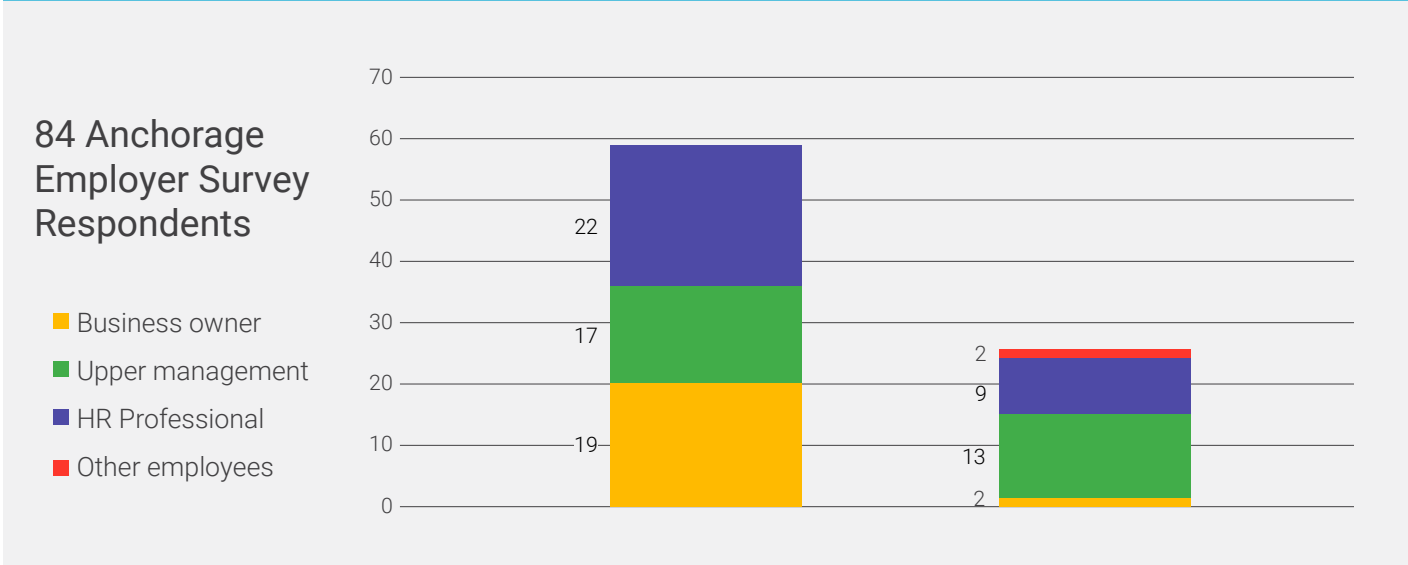
The project’s quantitative phase consisted of a survey of Anchorage employers. The survey used a convenience sample to measure the employer demographics and cost share related attitudes of 84 Anchorage employers. The survey asked respondents whether they were “responsible for or involved in” employee benefit decisions at their company. Those that responded affirmatively were allowed to proceed with the survey and those that responded negatively were not. This restriction was designed to ensure that the survey only sampled respondents who were knowledgeable about benefits and with the authority to promote a cost sharing program within their organization. Public sector employers were screened out of this survey, however could be considered in future research.

## Recruitment + Demographics

The survey was distributed across social media, through promotional events at the Anchorage Chamber of Commerce, by emails to personal contacts, and to the Anchorage Society for Human Resource Management (ASHRM) mailing list. Survey participants were entered in a drawing for one of ten \$100 gift cards to Anchorage businesses.

Demographics collected included the respondent’s role in their organization, the organization’s for-profit or non-profit status, whether the organization was a child care provider, and their number of employees in Anchorage. Figure one shows the distribution of roles between the for and non-profit businesses. Note that two non-profit employees selected that they were business owners. They were not removed from the data set and their responses were not altered.

Figure 1: Respondent role and for-profit/non-profit status



## Employer Size

Survey respondents were also asked the number of employees they have in Anchorage. Although the distribution of employee sizes in the general business population in Anchorage is skewed toward very small employers,<sup>3</sup> the employers that responded to the survey tended to be somewhat larger: most of the employers featured in the survey had between 20 and 499 employees. Figure two shows the respondents organized by number of employees in Anchorage.

Figure 2: Anchorage Employers Surveyed by # of Employees

# Employees	Count
<20	20
20-99	38
100-499	24
500+	2

## How Survey Results Informed the Study

The employer survey provided an understanding of Anchorage employer attitudes toward cost sharing, highlighted areas of interest and concern, and identified topics for further consideration. These insights were used to shape the qualitative phase

of the study, including the development of focus group questions and the selection of specific design features for discussion. Key survey findings are summarized in the Findings section of this report.

## Phase 3: Qualitative Employer Focus Group + Round Table Discussions

Subsequent to the survey, the project team held two focus groups to gather more in-depth feedback from employers. These discussions were designed to deepen understanding of employer perspectives on child care, test specific cost sharing design elements, and explore topics identified in the

quantitative phase. The two sessions included a roundtable discussion with a diverse group of employers, human resource professionals, and child care providers, and a separate focus group dedicated exclusively to human resource professionals. A total of 16 Anchorage employers participated between the two meetings.



## Roundtable Discussion

The round table discussion was held on October 17, 2025, from 11:30 am to 1:00 pm. Because interviews with other states highlighted the importance of engaging the business community, this meeting had dual goals: to experiment with using a round table luncheon hosted by the Anchorage Chamber of Commerce to gather input on a potential cost sharing program for Anchorage and to promote engagement. Business owners, high level managers, and human resource professionals in for-profit and non-profit organizations were encouraged to attend. Survey results were shared with this group, which included overall interest in cost sharing and the difference between the more Michigan-like cost sharing models, in which employers pay a full third of the child care cost, and the more Kentucky-like models, in which they may choose their contribution and the government matches it.

## HR Focus Group

The human resources focus group was held on October 21, 2025, from 5:30 to 7:00 p.m. on Zoom. Discovery phase interviews with other states highlighted that human resource professionals are a critical audience for program design because they oversee employee benefits, understand employee needs, and are positioned to assess how a cost sharing program might integrate with existing organizational structures. The HR focus group gathered detailed input on five specific policy questions. Participants were asked about how much effort would be required for payroll deduction, their preference between making direct payments to providers or having an intermediary administrator, how they would learn about employee needs for a cost sharing project, whether fairness of benefits was a concern that had come up at their organization, and whether a cost sharing program would help their business with recruitment and retention. Participation was limited to HR professionals to allow for focused discussion.

## Phase 4: Report Writing

After conducting discovery research, the employer survey, and the focus groups, the project team reviewed the findings of previous work and compiled this report outlining the findings of the

feasibility study as well as recommendations for how a cost sharing program could be implemented to best fit Anchorage's child care needs and workforce environment.

# Findings

## Overview + Details

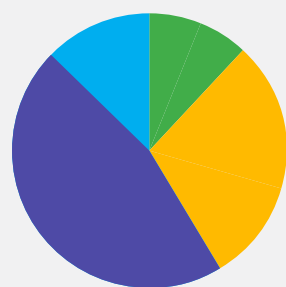
- 1 Anchorage employers are interested in a cost sharing program.
- 2 Anchorage parents view affordability as a major barrier to finding child care alongside availability shortages.
- 3 Referrals across child care subsidies can help increase overall participation in the Child Care Assistance Program.
- 4 Some cost sharing programs were initially over funded compared to initial demand. The “Pilot Program” language used by other states was counterproductive to enrolling employers.
- 5 Anchorage employers strongly prefer a flexible contribution model over a fixed cost split.
- 6 Anchorage employers have limited knowledge of employee household income, making income-based thresholds a barrier to enrollment.
- 7 Payroll deduction is not viewed as a significant barrier to participation.
- 8 Anchorage employers express mixed views on program administration, but experts from other states suggest that administrator organizations are important for efficiency.
- 9 Effective employer outreach requires sustained, relationship-based engagement.

## Finding 1

### Anchorage employers are interested in a cost sharing program.

Survey results indicated that 67% of respondents would be somewhat or very likely to consider enrolling, and HR focus group participants expressed unanimous interest. It is important to remember that participation in the focus groups and the survey was voluntary. There could be some bias towards employers more interested in child care issues. However, the available evidence indicates that some Anchorage employers are interested in cost sharing.

Figure 3: Employer reported likeliness to consider a cost sharing program in Anchorage



How likely would you be to consider enrolling in a cost sharing program in Anchorage?

■ Somewhat likely 47%   ■ Somewhat unlikely 21%  
 ■ Very Unlikely 11%   ■ Very likely 21%

## Finding 2

### Anchorage parents and employers view affordability as a major barrier to finding child care alongside availability shortages.

While most cost share experts in other states were optimistic about the potential, a consistent theme was that it is not a complete solution to the child care crisis. Cost sharing does address child care availability shortages and may create additional demand for existing child care options. Some participants in the round table discussion indicated that they were more concerned about child care availability in Anchorage than its cost.

While availability is a serious concern that needs to be addressed in Anchorage, cost to families is also a significant barrier. Figure four, on the following page, shows 2024 data indicating that both availability and cost were significant concerns for Anchorage parents of children aged 0-12, and that cost was perceived as a slightly greater barrier. This suggests that programs helping to address cost are also important to make child care more feasible for families in Anchorage.

“[Cost sharing] is a great concept, but it benefits the people who've already found access to child care, and you still have this whole huge subset of people who just can't get the child care. And it sounds like the availability of child care is maybe a bigger need than the funding, because there's 160 some people on a waiting list for one center.”

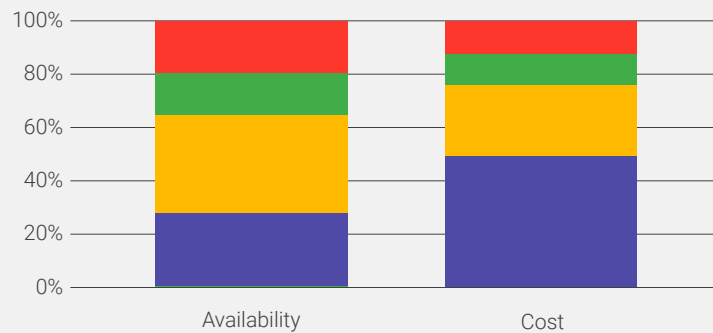
- Round table discussion participant



Figure 4: Anchorage parents rate cost and availability as barriers to finding care

Parents of Children <12:  
How significant a barrier is  
\_\_\_\_\_ to finding child care?

■ Major barrier    ■ Moderate barrier  
■ Minor barrier    ■ Not a barrier



## Finding 3

### Referrals across child care subsidies can help increase overall participation in the Child Care Assistance Program.

Anchorage currently has two child care subsidy programs:

#### Child Care Assistance Program (CCAP)

- Federally funded program administered by the State of Alaska and local partners
- Provides child care support to families who make less than 105% of State median household income <sup>4</sup>
- Underutilized by qualifying families (In 2022 2,900 children were enrolled out of 33,800 eligible) <sup>5</sup>

#### Early Educator Child Care Subsidy (EECCS)

- Municipally funded program administered by Alaska Family Services
- Provides child care subsidies to families employed in child care and early education in Anchorage

A significant portion of EECCS's beneficiaries are also eligible for CCAP. To maximize its impact and produce the maximum support for the families it

serves, the EECCS requires families to apply to the CCAP to be eligible for EECCS benefits. This has some similarities to the approach used by many cost share programs.

In most cost share programs, families are not eligible for cost share benefits if they are eligible for their state's version of the Child Care Assistance Program. Experts in Kentucky indicated that families applying for cost share benefits often find out that their income makes them eligible for state child care assistance, so Kentucky's cost share program refers them to that application process instead.<sup>7</sup> While these referrals do create an additional burden of paperwork on families, they also help to maximize the use of underutilized federal resources through the CCAP program. A cost sharing program in Anchorage would similarly benefit from a streamlined referral process to help eligible families also apply for the CCAP.



## Finding 4

Some cost sharing programs were initially over-funded compared to initial demand. The “Pilot Program” language used by other states was counterproductive to enrolling employers.

One of the more important findings of this research was that child care cost sharing programs tend to be relatively slow to grow: many states initially over funded their program and were not able to recruit enough employers to spend their entire budget.<sup>6 7</sup> These difficulties were exacerbated by the “Pilot Program” label adopted by some states. Employers were often reluctant to sign up for a program which might not be continued long-term.<sup>8</sup> Although states that have had cost share programs for a long time feature considerable employer buy-in (Michigan’s program, which started in 2022, had 272 participating employers as of October 2025), programs in their first year tend to have low initial employer enrollment. Despite the interest indicated by the survey, a cost sharing program in Anchorage should not anticipate massive initial enrollment.

## Finding 5

Anchorage employers strongly prefer a flexible contribution model over a fixed one-third cost split.

A major policy decision handled differently by various cost share programs is how employer contributions to their employees’ child care are structured. This research identified two prominent models:

### Traditional ⅓ split model:

- Family, employer, and public sector each pay ⅓ of child care cost
- Employers can adjust the number of children they will support
- Used in Michigan, North Carolina, and Indiana
- Always called “Tri-Share”

### Employer choice model:

- Employer chooses their contribution on a per employee or per child basis
- Public sector matches a portion of the employer contribution diminishing with family income
- Used in Kentucky and West Virginia

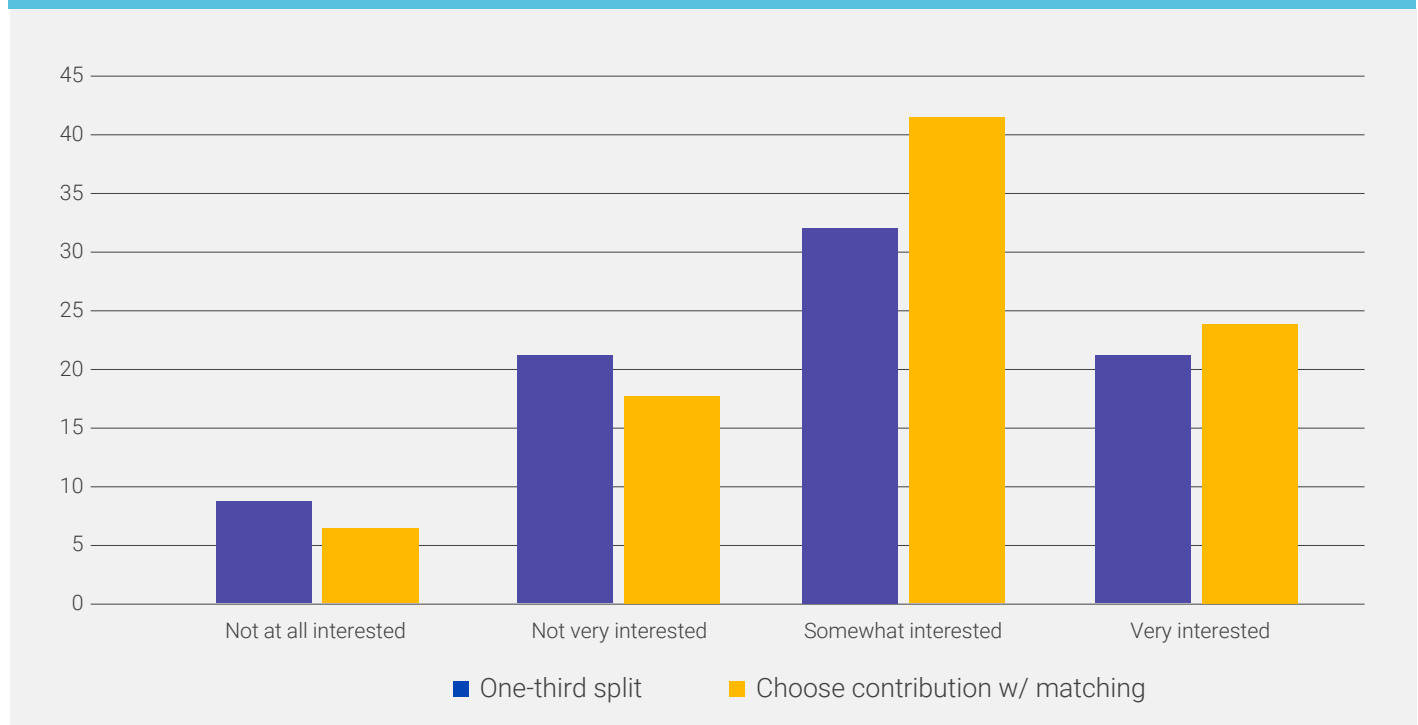
Interviews with other states suggested that the “employer choice” model might be more appealing

to employers since it allows them to control their costs while providing a benefit to all applicable employees.<sup>9</sup>

The research conducted in this feasibility study also demonstrated that employers found choosing their own contributions more appealing. Survey respondents were presented with an explanation of each model and asked how interested they were in

each one. While both models were rated favorably overall, the model that allowed employers to choose their contribution was rated more favorably than the model of cost sharing that required them to pay exactly one-third of the cost of employee child care. During the focus group and round table discussion employers preferred being able to choose their contribution amount as well.

Figure 5: Anchorage Employer Interest: One-third Split Model vs. Employer Selected Amount Model



“For our organization, I don't think we could do things on a sliding scale, necessarily. I think it would have to be a pretty uniform benefit, regardless of how somebody was compensated. So, if we were to do something like this...we would put \$200 towards it, regardless if they...made \$50,000 a year or made \$150,000 a year...I don't think we could do it on a sliding scale...just based on our culture.”

- HR focus group participant



## Finding 6

Anchorage employers have limited knowledge of employee household income, making income-based thresholds a barrier to enrollment.

One factor that contributed to difficulty enrolling employers in Michigan was narrow ranges of employee household income eligibility. Frequently, too few employees would qualify for it to be worth the employer's time to get set up with the program.<sup>9</sup> Because of these difficulties, Michigan has recently expanded their program's upper income threshold from 325% to 400% of Federal Poverty Level to include households with higher incomes.<sup>10</sup> While Michigan's current solution is expanding their eligibility threshold, some evidence from the employer survey and focus groups suggests that having income restrictions at all could be a barrier to employer enrollment.

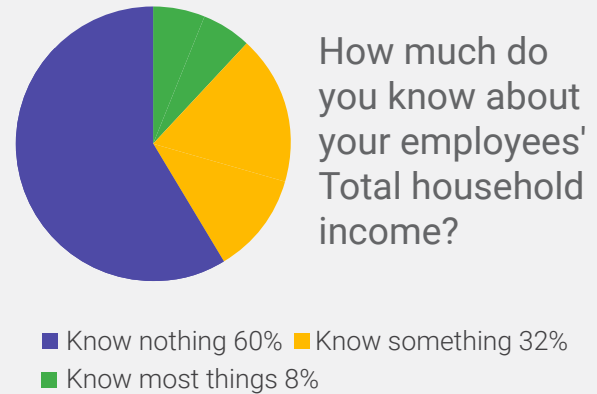
Participants in the round table discussion and focus group expressed hesitation about income

"I know of doctors... that have really high salaries, but they have student loan debt that meets that salary, so their take-home pay looks more like 60 or 70 [thousand]. So they get priced out of any assistance program. So when it comes to income limits, I don't think that actually reflects the reality of someone's living."

- Round table discussion participant

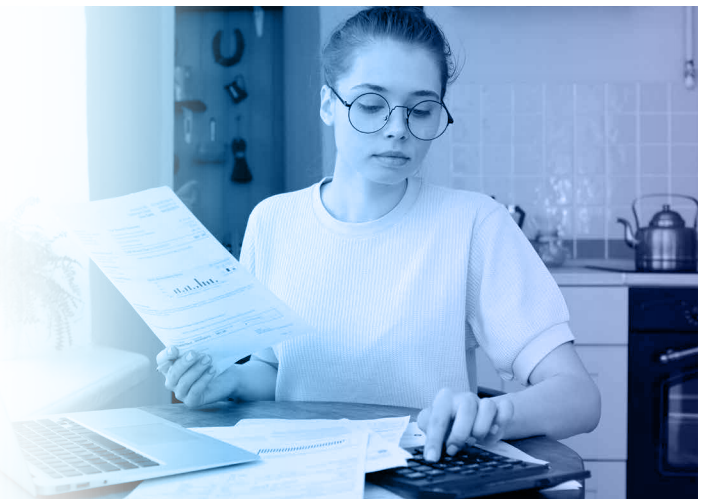


Figure 6: Employer knowledge about their employees' household income



restrictions on program eligibility, citing perceived fairness issues as well as pointing out that income measurements can fail to fully capture a family's need for child care support.

Results from the employer survey demonstrate that employers in Anchorage have very little knowledge about their employees' household income. This adds an extra barrier to participation in a cost sharing program, since employers do not know how many of their employees would be eligible for the benefit.



## Finding 7

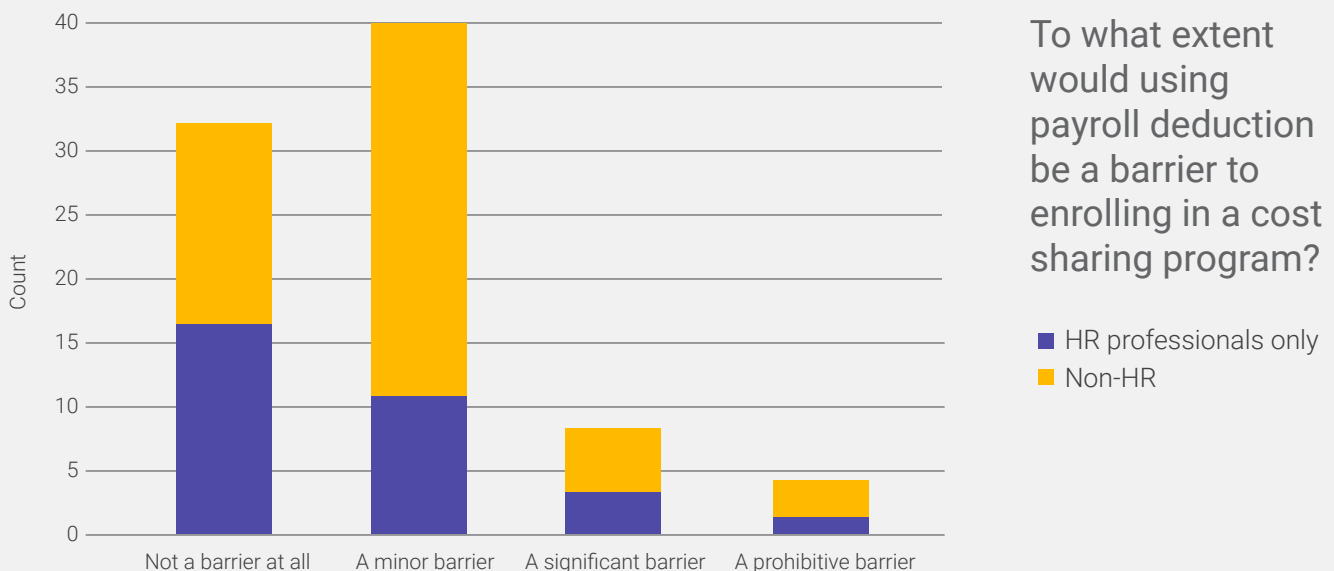
### Payroll deduction benefits providers, and is not viewed as a significant barrier to employer participation.

Michigan and West Virginia both use payroll deduction to collect the employee portion of the child care payments. This approach simplifies the burden on administrators and providers by avoiding missed payments and accepting fewer checks, as in this environment an administrator only needs to combine the government funds with a single payment from the employer.

Using payroll deduction in this way does however place an additional burden on the employers, as collecting the employee's child care payment becomes their responsibility. The employer survey asked respondents how significant a barrier they

thought using payroll deduction in this way would be to their enrollment in a cost sharing program. Overall, very few employers rated it as more than a minor barrier, and respondents who identified as human resources professionals were less likely than other respondents to indicate it would be a barrier at all. The human resource focus group had a similar perspective: all attendees felt that payroll deduction would not be a significant barrier to enrolling in a cost sharing program. Given human resources professionals' expertise with payroll systems, this suggests that payroll deductions for cost sharing are not a significant burden on employers.

Figure 7: Employers rate the level of barrier posed by payroll deduction



## Finding 8

### Employers hold mixed views on program administration, but experts from other states suggest that administrator organizations are important for efficiency.

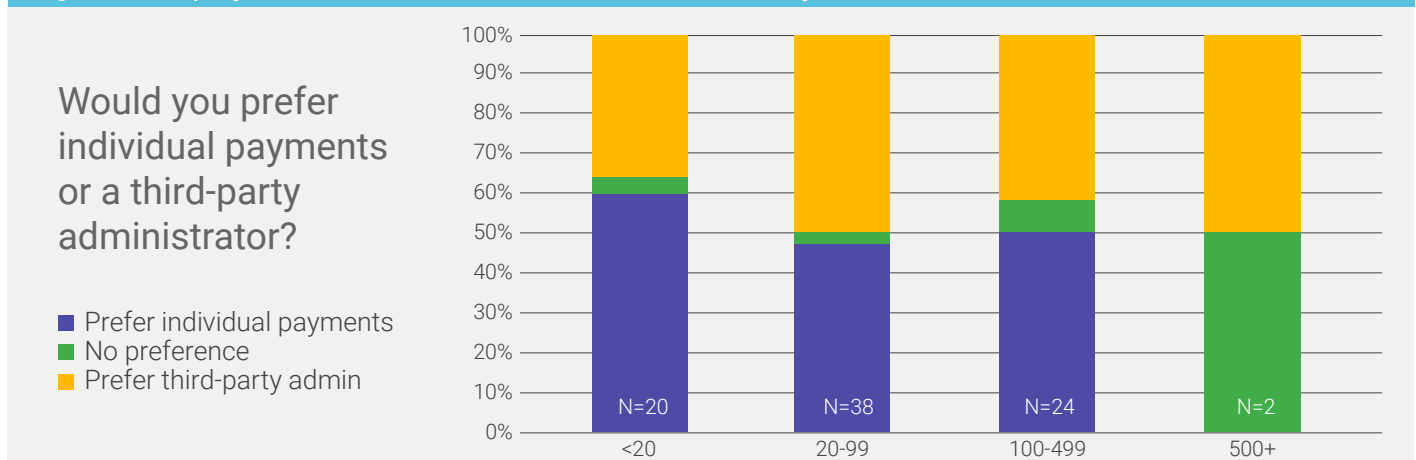
Many locations with cost sharing programs have independent administrators responsible for running them. The duties of these administrator organizations typically include recruiting employers, enrolling employees, and collecting funds from the employee and employer to combine with the government or grant funding before sending the full payment to the provider. This financial structure makes payments easier for providers, since they do not need to take payments from three separate parties for each child in the program. However, administration requires funding, and a corresponding budget allocation. Some programs (like North Carolina's Tri-Share program) charge an administrative fee as well.

The employer survey asked respondents to indicate their preference between having a third-party administrator charging a 10% fee and coordinating payments to all of the different providers their employees use themselves. As shown in Figure eight, employers overall slightly favored handling all of the

payments themselves, but the largest difference in preferences was observed in the smallest employers. One possible reason for this result is that smaller employers would have fewer employees with child care needs, so their payments would be relatively simple even without an administrator. Employers in the focus group however, took a different stance: every participant in the human resource focus group indicated a preference for an administrator to simplify the billing procedures.

Another factor helping other states move towards using administrators to process payments is a recent change to federal tax policy: per HB1 of 2025, small employers may receive a 50% tax credit on payments to the administrators of cost sharing programs up to a maximum of \$600,000. (Larger businesses receive a 40% credit up to \$500,000). These tax credits may make participation in cost sharing programs more financially appealing to businesses if they are advertised as part of a cost sharing program. While not directly related to a cost share model, Alaska also has new state tax credits for child care.

Figure 8: Employer Preference of Administrative Structure by Size





## Finding 9

### Effective employer outreach requires sustained, relationship-based engagement.

Difficulty reaching employers for program enrollment and awareness was a persistent theme in the expert interviews.<sup>11 9</sup> Across the interviews and focus groups, the only identified effective and consistent methods for reaching employers were one on one meetings and building and leveraging personal relationships, very time consuming forms of outreach.<sup>12</sup> Cost sharing programs in most states are housed by organizations with many other priorities, and finding the time to have those necessary conversations with decision makers in

the labor market is a difficult task competing with other priorities.

Experts in North Carolina cited low administrative funding for outreach as a barrier, noting that their administrative funding was broken up into several hubs and after dividing the funding no hub could afford full time staff for employer outreach. Because of its small size, Anchorage would only have one hub, and the importance of dedicating adequate staff and resources to employer recruitment is critical.

# Recommendations

## Overview + Details

1

Implement a cost share program as one tool to engage the private sector and improve child care access in Anchorage, recognizing that other systemic issues exist and continue to need dedicated support.

2

Anchorage cost share program application process should incorporate a referral process and application support to help families to also apply for the Child Care Assistance Program (CCAP).

3

Design and fund a process that allows a limited number of Anchorage employers to participate in a long- term employer cost share cohort.

4

Employer chooses the amount they contribute to employee child care, and the municipality matches that amount.

5

Employers collect the employee portion of the child care payment through payroll deduction.

6

Program is eligible to all employees regardless of income. Employees participating in the CCAP program still receive cost share benefits.

7

Eligible employers are for-profit and non-profit businesses located in Anchorage that are not child care providers. Employees of Anchorage businesses are eligible regardless of their location of residence or the location of their child care provider.

8

An Anchorage cost share program should use a third-party administrator to calculate and redistribute child care payments from families, employers, and government funding to child care providers.

9

Fund at least one full- time staff position to assist Anchorage employers interested in addressing child care barriers to their workforce. In addition to promoting cost sharing, this liaison can also assist with referrals to CCAP, coordinating with the Early Educator Subsidy program and promoting an overall holistic approach to system change.

# Holistic Approach

## Recommendation 1

Implement a cost share program as one tool to engage the private sector and improve child care access in Anchorage, recognizing that other systemic issues exist and need dedicated support.

Cost sharing programs are appealing because they are cost effective. After administrative costs, every public dollar spent on the child care is matched by one from a private employer. They also help local businesses to compete for talented employees by helping them to offer a child care benefit. These attributes would make a cost sharing program a valuable addition to Anchorage's existing child care system and workforce environment. It is also important to realize that cost sharing is far from a total solution to the crisis: programs that help address the supply limitations of child care in Anchorage (like the child care provider subsidy) are extremely important to improving the experience of Anchorage families and the sustainability of the sector.

## Recommendation 2

Anchorage cost share program application process should incorporate a referral process and application support to help families to also apply for the Child Care Assistance Program (CCAP).

Alaska's CCAP program is underutilized by Alaska families. Anchorage's existing Early Educator Child Care Subsidy program also requires families to apply for CCAP to participate. This structure helps to procure more financial support for families in need and also maximize Anchorage's use of federal and state resources to help its child care sector. A cost sharing program in Anchorage should also follow a similar process and consider referrals to other programs, including tribal child care assistance.





## Establish Anchorage Employer Cohort

### Recommendation 3

**Design and fund a process that allows a limited number of Anchorage employers to participate in a long term employer cost share cohort.**

The specifics of starting a new cost share program in other states can offer important insights. Many started out with "pilot programs" only to find that this label was a disincentive to employer enrollment. Perhaps partly because of this, many other states also initially over-funded their programs, anticipating much higher employer enrollment than actually occurred. This is clearly not ideal, especially with so much other funding needed in the child care space. To remedy both of these issues, a long-term commitment to a small initial cohort of businesses is an ideal approach.

A small group of initial employers can work to smooth out any of the kinks in the process, while securing an initially exclusive employee benefit for their organizations. The initial cohort of businesses should include diverse employers with respect to profit status and employer size to learn about

any differences that could be relevant for more widespread enrollment. Several of the employers who participated in the qualitative research phase of this project would be ideal cohort recruits with mid-sized workforces (100-500) and strong interest in a cost sharing program.

To help with program budgeting and keep costs low initially, the cohort should begin by designing an economic analysis model for evaluation purposes. Tools should be developed for conducting research on the employees of the initial cohort to assess child care needs and eligibility. Combining this information with the desired contribution from each employer in the cohort will inform the necessary budget allocation to fund the program for this group. The tools developed to study employee child care need would also be helpful for a potential expansion of the program if successful.

## Structural Best Practices

### Recommendation 4

Employer chooses the amount they contribute to employee child care, and the municipality matches that amount.

As discussed in the discovery section, child care cost sharing models in other places differ by the amount the employer contributes. Employers consistently reported a preference for models that allowed them to choose their contribution on a per employee basis through both the quantitative and qualitative portions of this research. Allowing employers to choose their contribution amount also makes a cost sharing program easier to administer, as price studies to ascertain the market rate for child care are not necessary when employers just decide on an amount. A cost sharing program in Anchorage would benefit from allowing employers to set their own contribution amount and matching that contribution in full.

“Along with our benefit deductions, we do wellness deductions, so gym reimbursements and things like that, and so... we've already done studies with our employees of what they prefer, would it be deduction or, you know, reimbursement... We found deductions to be the best way... it's not an administrative burden at all.”

- HR Focus group participant discussing payroll deduction



### Recommendation 5

Employers collect the employee portion of the child care payment through payroll deduction.

During the discovery phase of the project, experts from other states indicated that the payroll deduction procedure used by Michigan and West Virginia made their cost sharing programs run more smoothly by avoiding missed employee payments. During the quantitative and qualitative phases of the project, employers indicated that using payroll deduction to collect employee payments was not a significant administrative burden or barrier to enrollment.





## Recommendation 6

Program is eligible to all employees regardless of income. Employees participating in the CCAP program still receive cost share benefits.

Most other states with cost sharing programs have requirements for employee eligibility based on income and the age of their children. These income restrictions in all the states that have them are designed to make families eligible for cost sharing if they make more than enough to qualify for their state's federally subsidized child care assistance, but less than some other upper threshold. While these requirements are designed to focus the program's resources on the families and children most in need of assistance, they are not perfect measures. During the qualitative phase of this project, participants mentioned that factors like student loan debt are not accounted for by income metrics, meaning that some populations for whom child care is unaffordable are excluded from

income-based assistance. Income restrictions for employee eligibility can also become a barrier to employer enrollment.

Because employers do not know their employees' household income (only the amount they pay their employees), a business considering enrolling in a cost sharing program cannot accurately estimate the number of eligible employees to conduct a cost-benefit analysis of participation. Anecdotal reports from the Michigan interviews demonstrated that this was a serious concern in their program, as employers might sign up only to have very few or no eligible employees.<sup>10 8</sup> The quantitative phase of this project demonstrated that employer knowledge of household income is very weak in Anchorage: fewer than half of employers reported having any

information about employee household income. This suggests that a program that did include an income restriction would not be easy for employers to evaluate as a good match for their business. However, if an Anchorage cost sharing program did not have income restrictions, employers would not need to know anything about their employees' total household income to decide whether to participate. The only potential drawback of not including such an income requirement in an Anchorage cost sharing program is that the program could provide child care resources for families that can afford to pay out of pocket for child care. However, given the high cost of child care in Anchorage, this is likely to be a small number of families. At the same

time, if resources are not restricted by income at all, the cost share resources would (unlike in other states) be available to families on the lower end of the household income spectrum, even those who do benefit from federal funds in Alaska. To further assist these families, a cost sharing program in Anchorage should use a similar eligibility restriction to Anchorage's Early Educator Child Care Subsidy (EECCS): applicants to the cost sharing program should demonstrate ineligibility or a completed application to Alaska's Child Care Assistance Program. Like the EECCS, employees should still be eligible to receive cost share benefits even if they are also receiving benefits from the Child Care Assistance Program.



## Recommendation 7

**Eligible employers are for-profit and non-profit businesses located in Anchorage that are not child care providers. Employees of Anchorage businesses are eligible regardless of their location of residence or the location of their child care provider.**

While child care providers are frequent cost sharing participants in other states, Anchorage already has a program supporting the child care needs of child care workers: The ACCEE Fund Early Educator Child Care Subsidy (EECCS). This program already provides support for early educators children, and at a lower cost to the providers themselves. Child care providers wishing to offer child care benefits to their employees should be redirected to this program instead of cost sharing.

Offering the program to Anchorage businesses regardless of where their employees live is an effective way to reduce the barriers to entry for employers, who do not then have to consider the locations where their employees live: if employees

"The perspective that we take on for any of our benefits, our wellness benefits, if we can, is that we don't try to push any restrictions. An employee is an employee is an employee, and we want them all to have that same access."

- HR Focus group participant discussing employee eligibility



were only eligible for the program if they lived or used a child care provider in the municipality, employees who commute into Anchorage might perceive the benefit as inequitable. Perceived fairness of benefits was identified as a serious issue for employers during the quantitative and qualitative phases of the research, so the design of a cost sharing program should minimize potential fairness issues to the extent possible. An exception may need to be adopted for remote teleworkers who do not work in the municipality. While providing access to cost share benefits to employees who commute from outside of the municipality is ideal from a program administration perspective, it may be politically infeasible for program funding. While less simplified, a cost sharing program in Anchorage could instead follow the same structure as the EECCS.

"The only stipulation that the county had put on those funds was that the families who were benefiting had to live within our county... We discovered very quickly that about half of the people that were applying... lived outside of the county. We found that we couldn't serve the people that needed to be served because of the limitations we had on the funding."

- Cost share expert from Indiana



# Project Administration

## Recommendation 8

**An Anchorage cost share program should use a third-party administrator to calculate and redistribute child care payments from families, employers, and government funding to child care providers.**

During the discovery phase, most other states recommended a program administrator to handle the flow of money from employers, families, and government sources to child care providers. The employer survey indicated, however, that a narrow majority of respondents preferred administering their own payments when presented with the choice of self-administering or paying a 10% administration fee. Businesses with fewer than 20 employees especially preferred not using an administrator. The focus group participants (all with 100+ employees), in contrast, all preferred having a third-party administrator. This suggests that a third-party administrator simplifies cost sharing for larger employers and child care providers but makes it less appealing for smaller employers due to the administrative costs. Since larger employers represent a larger portion of the Anchorage workforce and other states' firsthand experience indicates an administrator can simplify the workload of a program, having a program administrator responsible for calculating and collecting payments from employees and employers is recommended for an Anchorage cost sharing program. This administrator should also be responsible for tracking the price of child care with the Child Care Program Office's Alaska Child Care

"One of the big things that we have focused on with a lot of our goals right now, as we get bigger, is what is working now, because we're small, and what is not going to work as we grow. We've seen that... as we've gone from 50 employees to 150 employees, that a lot of our processes were built for more mom-and-pop kind of processes, and a lot of them aren't working, and so that third-party [administrator] would probably be the better solution."

- HR Focus group participant discussing program administration



Market Price Survey Report. An ideal administrator organization would be one already engaged in the child care space. There are multiple organizations in Anchorage with existing experience implementing child care assistance programs. Other child care assistance programs coexisting under the same roof as a cost sharing program could enhance participation for all of them as families are more seamlessly referred from one program to the next.



## Recommendation 9

Fund at least one full time staff position to assist Anchorage employers interested in addressing child care barriers to their workforce. In addition to promoting cost sharing, this liaison can also assist with referrals to CCAP, coordinating with the Early Educator Subsidy program and promoting an overall holistic approach to system change.

CCAP is remarkably underutilized in Alaska. Many families that are eligible for assistance do not use it for a variety of reasons, with awareness of the program being a key factor.<sup>13</sup> One of the simplest things the Municipality of Anchorage can do to improve child care affordability in Anchorage is invest in promoting existing resources and programs. By a similar token, outreach to employers is a consistent difficulty with cost sharing programs, and the most effective method of outreach (one on one meetings) is extremely time intensive. Without dedicated outreach resources, employers will not enroll in a cost sharing program in sufficient numbers to meaningfully improve child care outcomes in Anchorage.

Hiring a full time staff person to act as a liaison between businesses and a cost sharing program can address several difficulties observed in other states. A full time liaison would have the time to engage in the necessary difficult outreach tasks. As a liaison between the child care and employer spaces this position would also be ideally situated to inform employers about the tax benefits associated with helping their workforces pay for child care. By building relationships with the business community, this position can help to boost both enrollment in a cost sharing program and awareness about child care issues and solutions in Anchorage.

"We lose people every year as a result of family planning. It's not for family planning reasons. It's economic reasons. People simply can't afford child care and then exit the workforce."

- Round table discussion participant

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## Conclusion

This appears to be the first feasibility study in the nation to examine how an employer cost-sharing model could function in a specific community prior to passage and implementation. This may also be a core reason other employer cost-share programs have faced challenges in early startup phases. Unnecessarily over-funding a new model in Anchorage is not recommended. Instead, this work provides Anchorage an important opportunity to demonstrate the value of planning and strategic development prior to adopting policy and dedicating limited public resources.

Anchorage residents have already shown through passage of Proposition 14 that child care is a community priority, and families continue to report that cost and availability are major barriers to

accessing the child care they need to participate in the workforce. Anchorage is fortunate to have partners willing to invest in using the lessons learned from other states to develop a way for Anchorage businesses to help address the child care crisis.

True feasibility will rely heavily on strong partnerships, dependable administrative support, and a clear pathway for employers to participate. By starting with a small, long-term cohort, Anchorage can begin to leverage shared resources to reduce child care costs and support a more stable workforce. In doing so, supply side interventions can be prioritized while Anchorage employers have a voice and a seat at the table in developing recruitment and retention strategies to meet their unique workforce needs.



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thread - Alaska's Child Care Resource & Referral organization

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