

## HOUSE BILL No. 1401

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 12-7-2; IC 12-17-20.

**Synopsis:** Employee childcare assistance partnership program. Establishes the employee child care assistance partnership program. Makes an appropriation.

**Effective:** July 1, 2026.

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### **Dant Chesser, Clere, Hamilton**

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January 8, 2026, read first time and referred to Committee on Employment, Labor and Pensions.

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Introduced

Second Regular Session of the 124th General Assembly (2026)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2025 Regular Session of the General Assembly.

## HOUSE BILL No. 1401

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A BILL FOR AN ACT to amend the Indiana Code concerning human services and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 12-7-2-28.2, AS AMENDED BY P.L.145-2006,  
2 SECTION 38, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2026]: Sec. 28.2. "Child care", for purposes of **IC 12-17-20**  
4 **and** IC 12-17.2, means a service that provides for the care, health,  
5 safety, and supervision of a child's social, emotional, and educational  
6 growth.

7 SECTION 2. IC 12-7-2-29.1 IS ADDED TO THE INDIANA CODE  
8 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
9 1, 2026]: Sec. 29.1. "**Child care provider**", for purposes of  
10 **IC 12-17-20**, means a person that:

11 (1) provides child care; and  
12 (2) either:  
13 (A) meets the standards of quality recognized by a Level 3  
14 or Level 4 paths to **QUALITY** program rating under  
15 **IC 12-17.2-2-14.2**; or  
16 (B) has a comparable rating from a nationally recognized  
17 accrediting body.



1        SECTION 3. IC 12-7-2-42 IS AMENDED TO READ AS  
2        FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 42. **(a)** "Contribution",  
3        for purposes of IC 12-17-12, has the meaning set forth in  
4        IC 12-17-12-2.

5        **(b) "Contribution", for purposes of IC 12-17-20, means a  
6        payment to a child care provider either:**

7            **(1) directly by an employer; or  
8            (2) indirectly through a third party vendor;  
9            to subsidize an employee's eligible child care costs.**

10        SECTION 4. IC 12-7-2-69, AS AMENDED BY THE TECHNICAL  
11        CORRECTIONS BILL OF THE 2026 GENERAL ASSEMBLY, IS  
12        AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:  
13        Sec. 69. **(a)** "Division", except as provided in subsections (b), (c), and  
14        (d), refers to any of the following:

15            (1) The division of disability and rehabilitative services  
16            established by IC 12-9-1-1.  
17            (2) The division of aging established by IC 12-9.1-1-1.  
18            (3) The division of family resources established by IC 12-13-1-1.  
19            (4) The division of mental health and addiction established by  
20            IC 12-21-1-1.

21        **(b)** The term refers to the following:

22            (1) For purposes of the following statutes, the division of  
23            disability and rehabilitative services established by IC 12-9-1-1:

24                (A) IC 12-9.  
25                (B) IC 12-11.  
26                (C) IC 12-12.  
27                (D) IC 12-12.7.  
28                (E) IC 12-28-5.

29            (2) For purposes of the following statutes, the division of aging  
30            established by IC 12-9.1-1-1:

31                (A) IC 12-9.1.  
32                (B) IC 12-10.  
33                (C) IC 12-10.5.

34            (3) For purposes of the following statutes, the division of family  
35            resources established by IC 12-13-1-1:

36                (A) IC 12-8-12.  
37                (B) IC 12-13.  
38                (C) IC 12-14.  
39                (D) IC 12-15.  
40                (E) IC 12-16.  
41                **(F) IC 12-17.**  
42                ~~(F)~~ **(G) IC 12-17.2.**



(G) (H) IC 12-18.

(H) (I) IC 12-19.

(+) (J) IC 12-20.

(4) For purposes of the following statutes, the division of mental health and addiction established by IC 12-21-1-1:

(A) IC 12-21.

(B) IC 12-22.

(C) IC 12-23.

(D) IC 12-25.

(c) With respect to a particular state institution, the term refers to the division whose director has administrative control of and responsibility for the state institution.

(d) For purposes of IC 12-24, IC 12-26, and IC 12-27, the term refers to the division whose director has administrative control of and responsibility for the appropriate state institution.

SECTION 5. IC 12-7-2-75.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 75.8. "Eligible child care costs", for purposes of IC 12-17-20, means money an individual pays for services rendered by a child care provider (as defined in section 29.1 of this chapter).

SECTION 6. IC 12-7-2-76.8, AS AMENDED BY P.L.195-2018, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 76.8. (a) "Employee", for purposes of IC 12-17-20, means an individual who works in Indiana and works for an employer.

(b) "Employer", for purposes of IC 12-17-20, means a person with at least one (1) employee who works in Indiana in each of twenty (20) or more calendar weeks in the current or preceding calendar year.

(a) (c) "Employed", "employee", "employment", or "employs", for purposes of IC 12-17.2-3.5, has the meaning set forth in IC 12-17.2-3.5-1.3.

**(b) (d)** "Employee", for purposes of IC 12-23-23, has the meaning set forth in IC 12-23-23-1.

SECTION 7. IC 12-7-2-91, AS AMENDED BY P.L.152-2024, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 91. "Fund" means the following:

(1) For purposes of IC 12-12-1-9, the fund described in IC 12-12-1-9.

(2) For purposes of IC 12-15-20, the meaning set forth in IC 12-15-20-1.

(3) For purposes of IC 12-17-12, the meaning set forth in



1                   IC 12-17-12-4.

2                   **(4) For purposes of IC 12-17-20, the meaning set forth in**  
 3                   **IC 12-17-20-1.**

4                   **(4) (5) For purposes of IC 12-17.2-7.2, the meaning set forth in**  
 5                   **IC 12-17.2-7.2-4.7.**

6                   **(5) (6) For purposes of IC 12-17.6, the meaning set forth in**  
 7                   **IC 12-17.6-1-3.**

8                   **(6) (7) For purposes of IC 12-21-9, the meaning set forth in**  
 9                   **IC 12-21-9-1.**

10                  **(7) (8) For purposes of IC 12-23-2, the meaning set forth in**  
 11                  **IC 12-23-2-1.**

12                  **(8) (9) For purposes of IC 12-23-18, the meaning set forth in**  
 13                  **IC 12-23-18-4.**

14                  **(9) (10) For purposes of IC 12-24-6, the meaning set forth in**  
 15                  **IC 12-24-6-1.**

16                  **(10) (11) For purposes of IC 12-24-14, the meaning set forth in**  
 17                  **IC 12-24-14-1.**

18                  **(11) (12) For purposes of IC 12-30-7, the meaning set forth in**  
 19                  **IC 12-30-7-3.**

20                  SECTION 8. IC 12-7-2-139.2 IS ADDED TO THE INDIANA  
 21                  CODE AS A NEW SECTION TO READ AS FOLLOWS  
 22                  [EFFECTIVE JULY 1, 2026]: **Sec. 139.2. "Program", for purposes**  
 23                  **of IC 12-17-20, means the employee child care assistance**  
 24                  **partnership program established by IC 12-17-20-3.**

25                  SECTION 9. IC 12-7-2-178.7 IS ADDED TO THE INDIANA  
 26                  CODE AS A NEW SECTION TO READ AS FOLLOWS  
 27                  [EFFECTIVE JULY 1, 2026]: **Sec. 178.7. "Small business", for**  
 28                  **purposes of IC 12-17-20, means an employer that employs not**  
 29                  **more than forty-nine (49) employees working at least thirty-five**  
 30                  **(35) hours per week.**

31                  SECTION 10. IC 12-7-2-184.1 IS ADDED TO THE INDIANA  
 32                  CODE AS A NEW SECTION TO READ AS FOLLOWS  
 33                  [EFFECTIVE JULY 1, 2026]: **Sec. 184.1. "State match", for**  
 34                  **purposes of IC 12-17-20, means any money paid to the child care**  
 35                  **provider by the division of family resources from the employee**  
 36                  **child care assistance partnership fund established by**  
 37                  **IC 12-17-20-2, whether the money used from the fund derives from**  
 38                  **a state, federal, or nonprofit source.**

39                  SECTION 11. IC 12-17-20 IS ADDED TO THE INDIANA CODE  
 40                  AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 41                  JULY 1, 2026]:

42                  **Chapter 20. Employee Child Care Assistance Partnership**



1                   **Program**

2                   **Sec. 1. As used in this chapter, "fund" means the employee child**

3                   care assistance partnership fund established by section 2 of this

4                   chapter.

5                   **Sec. 2. (a) The employee child care assistance partnership fund**

6                   **is established to carry out the purpose of the program. The division**

7                   **shall administer the fund.**

8                   **(b) The fund consists of the following, which may derive from a**

9                   **state, federal, or nonprofit source:**

- 10                   **(1) Appropriations.**
- 11                   **(2) Contributions.**
- 12                   **(3) Grants.**
- 13                   **(4) Donations.**

14                   **(c) Money in the fund at the end of the state fiscal year does not**

15                   **revert to the state general fund.**

16                   **(d) The expenses of administering the fund must be paid from**

17                   **money in the fund. However, in each state fiscal year, the total cost**

18                   **of administration must not exceed five percent (5%) of the total**

19                   **fund.**

20                   **Sec. 3. (a) The employee child care assistance partnership**

21                   **program is established to incentivize an employer to contribute to**

22                   **the child care costs of the employer's employees. The division shall**

23                   **administer the program.**

24                   **(b) The division shall do the following:**

- 25                   **(1) Create and make available a standardized contract for**
- 26                   **participation in the program.**
- 27                   **(2) Process the contract between an employer, employee, and**
- 28                   **child care provider that is submitted to the division.**
- 29                   **(3) Notify the parties under subdivision (2) of the parties'**
- 30                   **enrollment status in the program.**
- 31                   **(4) Manage and administer the fund.**
- 32                   **(5) Secure third party vendors in accordance with all**
- 33                   **applicable federal and state procurement laws.**
- 34                   **(6) Verify the eligibility of an employee, employer, and child**
- 35                   **care provider before distributing a state match.**
- 36                   **(7) Collect and verify household income information from an**
- 37                   **eligible employee and determine the amount of any state**
- 38                   **match for which the employee is eligible.**
- 39                   **(8) Distribute educational materials about the program's**
- 40                   **objectives, benefits, and eligibility requirements to employers,**
- 41                   **employees, and child care providers.**
- 42                   **(9) Review the completed contract after it is submitted by the**



**employer and, if the parties are eligible and subject to section 4 of this chapter, agree to match the contribution made by the employer up to one hundred percent (100%) of the cost of service from the fund.**

**(c) The division may do the following:**

**(1) Delegate authority to a subsidiary division or nonprofit organization.**

**(2) Subject to section 6 of this chapter, coordinate and share information with another executive branch agency.**

**(3) Enter into a contract with a third party to administer specific portions of the program.**

**Sec. 4. (a) If the division determines that the division's:**

**(1) existing contractual obligations already accrued under the program; and**

**(2) additional financial obligation imposed by the proposed contract;**

do not exceed the balance of the fund, the division may become a party to a proposed contract under the program.

**(b) If the fund has an insufficient balance under subsection (a), the division may maintain a wait list.**

(c) Subject to subsection (a), the division may become a party to a proposed contract from the wait list according to the order in which the proposed contract was received.

**Sec. 5. The division shall issue a state match:**

**(1) directly to the child care provider; or**

**(2) indirectly through a third party vendor;**

**for the duration of any contract that the division becomes a party to under the program.**

**Sec. 6. The division shall not disclose an employee's personal information without the employee's express written consent.**

**Sec. 7. (a) Beginning July 1, 2027, the division shall submit a report to:**

- (1) the governor; and
- (2) the legislative council, in an electronic format under

IC 5-14-6;

later than December 15 of each year.  
(b) The report described in subsection (a) must include the

following:

**(1) The overall efficacy of the program.**  
**(2) Any appropriation made in the previous state fiscal year.**

(2) Any appropriation made in the previous year to the fund.

**(3) The total number of standardized contracts submitted by**



1                   **employers.**

2                   **(4) The total amount of state matches paid out of the fund by**  
3                   **the division.**

4                   **(5) The breakdown of the state matches paid by county.**

5                   **(6) Information on the size, geographical location, and**  
6                   **industry type of participating employers.**

7                   **(7) The number, license type, quality rating, and geographical**  
8                   **location of participating child care providers.**

9                   **(8) The average cost for services charged by participating**  
10                  **child care providers and information on how the cost of**  
11                  **services has increased or decreased in the most recent**  
12                  **previous reporting period.**

13                  **(9) The number and total dollar value of contracts not**  
14                  **approved by the division.**

15                  **(10) The demographic information of employees participating**  
16                  **in the program.**

17                  **Sec. 8. A state match must not exceed one hundred percent**  
18                  **(100%) of the contribution made by the employer.**

19                  **Sec. 9. In each state fiscal year, the division shall distribute**  
20                  **twenty-five percent (25%) of the total fund to contracts in which**  
21                  **the employer is a small business.**

22                  **Sec. 10. A state match provided under this chapter is for the**  
23                  **general welfare and is not subject to taxation under IC 6-3-1**  
24                  **through IC 6-3-7 and IC 6-3-6.**

25                  **Sec. 11. The division may adopt rules under IC 4-22-2 to carry**  
26                  **out this chapter.**

27                  **Sec. 12. (a) If an employment relationship is terminated by**  
28                  **either the employee or the employer, the employer shall notify:**

29                   **(1) the child care provider; and**

30                   **(2) the division;**

31                  **not more than three (3) business days after the relationship is**  
32                  **terminated. An active contract under the program is considered**  
33                  **terminated on the date provided by the employer in the notice**  
34                  **under this subsection.**

35                  **(b) If an employer fails to make the notice described in**  
36                  **subsection (a) and the division issues a state match to the provider**  
37                  **on behalf of the employee thereafter, the employer shall reimburse**  
38                  **the division for the unnecessary state match.**

39                  **Sec. 13. (a) If an employer fails to make a contribution for the**  
40                  **eligible child care costs according to the terms of an active contract**  
41                  **under the program, the child care provider shall notify the division**  
42                  **not more than five (5) business days after an employer fails to**



1                   **make the contribution.**

2                   **(b) After receiving notice under subsection (a), the division**  
 3                   **shall:**

4                   **(1) temporarily cease making a state match on behalf of the**  
 5                   **employee; and**

6                   **(2) notify the employer that the contract will be terminated**  
 7                   **unless the employer remedies the nonpayment not more than**  
 8                   **five (5) business days after receiving the notice from the**  
 9                   **division under this subdivision.**

10                  **(c) If the provider fails to make the notice described in**  
 11                  **subsection (a) and receives a state match from the division**  
 12                  **thereafter, the child care provider shall reimburse the division for**  
 13                  **the unnecessary state match.**

14                  **Sec. 14. (a) If an employee fails to pay the child care provider**  
 15                  **according to the payment terms in the contract, the child care**  
 16                  **provider may do one (1) or both of the following:**

17                   **(1) Give the employee reasonable time to remedy the**  
 18                   **nonpayment.**

19                   **(2) Notify the division and terminate the contract.**

20                  **(b) If a child care provider:**

21                   **(1) voluntarily excuses the employee's nonpayment; or**  
 22                   **(2) fails to notify the division under subsection (a)(2) not more**  
 23                   **than two (2) calendar months after the date of the employee's**  
 24                   **failure to pay and continues to provide child care to the**  
 25                   **employee's child;**

26                  **the child care provider shall reimburse the division for any state**  
 27                  **match and the employer for any employer contribution that the**  
 28                  **child care provider received.**

29                  **Sec. 15. (a) The following may terminate the contract at any**  
 30                  **time for any reason:**

31                   **(1) The employer.**

32                   **(2) The employee.**

33                   **(3) The child care provider.**

34                  **(b) The terminating party shall:**

35                   **(1) notify all parties to the contract; and**

36                   **(2) specify the desired termination date, which must occur not**  
 37                   **sooner than two (2) weeks after the date of notification unless:**

38                   **(A) the child care provider gives its consent to an earlier**  
 39                   **termination date; or**

40                   **(B) the child care provider is the terminating party.**

41                  **(c) All parties to the contract are financially obligated,**  
 42                  **according to the terms of the contract, up to the termination date.**



5 Sec. 16. (a) The division may impose a civil penalty of not more  
6 than five hundred dollars (\$500) per violation for any person who  
7 intentionally gives false information under this chapter.

**(b) A penalty collected under subsection (a) must be deposited into the fund.**

10 Sec. 17. There is annually appropriated to the fund an amount  
11 necessary from the state general fund for its use in carrying out the  
12 purposes of the fund.

