



To: South East Education Cooperative
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From: Amy Cleary, GA Group

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Re: North Dakota Child Care Funding and Future Needs Assessment

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INTRODUCTION

During the 2023 Legislative Session, lawmakers passed historic legislation, HB 1540, to address three categories of availability, affordability, and quality in child care in the state. The full appropriation of \$65.6 million funded twelve separate line items and corresponding programs detailed below. Additionally, child care became a topic within the dominating theme of workforce, and as a result, projects related to child care became the largest recipient of funding in the aggregate from the Department of Commerce’s Regional Workforce Impact Program (RWIP). Child care initiatives also comprise a large amount of the loans given from the North Dakota Development Fund.

This report seeks to provide an assessment of the status of the state’s child care funding and programs, half-way through the interim. Additionally, we have reviewed multiple surveys issued to child care providers, education leaders, families, and business and economic development stakeholders to gauge where challenges still exist within the child care ecosystem. These reviews are presented in the context of the three critical child care areas of focus: affordability, availability, and quality. Lastly, we have

attempted to identify what appears to be working from the programs created last session, and where holes still might exist for lawmakers to address with updated funding or policy changes.

BACKGROUND ON THE STATE OF CHILDCARE FUNDING IN NORTH DAKOTA

PART I: 2023-2025 BIENNIUM: STATUS OF CHILD CARE-RELATED APPROPRIATIONS

DEPARTMENT OF HEALTH & HUMAN SERVICES: HB 1540

The \$65.6 million appropriated through HB 1540 complemented federal funding of over \$36 million in the Child Care Assistance Program (CCAP), which supports families by lowering their direct cost for child care, and an additional \$9.6 million specifically for an employer-led cost-share program whereby the state, an employer, and employee would all cover one-third the cost of child care. As of a September 2024 report given by Jessica Thomasson, Executive Director for the Human Services Division of the ND Department of Health and Human Services (NDHHS) to the Legislative Human Services Interim committee¹, 40% of the total appropriation to NDHHS had been spent 54% of the way through the 2023-25 biennium. The next section serves to summarize the status of each line item from HB 1540 as of August 2024, shown here:

| Program | Appropriation (HB 1540) | General Fund + Federal allocation | Spent (as of Aug. 2024) | Percentage Spent (Aug. 2024) |
|---|-------------------------|-----------------------------------|-------------------------|------------------------------|
| Child Care Assistance Program (CCAP) expansion: invest in more families with children ages 0 to 3 | \$22,000,000 | \$48,319,826 | \$35,344,600 | 50.26% |
| Increased CCAP provider payments for infants and toddlers | \$15,000,000 | | \$4,855,770 | 32.37% |
| Increased monthly CCAP payments to providers who are quality rated | \$3,000,000 | | \$709,504 | 23.65% |
| CCAP application assistance and outreach | \$500,000 | | \$4,024 | 0.80% |
| Employer-led child care cost-share program | \$5,000,000 | \$9,600,000 | \$963,180 | 6.60% |
| State of ND employee match child care benefit program | \$3,000,000 | | \$611,400 | 20.38% |
| Eliminate CCAP co-pay for families under 30% state median income | \$2,300,000 | | \$998,335 | 43.41% |
| Stipends for child care workers pursuing additional training | \$2,000,000 | | \$192,100 | 9.61% |
| Grants and shared services | \$7,000,000 | | \$3,894,230 | 55.63% |
| Partnerships for care during nontraditional hours | \$1,800,000 | | \$460,000 | 25.56% |
| Quality infrastructure for providers to become quality-rated | \$3,000,000 | | \$1,307,245 | 43.57% |
| Streamlining background checks | \$1,000,000 | \$15,000 | \$15,000 | 1.48% |
| Total | \$65,600,000 | \$57,934,826 | \$49,355,388 | 39.95% |

Affordability

Child care costs are on the rise. According to NDHHS' data, the cost for infant care in North Dakota increased 40% at the average child care center between 2017-2024, and closer to 50% at family child care facilities. Toddler care prices also rose 39% at centers and 49% at family providers within the

¹ <https://ndlegis.gov/sites/default/files/pdf/committees/68-2023/25.5175.02000presentation1300.pdf>

same time frame. Infant rates now average between \$802 and \$1,065 a month, while toddlers range between \$773 and \$1,015 per month.

Working to alleviate this ever-increasing burden on families, special attention was paid to the Child Care Assistance Program (CCAP) appropriation, including five line-items detailed below, as well as infant and toddler care costs. As of May 2024, NDHHS reported that 97% of North Dakota's 1,320 licensed providers are currently enrolled in the CCAP program (1,275 licensed providers enrolled).

- **\$22 million for Child Care Assistance Program (CCAP):**
By September 2024, half of the \$70.32 million in federal funding allocated for CCAP had been spent, leaving \$34.98 million. Only \$528,000 of the additional \$22 million from HB 1540 has been used. The program aims to increase the number of children receiving assistance from 4,660 to 6,460 by the end of the 2023-2025 period. (On average, 5,028 children benefit from CCAP each month.)
- **\$15 million for infant and toddler care incentives:**
CCAP rates for infant and toddler care were boosted by 30%, with \$4.8 million (32% of the \$15 million) spent so far, supporting 1,700 care slots.
- **\$3 million for quality-rated provider bonuses:**
Providers in the state's Quality Rating & Improvement System (QRIS) receive bonus payments for children in CCAP. By August 2024, \$709,500 (24% of the \$3 million) had been used to support 1,070 children across 108 providers.
- **\$500,000 for CCAP application assistance:**
Only \$4,000 (less than 1%) of the \$500,000 allocated has been spent, as other federal funds have covered most program costs to provide additional monthly assistance, extended eligibility, and streamline application requirements for families.
- **\$2.3 million to waive CCAP copayments for low-income families:**
Families earning less than 30% of the state median income (SMI) now have their CCAP copay waived. Through September 2024, \$988,335 (43% of the total) had been spent, helping 926 families and 1,560 children each month.

In June 2024, NDHHS initiated an additional offering within CCAP, waiving the copay for child care employees working 25+ hours a week, similar to a program piloted in Kentucky². September results show this child care worker benefit program has thus far impacted 255 child care providers including 520 individual workers and their 1,051 children. That suggests one in five (21%) of the state's licensed providers are using this new program. This benefit is available for children birth to age 12.

- **\$5 million for the WPCCR employer-led child care cost-share program:**
Of the \$9.6 million in federal ARPA funds available, \$963,180 has been spent on 43 employers participating in the working parent child care relief program (WPCCR). None of the additional \$5 million allocated in HB 1450 has been spent yet. This program is available for families with children birth to 36 months old.

² <https://earlysuccess.org/automatic-subsidies-for-child-care-workforce-2024/>

- **\$3 million for State of ND employee match program:**
So far, \$611,400 of the \$3 million has been spent on matching child care costs for State of ND employees. \$13.6 million remains unspent in the program.

Availability & Quality

The availability of child care remains a challenge statewide. NDHHS reported that 16 of 53 counties are still considered child care deserts, where just one child care slot is available for every three children ages 0-5. These are clustered on the western half of the state, and a select few northeast border and tribal counties. The state's current childcare capacity is 39,377 licensed slots. In nearly all of North Dakota's largest communities, children outnumber available licensed slots, except for Watford City, Devils Lake, Fargo/West Fargo, and Wahpeton.

Many of the additional funding items blurred the line between availability and quality offerings, to ensure that opening new child care slots would be within a quality-rated program and by well-trained providers.

- **\$2 million for child care worker training stipends:**
Only \$123,000 (6% of the total) has been used to support 231 child care workers completing additional training, leaving \$1.88 million unused. NDHHS plans to update its Career Pathway in October to increase usage, but the program is projected to underspend by \$800,000-\$1 million.
- **\$7 million for one-time grants and shared services:**
As of August 2024, \$3.89 million has been spent, with \$3.11 million remaining. Key grant allocations include:
 1. **\$1M – Quality Improvement Grants:** \$319,000 for providers reaching Step 2, 3, or 4 in the QRIS.
 2. **\$1.5M - Inclusive Care Support Grants:** \$468,644 to 44 providers for supporting children with disabilities or developmental delays.
 3. **\$1M – Facility Improvement Grants:** \$1 million was initially awarded to 135 providers to upgrade facilities. There was an additional \$1.74 million requested and waitlisted, as reported in August. The Department then moved an additional \$1 million to facility improvement grants.
 4. **\$1M – Grow Child Care Grants:** \$164,600 awarded to six providers to create 80 new child care slots.
 5. **\$1.5M - Child Care Aware® of North Dakota:** \$541,771 for the Shared Services Alliance, including child care management software, curriculum resources, and business training for providers.
- **\$1.8 million for care during non-traditional hours:**
The state has spent \$460,000 (25.6% of the total) on care models that support non-traditional hours.

- **\$3 million for quality infrastructure:**
\$1.3 million (44% of the total) has been spent to help 69 providers improve their quality rating in the QRIS system, aiming for Steps 2, 3, or 4.
- **\$1 million for streamlining background checks**
The NDHHS project to improve background checks was set in the final quarter of 2024.

An interim study by the Juvenile Justice Committee has highlighted the complexities of the fingerprinting process, which many believe has delayed hiring for child care providers across the state. At the September 17 Juvenile Justice interim committee meeting, Steven Harstad, Chief Agent of the Bureau of Criminal Investigation, and Sara Stolt, Deputy Commissioner at DHHS, addressed the importance of background checks in child care.

They explained that since early childhood background checks rely on fingerprinting, rejections often occur due to human error or incorrect submissions. To address this, the department is developing an online portal to catch errors before fingerprints are submitted. Additionally, two more live-scan machines have been added to reduce wait times for appointments, and eight mobile machines have been purchased to collect fingerprints from employees in remote areas.

During the hearing, Chief Agent Harstad indicated that the goal is to have the most complete criminal record information in response to comparisons with Minnesota’s system which includes electronic results. Further information may be needed to fully understand the difference in the quality of the criminal history checks from Minnesota to North Dakota.

Any changes to the legal language governing the fingerprinting process must be approved by both the federal government and the FBI. Some took this to suggest there are limited legislative options for resolving the system’s issues, although some questions remain.

Summary of NDHHS Child Care Programs: Progress and Areas for Improvement

The North Dakota Department of Health and Human Services (NDHHS) child care programs have shown marginal success in addressing child care costs and quality, but much remains to be seen in the second half of the biennium. Several initiatives have made notable progress, while others are facing challenges and are expected to be underspent unless utilization increases. Two key exceptions stand out: CCAP is expected to exceed its budget by \$7 million, shared services, and grants and infrastructure initiatives are on track to be fully utilized by the end of the biennium.

- **Clear Successes in Child Care Funding:**
 - Expanded CCAP Assistance: The Child Care Assistance Program (CCAP) has been expanded, helping hundreds of additional families, particularly those earning less than 150% of the state's median income, with child care costs.
 - Grants for Providers: Numerous child care providers have received grants for infrastructure updates, quality improvements, and start-up costs, leading to the creation of 80 new child care slots.

- Reimbursement Increases and Recruitment Tools: Providers have benefited from a small increase in infant and toddler reimbursement rates and a new child care worker benefit program, which has been well-received as a "win-win" for both providers and workers.
 - Shared Services Alliance: Shared services has provided business supports to both family child care and center-based providers by providing access to software to manage business operations and parent communications, business training by partnering with the North Dakota Women's Business Center, and by providing curricular resources. Additional opportunities exist to continue to scale this model and identify other resources for business supports for providers.
- **Areas Needing Attention:**
 - WPCCR (Working Parent Child Care Relief pilot program): This program could have been fully funded by the \$9.6 million federal ARPA appropriation, without requiring an additional \$5 million from the state. It is expected to underspend by \$8 million. Currently, the program is using ARPA funds through the end of 2024, with state funding to begin in January 2025. NDHHS plans to request permission to carry forward unused funds to expand the program within the business community. The program has faced a slow start, with many employers uncertain about how to implement it fairly. Currently only children birth to 36 months are eligible for this benefit.
 - Facility Improvement Grants: \$1 million was initially allocated for facility improvement grants, with an additional \$2 million more needed to meet demand. The department has accordingly shifted another \$1 million over, but it is unclear how many projects are still awaiting funding. Program restrictions limited funding to no more than \$20,000 per applicant, and uses to facility improvements, minor renovations, related equipment and services, and costs related to meeting health, safety and licensing needs—but not learning materials such as toys or manipulatives, or loan repayment. Infrastructure investments for new child care start-ups including buildings and expansions have often required larger amounts, typically \$500,000 or more, and have been funded through programs outside of NDHHS. Further discussion on these external funding sources is required.

In summary, while NDHHS has made strides in expanding child care support and improving infrastructure, several programs require increased engagement and better funding to meet growing needs. The second half of the biennium will be crucial for realizing the full potential of these initiatives.

DEPARTMENT OF COMMERCE: REGIONAL WORKFORCE IMPACT PROGRAM (RWIP)

With most eyes on HB 1540's appropriation, an additional resource for child care emerged from an unexpected place—the Department of Commerce's Regional Workforce Impact Program (RWIP). The 68th Assembly authorized \$26.5 million (\$14 million from remaining ARPA funding and \$12.5 million in state dollars) to address regional workforce needs, allowing organizations to receive state funding for initiatives expected to have regional impacts on workforce-related barriers and challenges. Local partners were also required to bring a 25% match.

Many communities recognized the glaring need for child care availability for their workforce recruitment and retention, and a large focus of the RWIP grants awarded reflected this. Here are the impacts of RWIP funding on child care, reported as of the third grant round in October 2024³:

- \$13.31 million in total grants awarded to child care projects.
- Half the projects that have received RWIP funding are related to child care infrastructure and expanded capacity.
- 2,344 new child care slots created in 53 licensed facilities across the state.

Projects range from entirely new child care facilities to building acquisitions, renovations, expansions, and equipment purchases, many of which are helping to fill a child care desert in a small community. Ultimately, filling all those new slots hinges on the centers' ability to hire staff, but all have expressed confidence in being able to do so.

Despite the overwhelming demand by workforce advocates for child care infrastructure, Department of Commerce officials are likely to recommend moving away from including child care awards in the RWIP program next biennium, and advocate that NDHHS handle all child care related funding.

DEPARTMENT OF COMMERCE: NORTH DAKOTA DEVELOPMENT FUND

During the 2023 session the legislature passed HB 1216, whereby the financing cap for early childhood facilities seeking a loan from the North Dakota Development Fund (NDDF) was increased from \$100,000 to \$1 million.

Between July 2023 and October 2024, the NDDF Child Care Loan Program⁴ has provided:

- \$4.79 million in funds for new child care buildings, expansions, remodeling, equipment, and working capital.
- 15 early childhood projects across the state, with 73% in the eastern half and 27% in the western half.
- 931 new child care slots created through these projects.
- \$1.876 million in approved but not yet disbursed funds for four additional projects, which will create 129 more slots.

By the end of the biennium, the ND Development Fund will have provided \$6.67 million in loans, supporting nearly 20 child care projects and creating 1,060 new child care slots.

SUMMARY OF STATE APPROPRIATIONS & PROGRAMS

The largest expenditures in child care programming have been nearly \$43 million in CCAP assistance payments and programming which primarily supports families, followed by nearly \$23 million in infrastructure dollars to increase availability.

- **Support for Working Families**

³ Data from Evan Moser, Grant Administrator, Workforce Division 10/25/24

⁴ Data from NDDF Director Brian Opp, 10/21/24

- \$42.8 million of the \$65.6 million appropriated in HB 1540 was for CCAP-related payment increases and programmatic changes.
 - Over \$35 million has been spent to date to help make child care more affordable for those struggling with the ever-increasing cost.
- **Infrastructure for Increased Availability**
 - The second highest expenditure category has been infrastructure, but not from NDHHS’s programs. While HB 1540 has offered \$1.16 million in facility improvement and start-up related grants for physical infrastructure, the bulk of infrastructure funding has come through two programs under the Department of Commerce, totaling more than \$22.88 million.
 - RWIP has spent over \$13 million on child care awards to build and expand new child care offerings.
 - The North Dakota Development Fund has spent nearly \$7 million for new and expanded child cares.

The Department of Commerce programs combined have helped facilitate the creation of almost 3,500 new slots for children needing care. This dwarfs the 80 reported slots created by NDHHS’ Grow Child Care facility grants.

Finally, a large emphasis has been placed on quality and backed by at least \$8 million in programming through HB 1540, including bonus payments to quality-rated providers, quality improvement grants, staff training stipends, and quality support programs. However, none of these have shown an overwhelming demand. Combined, these quality programs have only spent \$2.45 million, on track to hit \$5-6 million by the biennium’s end.

PART II: CHILD CARE MARKET ANALYSIS & CONDUCTED SURVEYS

During the 2023 interim, as NDHHS and the Department of Commerce began implementing their programs, several surveys were conducted by both DHHS and private organizations to assess affordability, availability, and quality in the child care market. These surveys gathered input from child care providers, parents, families, school administrators, officials, and the business and economic development community. The following sections summarize the key findings from each survey and highlight potential policy opportunities that arose from the responses.

1. **NDHHS Market Survey**
2. **South East Education Cooperative (SEEC): Statewide Chamber/EDC Survey**
3. **South East Education Cooperative (SEEC): Out of School Time (OST) School and Child Care Survey**
4. **Bismarck-Mandan Chamber EDC: Regional Parent Survey**
5. **Greater North Dakota Chamber Member Survey**

1. DHHS MARKET SURVEY: “NORTH DAKOTA CHILD CARE PROVIDER REPORT”

As a requirement of the Child Care and Development Fund, a federal and state program which provides assistance of low-income families for child care through the ND Child Care Assistance Program (CCAP), the state must submit a market rate survey and cost analysis to inform subsidies and reimbursement rate adequacy.

The 2023 market survey conducted by North Dakota State University's Center for Social Research⁵ was issued to 1,172 licensed child care providers in the state, 753 (66%) of whom submitted responses. Sixty-five percent of those are in urban counties (489 respondents) while 36% (264 respondents) are in rural counties, reflecting the percentage of providers actually located in North Dakota's urban and rural counties. Twenty-seven percent of these hold center-type licenses while 73% hold family or group licenses. The most common license types among those providers with multiple licenses were a preschool license (94%) and a child care center (69%) suggesting that large centers also hold a preschool program.

Affordability

- Infant care is still the most expensive.
- Costs decrease as children age toward preschool: the average normalized rate for infants was \$199 per week, while for school-age children it was \$162 per week.
- Urban providers had higher average costs than rural providers for all categories of infant, toddler, and preschool age children.
- Providers with greater total licensed capacity (i.e. child care centers) had the highest costs across all children 6 years of age and younger.
- Those providers who are QRIS-certified had significantly higher full-time costs for all categories, including nearly \$30 more for infants and \$15 more for toddlers.

Regarding CCAP usage:

- CCAP is highly utilized. Nearly two-thirds, or 65% of providers reported having one or more children enrolled in CCAP, and 38% reported having six or more in the assistance program. Almost two-thirds (62%) reported receiving CCAP benefits in 2022 at a median benefit of \$14,000.
- CCAP does not cover the cost of care for everyone. Just over half (54%) of the providers who received CCAP benefits reported that the reimbursement covered the cost of providing care. Most providers (80%) indicated the family covered the difference, while 8% said the family pays none of the difference.
- The most common barriers to accepting children receiving CCAP benefits according to 41% of respondents were low reimbursement rates and additional administrative duties. Nearly one-third of respondents also cited the length of time to receive payment as a barrier.

Availability

When looking at availability, the common thread of the DHHS Market Survey shows full-time infant care is the greatest need:

⁵ https://www.ndsu.edu/fileadmin/csr/Women/CCAP_report_final_20240723.pdf

- The average full-time enrollment is four infants and 10 school-age children.
- Waitlists show the inverse: 6 infants and just one school-age child are awaiting full-time care, on average.
- Over half (54%) of respondents have no vacancies. Even more (58%) had at least one child (mostly infants) on their wait list.

Fifty-six percent of providers offer both full and part-time care, with 92% open year-round. After-school care was available from 82% of providers, and before-school care available at 63% of providers. Evening and weekend care is more likely to be offered by family providers, while rural providers are more likely to offer drop-in care. Two-thirds of providers (66%) are open between 7 and 8 am, and 68% close between 5 and 6 pm, reflecting that average 8-5 pm workday for parents, with a window before and after for drop-off and pick-up. Over one-third (36%) offer temporary or emergency care, just 10% offer evening care, and only 8% offer overnight care.

Quality

The DHHS Market Survey shows participation in the state's Quality Rating & Improvement System (QRIS), Bright and Early ND, is still lacking.

- Nearly two in five (38%) providers who responded to the market survey participate in Bright and Early ND. Half (52%) self-reported they are in Step 1; with 30% self-reporting they have achieved Step 2.
- Smaller facilities and home-based providers are less likely to participate.
- Nearly all participating providers (92%) did not increase their rates charged to families once they became quality-rated or increased beyond a Step 1.

2. SOUTH EAST EDUCATION COOPERATIVE: STATEWIDE CHAMBER/ECONOMIC DEVELOPMENT ORGANIZATION SURVEY

In the summer of 2024, the South East Education Cooperative, one of North Dakota's six Regional Education Associations (REAs), surveyed chamber and economic development organizations (EDCs) about local child care⁶. The survey aimed to understand how economic development officials view child care offerings, their impact on the workforce, and the business community's involvement in child care development and policy.

Of the 31 responses, 14 were from economic development organizations, five from chambers of commerce, five from city or county employees, and seven from other roles. The results showed that 94% of respondents felt highly or somewhat knowledgeable about child care in their communities. Additionally, child care was ranked as one of the top three issues affecting community growth and development, alongside workforce retention and housing.

Availability

- Over 70% of respondents reported that most of their organization's members face challenges with child care or after-school care availability in their community.

⁶[Chamber EDC Childcare OST Survey 2024 Summary.pdf](#)

- 74% identified increasing child care availability as their top priority.
- 77% of chamber personnel said there aren't enough child care slots, while only 13% considered availability "sufficient," and 6.5% reported available slots.
- Nearly 40% stated that some businesses have closed or reduced their capacity due to child care-related workforce issues.

When asked to name specific factors limiting child care and after-school availability:

- 90% cited staffing shortages as the top concern.
- 65% pointed to both low staff wages and facility/space needs as major challenges.

Affordability

Affordability in child care is the second most important priority for 58% of economic development respondents, with 71% citing the cost of care as a key factor limiting availability. While officials are aware of state programs like CCAP and the working parent relief program, the impact of these on local workers remains unclear.

Quality

- Quality in child care ranked as the third most important priority for 77% of respondents.
- 26% identified quality concerns as a factor limiting child care availability.
- 32% rated local child care as high-quality, 61% as moderate quality, and 6% as low-quality.

Policy Opportunities

The top factors impacting child care for working families, according to chamber and economic development personnel, are wages, family support, and infrastructure:

1. 71% support supplementing child care wages to attract and retain workers.
2. A cost-share funding model for families just above the CCAP threshold is the second most-supported idea. 58% back increasing CCAP reimbursement to help more families.
3. 58% favor loans for expanding or starting new child care programs, and 55% support state incentives for building or retrofitting facilities to create more slots.
4. Lower priorities include incentives for providers to increase child care slots and for businesses to support employees with children.
5. Only 35% support incentives for providers to join the state's QRIS quality rating system.

Notably, when asked how chamber and economic development member organizations may be assisting providers, 52% say they are providing grants and 48% are advocates for child care support. Another 16% give donations, while 3% offer some form of shared services.

A final goal in surveying chamber and economic development officials was to understand the level of awareness about the state's current programs to increase childcare availability, affordability, and quality. Awareness is low and likely impacting program utilization. Just two in five individuals were aware of CCAP adjustments reaching more families and aware of grants for child-care start-ups. The

same knew about the working parents child care relief program (WPCCR). Participation is strong once awareness grows, as 93% say their members are participating in the WPCCR program, 50% are utilizing grants, and 36% are using the CCAP program. Only 22% said they'd heard of support for childcare offerings during non-traditional hours.

3. SOUTH EAST EDUCATION COOPERATIVE: OUT OF SCHOOL TIME (OST) & CHILD CARE SURVEY

Out of school time care (“OST”), which serves school-age children outside of school hours, has long been an important child care need and yet often falls outside the current conversation which tends to prioritize 0-3. As children age, child care becomes less about full-day care that mirrors the work day, and more about logistics, transportation, and availability for that time before and after the school day.

To learn more about OST needs, the South East Education Cooperative (SEEC) issued a survey⁷ during summer 2024, and received responses from 60 school personnel, including superintendents and principals, administrative roles and teachers. The geographic distribution was evenly cast east to west, covering communities from LaMoure to Kenmare, with 77% rural and 23% medium-sized to urban communities.

Affordability

In the context of out of school time care, the affordability conversation is about the provider—often a school district—having the necessary funds to pay teachers and supervisors for the extended day hours. The funding that currently supports active OST programs comes mainly from 21st Century Community Learning Center grants (“21 CCLC”) for 48% of respondents, with an additional 36% using program fees paid by parents and caretakers. A smattering of funds also comes from ESSER/ARPA dollars, state and local grants, and other federal funds. Should changes to eligibility and priority of 21CCLC funding occur, 40% of currently funded programs suggest they could no longer operate. (The status of ESSER funds appears to have little impact moving forward.)

- Primary reasons for not offering OST programming are lack of available staff (69%) and lack of funding (43%).
- 58% of respondents would be interested in providing child care in some form if funding was available.
- More specifically, 46% would use funding to provide on-site 0-5 year old care, 32% said they could provide on-site care for 6-12 year olds, and 46% of the respondents wished to partner with a community organization for off-site child care.

School teachers and staff desire to tackle OST-specific child care challenges but say they have no funding.

Availability

Overall, availability of OST care seems to vary based on staffing, funding, and available space:

⁷ [K-12 OST and Childcare Survey 2024 Summary.pdf](#)

- Sixty percent of respondents said that OST programming is indeed offered by the local school(s) while 40% said it is not. Of existing programs, 94% include after-school care, 46% of programs include before-school, and 33% also have summer programming.
- 45% suggested they have sufficient slots to cover the need, while 28% of programs have open slots. 17% have waiting lists for students.
- More than one-third of respondents (35%) expressed interest in offering OST, while an additional 20% indicated they would also be interested if supportive funding were available.
- The main challenges to maintaining OST programs appear to be attracting and retaining staff (62%), transportation (38%), and funding (27%). 13% also said finding space for OST programs is a challenge.
- There were a few anecdotal responses about the difficulty of finding staff to care for special needs students.

Four-Year-Old Program

Interestingly, 77% of school officials who responded operate an approved four-year-old program. However, nearly 67% of those say they have a limited or complete lack of candidate pool from which to hire a highly qualified teacher who is licensed to teach in a four-year-old program. Awareness around the Best-In-Class 4-year-old program appears to be growing, with 47% having applied. Twenty-one respondents shared an anecdotal review of Best-in-Class, excited about their first year in the program, or sharing that it has been a highly utilized and positive program for their students, allowing for Kindergarten-readiness and early interventions where needed. The suggested improvements mentioned a desire to reduce paperwork and reporting requirements, even though they appreciate the need for adherence to safety and compliance requirements

Policy Opportunities

The survey explored child care offerings for school staff that, though not funded by school districts, could be replicated elsewhere. Findings include:

- 21% offer on-site care for children aged 0-5.
- 15% partner with community organizations for off-site child care.
- 8% provide care for children aged 6-12.
- 6.5% allow flexible scheduling for child care needs.
- 4% currently use the working parent child care relief matching program.

Respondents indicated that with additional funding, these offerings could expand across districts.

- Funding is the top priority, with 75% of school officials seeking funds for child care operations, including staff wages, benefits, and general operating costs.
- Half of respondents want facility grants to enhance or establish child care spaces, while half prefer community-based organizations to provide child care for ages 0-5 outside of the school. 27% favor cost-sharing models for child care.

- For OST (Out-of-School Time) programs, 70% desire internal funding for school-operated programs, 42% support community-based offerings, 38% want facility improvement grants, and 24% seek cost-sharing models.

School officials are increasingly engaged in the child care conversation, with many schools already providing some level of OST care or expanding beyond K-8 ages. Over 57% of respondents are somewhat or very involved in discussions on “child care as a barrier to workforce,” and half of those not currently involved are willing to join. Respondents are also eager to share successful practices and advocate for solutions, recognizing that schools may need to take a larger role in child care, especially in rural areas with limited options for working families.

4. BISMARCK-MANDAN CHAMBER EDC: REGIONAL PARENT SURVEY

A group from the Bismarck-Mandan Chamber EDC’s annual Leadership Program class issued a survey to parents in the Bismarck and Mandan area. It was distributed by individual child care providers and through word of mouth to families with young children. Of 491 respondents, the results showed that 66% currently use or anticipate needing child care services in the next twelve months, of which 71% would require full-time care, 11% before- and after-school care, and just 6% need half-day care. Nearly 71% need or use 31-40 (and upwards of 50) or more hours each week for child care.

Over 43% of Bismarck-Mandan families responding use child care centers while 25% use in-home providers. An additional 16% are not currently using child care, and nearly 7% have family relatives looking after their children. A combined 79.3% answered “sometimes,” “rarely,” or “never,” to having reliable back-up care when needed, resulting in 92% of parents staying home from work to care for their children.

When asked about the challenges they may have faced in finding child care, 81% selected availability, 68% selected cost/affordability, and 62% selected quality. Further, parents desire support from their employers, including adjusted hours at work to meet their family and child care schedules (83%), as well as the use of paid sick leave to care for sick children (76%).

Affordability

- Of the 261 respondents using infant care (0-18 months), 32% pay \$1,000-\$1,200 per month, and 35% pay \$800-\$999.
- For toddlers (18-36 months), 34% pay \$800-\$999 per month, 27% pay \$600-\$799, and 25% pay \$1,000-\$1,200.
- As children age, care costs decrease. For 3- and 4-year-olds, 41% of parents pay \$800-\$999, and 31% pay \$600-\$799 monthly.
- Regarding household incomes, 49% earn between \$100,000-\$199,999 annually, 12% earn over \$200,000, 14% make \$75,000-\$99,999, and 12% make \$50,000-\$74,999.

As an example, a household with two working parents and two children under 3-years-old paying between \$1,400-\$1,800 per month in child care expenses is spending somewhere between 8% and 20% of their household income on child care. The U.S. Department of Health and Human Services recommends child care costs stay under 7% of annual income to be considered affordable.

Availability

NDHHS⁸ reported 154 licensed providers in the Bismarck-Mandan area as of September with licensed capacity of 5,088 children. The current population includes 7,193 children ages 0-5, leaving 2,105 children without a child care provider if one were needed. Survey responses show that the availability of childcare, especially during non-standard hours, is a critical issue for families in the Bismarck-Mandan area:

1. 80% of respondents said they struggled with availability when finding suitable child care (likely referring to open slots).
 - Nearly one-third mentioned needing care before 7:00 am or after 6:00 pm, with unique hours of operation being a challenge.
 - Respondents expressed multiple concerns about availability: 49% were worried about care during summer and holidays, 42% had trouble finding infant care (ages 0-2), and 40% needed drop-in or backup care. Additionally, 31% were concerned about finding before- and after-school care.

Quality

- When asked about their main concern over the past year, 51% of Bismarck-Mandan parents cited the quality of care. This focus on quality stands out compared to other surveys, likely because the question allowed respondents to "select all that apply" from 14 options. While respondents chose multiple answers related to availability concerns, they still selected the single quality-related option as a general concern.

Policy Opportunities

Overall, in the more urban communities of Bismarck and Mandan where health care, government, education, and manufacturing are the largest employers, cost and availability remain the top two challenges to finding suitable child care for working parents. More than six in ten families need care for their children, and finding a slot with sufficient hours of operation is the largest hurdle.

Infant care is the most expensive in this area, as market reports suggest. Many of these families have incomes above 150% of the state median, yet they still spend 8% to 20% or more of their income on child care. Interestingly, 93% of working parents want more support or flexibility from employers. Simple changes like adjusted work hours or paid leave for child care could meet their needs, though these do not require state policy.

5. GREATER NORTH DAKOTA CHAMBER (GNDC): MEMBER SURVEY

The Greater North Dakota Chamber (GNDC) has been a strong advocate for state-supported child care programs as a vital solution to the workforce challenges facing North Dakota. At the September Human Services Committee meeting, Andrea Pfennig, GNDC's Director of Public Policy, shared

⁸ [Bismarck-Mandan Childcare Needs Assessment Feedback](#)

business community feedback on the 2023 child care funding. GNDC members value the CCAP copay reduction, expanded CCAP assistance, and infrastructure funding for new child care facilities.

However, feedback on the working parent child care relief program highlighted several challenges: income thresholds exclude many employees, support for children aged 4-5 is limited, and GNDC member companies with operations in multiple states face added participation hurdles. Concerns around tax implications and the administrative burden on larger businesses may also be discouraging program involvement. Despite GNDC's efforts to keep members informed, awareness of the state's child care programs remains low.

In September 2024, GNDC conducted its biannual member survey, gathering responses from 825 members—a representative sample of GNDC's full membership—on various questions related to child care. A preview of the results showed that GNDC members are broadly engaged in child care issues as they relate to workforce needs.

Affordability & Availability

In fact, 69% of GNDC members answering the survey indicated that child care accessibility and affordability are significant concerns for their organization or workforce, while 31% said they are not. Although this survey combined affordability and accessibility into one question—unlike other surveys that address them separately—the response shows that child care remains a broad concern, even without specific distinctions.

Despite growing attention to child care, only 33% of GNDC survey respondents were aware of the state's working parent child care relief program with an employer match, while 67% remained unaware.

Policy Opportunities

Regarding new policy options, 65% of respondents supported the idea of state-provided tax incentives for companies that offer child care assistance—a new concept that has yet to be explored in discussions around business engagement in child care.

In summary, GNDC's advocacy has effectively highlighted child care as a workforce issue, though many business leaders remain unaware of specific state programs like the working parent child care relief program. Feedback suggests that adjustments to program guidelines could encourage greater participation from larger businesses. The survey also shows strong support for new policies, such as tax incentives, to encourage employer-provided child care assistance.

CONCLUSIONS & POLICY OPPORTUNITIES

The 68th legislative assembly made child care a priority for the first time, providing roughly \$120 million in combined federal and state funds to address multiple angles of the child care ecosystem. With this initial investment in child care as a foundation, there are valuable opportunities to refine the strategy, focusing resources on effective initiatives and leveraging insights gained thus far:

1. Improved Support for Working Families

Direct payments from the Child Care Assistance Program (CCAP) have ensured timely monthly fees to providers, with increased reimbursement rates for infant and toddler care providing a modest boost to provider budgets. However, these adjustments, including a 30% rate increase for infant and toddler care, have not fully replaced the stabilization grants from previous federal ARPA funding. Consequently, some providers have still needed to raise rates, even for families receiving assistance. Consideration should be given to expanding the WPCCR program eligibility to beyond 36 months to include children up through age 12 to allow more families to participate and align with the licensing system.

2. Increased Infrastructure Funding Expands Child Care Slots

Child care infrastructure became a major focus post-session, as shown by both survey results and analysis of state programs and funding. During the 2023-25 biennium, the state has dedicated \$22.88 million to child care infrastructure—second only to CCAP payments that directly support families. This funding includes \$1 million from NDHHS for facility improvement grants, \$164,000 in Grow Grants for start-up and expansion, \$13.31 million in RWIP grants, \$6.67 million in NDDF loans and commitments, and an additional \$1.74 million in waitlisted facility improvement grants, collectively adding essential child care slots. Infrastructure does not only include facilities but also the tools and knowledge for providers to operate successful businesses and organizations. The Shared Services Alliance has provided business supports to both family child care and center-based providers by providing access to software to manage business operations and parent communications, business training that will help providers manage the complexities of operating a business with narrow profit margins.

3. Quality Care Receives Less Emphasis from Key Stakeholders

The primary focus on quality care comes from administrators overseeing licensing and operations, while parents, economic developers, and school officials place less emphasis on advanced quality metrics, likely as their primary focus continues to be availability. The primary focus for these groups is programs being licensed and reliable. Funding intended to improve QRIS star ratings remains underutilized, likely due to barriers in participation beyond Step 1, which is obtained automatically by becoming a licensed program. Training stipends are also minimally used, and limited data exists on whether CCAP payments fully cover care costs, even for quality-rated providers. Nonetheless, most providers strive to maintain quality environments where children can grow and thrive.

By assessing what has been successful and incorporating more comprehensive data, the state can better align its approach to enhance child care affordability, accessibility, and quality. The findings of several surveys issued to child care providers, education leaders, families, and business and economic development stakeholders during the 2024 interim season underscore the need for ongoing adjustments in funding allocations, program incentives, and support for providers to ensure that the state's child care system continues to meet the evolving needs of North Dakota's families and workforce:

| Survey Conducted | Key Takeaway 1 | Key Takeaway 2 | Key Takeaway 3 |
|---------------------|---|---|--|
| NDHHS Market Survey | CCAP is highly utilized, with 65% of providers having | Full-time infant care is in high demand, with more infants on | QRIS participation is low (38% of providers), with |

| | | | |
|--|---|---|---|
| | children enrolled in the program. | waitlists than any other age group. | limited impact on costs or family rates after certification. |
| SEEC Chamber/Economic Development Survey | 74% prioritize increasing child care availability, with a shortage of slots impacting local workforce capacity. | 71% see high child care costs as a barrier, particularly for middle-income families outside CCAP qualification. | Only 40% are aware of state child care assistance programs, like CCAP and the working parent relief program. |
| SEEC Out-of-School Time (OST) Care Survey | Funding for OST programs is mainly through 21CCLC grants, with 58% of respondents interested in providing child care if funded. | Availability varies; 60% of schools offer OST programs, but staff shortages and transportation are key challenges. | Quality OST care is limited by staffing and resources, with needs for more structured funding. |
| Bismarck-Mandan Chamber EDC Parent Survey | 80% of respondents struggled with child care availability, particularly for non-standard hours. | Child care costs consume a significant portion of income, with many spending 8-20% on care, above the 7% threshold. | Quality of care is a key issue for 51% of parents, who prioritize it alongside multiple availability and affordability. |
| GNDC Survey | 69% of GNDC members view child care accessibility and affordability as significant concerns for their organizations | Only 33% of respondents are aware of the state's working parent child care relief program with an employer match, highlighting a need for improved communication. | 65% of respondents favor state-provided tax incentives for companies that offer child care assistance, suggesting strong interest in new policy solutions to support working parents. |

From this foundation, we have developed targeted policy proposals for consideration in the 69th Legislative Session, focusing on expanding successful initiatives and exploring new, strategically funded opportunities:

- **Continuing and Refining Existing Efforts**

1. **Provide New Infrastructure Funding to Increase Child Care Slots**

To address capacity limits in child care deserts and high-demand urban areas, additional grants and loans are essential for new centers, facility expansions, and licensing compliance. With RWIP funds nearly depleted, further investment beyond the \$1 million currently allocated in the NDHHS budget is needed. With the success of the RWIP grants, consideration should be given to consolidating infrastructure funding under the Department of Commerce as the granting agency with an assigned program coordinator from DHHS.

2. Expand Child Care Assistance Program (CCAP) Support

CCAP has been effective in supporting families with young children, and ongoing funding is essential for families within the targeted income range. However, middle-income families still face a financial burden, spending 8-20% of their income on child care without qualifying for assistance. Expanding this program could help address these families' needs.

3. Boost Business Engagement with Clear Communication

The business community recognizes the importance of child care for workforce retention, yet awareness of programs like the Working Parent Child Care Relief (WPCCR) program remains low. A stronger dialogue with the business community around current programs could boost employer involvement, clarify program benefits, and encourage more businesses to collaborate with child care providers or offer flexible options for working parents.

4. Reassess Quality Program Barriers and Participation Incentives

Quality child care is a priority for parents and economic developers, but low participation in quality programs shows that current incentives aren't motivating providers to improve on the QRIS tiers, nor change their tuition models to match. Increasing these incentives could help identify and address barriers, making quality improvements more accessible.

5. Criminal History Background Checks

Continue to monitor the progress being made on the reduction of processing times for criminal history background checks due to the new live scan machines, in addition to the launch of the online portal to help reduce human errors. Consider additional opportunities for streamlining background checks and reducing the wait time for approval.

• **New Strategies to Enhance Child Care Services**

6. Strengthen Provider Support with Stipends & Stabilization

Current funding has not significantly increased provider revenue, particularly compared to post-COVID stabilization grants, and has not changed the child care market model. Infant care remains costly, often leading providers to operate at a loss. Incentives or stipends to encourage opening infant classrooms could help increase capacity, stabilize costs, and support new parents reentering the workforce.

7. Invest in Out-of-School Time (OST) Programs

Support for child care has largely focused on ages 0-5, leaving before- and after-school care needs for older children underserved. Schools are willing to provide or partner on these services but require additional funding to expand OST offerings.

8. Tax Incentives for Business Community Involvement in Child Care

In 2023, lawmakers encouraged the business community to actively address child care as a barrier to workforce growth and retention. While the Greater North Dakota Chamber (GNDC) engaged heavily in this dialogue, the resulting Working Parent Child Care Relief (WPCCR) program includes restrictions that limit business participation. Now, businesses

are advocating for tax incentives to support companies that offer child care benefits to employees.