

ISSUE BRIEF



SUPPORTING WORKING FAMILIES STRENGTHENING OUR WORKFORCE

ND Child Care Proposal: A proactive approach to removing child care as a barrier to work

January 2023

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The ND Approach: A strategy of both comprehensive and targeted investment

Child Care is an inherently challenging type of business to operate because most of its customers (i.e., working families), on their own, cannot afford to pay what it costs to provide quality care. Which means child care providers have a hard time charging what it takes for them to successfully stay in business and operate a high-quality program. At the same time, we know that **quality child care is essential** for working parents, for employers AND for children.

Eliminating child care as a barrier to work requires an approach that is both comprehensive and targeted at the same time. The ND approach is built on several related public policy principles that can help guide decision making. These principles acknowledge that effecting meaningful change at the macro workforce level will require both a **comprehensive and targeted strategy** that is guided by a clear understanding of where and how we can achieve greatest impact.

- 1) Target investments to ages 0-3.
 - ✓ Age of highest developmental return for children
 - ✓ Period of greatest economic pressure for most young families
 - ✓ Critical decision point for individual-level decisions about how/if to rejoin the labor force
- 2) Focus on working families with young children employed in occupations where compensation can't adequately offset the cost of child care needed to enable work.
- 3) Create opportunities for the children who are least likely to have access to quality early childhood experiences (ex. modest income family, special needs, disrupted family circumstances).
- 4) Embrace an all-of-the-above approach to child care
 - ✓ Quality early childhood experiences can happen anywhere.
 - ✓ Working families should have meaningful choices about child care.
 - ✓ Principles of quality are knowable and transferrable to any setting.
 - ✓ Sustainable child care businesses will support more sustainability within the child care workforce.
- 5) Public investment in child care helps working parents provide for their families by supporting employment and training/education goals.
 - ✓ Benefits are scaled to family need.
 - ✓ Employers have meaningful vehicles to remediate child care as a barrier to work.

Public and Private Stakeholders and Partners have come together over years to set the stage for action

- Legislators from across the state engaged in numerous local conversations about how child care affects people in their district, gathering ideas for how to make a real difference for working families with young children
- Working group convened with Hunt Institute, involving stakeholders from business, local governments, universities
- Governor-hosted roundtables with both business leaders and child care providers to understand nexus of child care and workforce needs
- Meet and greets with Chambers of Commerce, Workforce Development Council, Industry and Advocacy groups to build awareness and brainstorm ideas and approaches
- Creation of HHS Early Childhood team (after 2021-23 legislative session) to operationalize the state's early childhood experiences approach

NORTH DAKOTA STRATEGY

Addressing child care as a barrier to work requires a comprehensive approach that tackles all three elements of the child care dilemma: **Affordability, Availability** and **Quality**.

Make quality child care more available and more affordable to more working parents by making an impact investment in how we care for young children.

\$73 million | 4-5,000 children | 700-800 child care businesses

- ✓ Invest in families with children ages 0-3 and the child care providers who serve them.
- ✓ Grow opportunities for kids in the year before kindergarten.
- ✓ Support the sustainability and success of child care businesses that are committed to quality.
- ✓ Help working families choose to stay working without forcing them to sacrifice quality experiences for their young children.



The 2023-25 executive budget request includes \$73 million in new funding to move the state's workforce / child care strategy forward.

Make Child care assistance a reality for more working parents.

- Grow number of working families who access child care assistance (from 1,500 to 3,000 kids ages 0-3) - \$22 M general fund
- Increase what the state pays for infant / toddler child care to make it more feasible for providers to say yes to caring for the littlest North Dakotans - \$13 M general fund
- Build quality-based tiers into the child care payment structure - \$3 M general fund
- Help more programs achieve quality ratings by investing in infrastructure to support quality, including contracting for more quality coaches and assessors, and evaluating the impact of state investments - \$3 M general fund

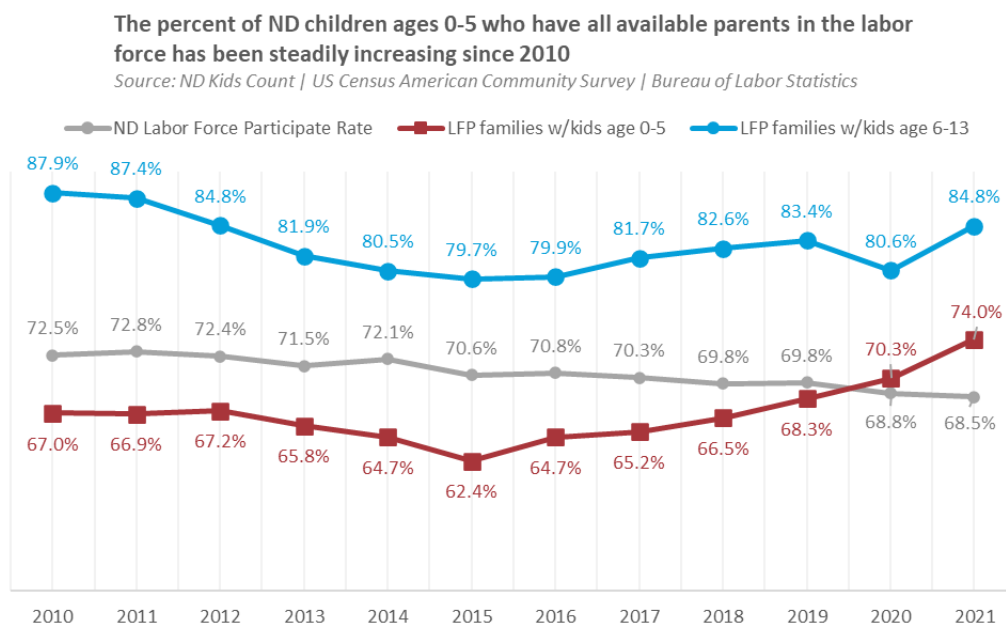
Make an impact-level investment that rewards quality across the early childhood sector.

- Triple the number of annual Best in Class slots from 550 to 1,800+ - \$16 M general fund
- Help employers offer a child care benefit to young working parents in their workforce via the public-private-partnership cost share program - \$5 M general fund
- Make sure early childhood workers are the best trained in the country, offering grants and incentives to child care workers who go above and beyond to offer quality care - \$2 M general fund
- Support child care entrepreneurs and small businesses with targeted grants to help eliminate child care deserts, support stronger business operations, and grow access to care during non-traditional hours - \$8 M general fund
- Make it as easy as possible for providers to get licensed, stay licensed, and participate in the state's quality improvement system, including streamlining of background check processes - \$1 M general fund

Affordability

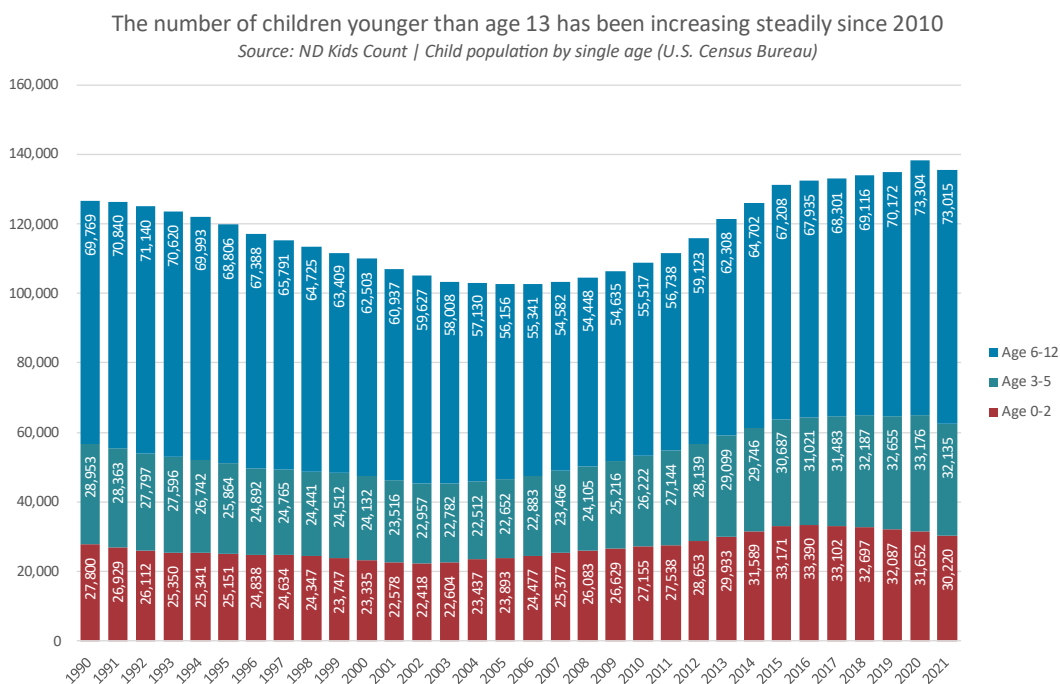
CONNECT MORE WORKING FAMILIES TO CHILD CARE ASSISTANCE

Labor Force. North Dakota has a 68.7% labor force participation rate, consistently one of the highest in the U.S. In fact, in ND parents of young children tend to work at higher rates than the population overall. In 2021 74% of children ages 0-5 had all parents in the labor force. For children ages 6-13 that rate rose to 84.8%.



Age. North Dakota’s population has also been getting younger in the last several years. Since 2010, the number of children ages 0-12 has grown as a percent of the overall state population and has also grown outright.

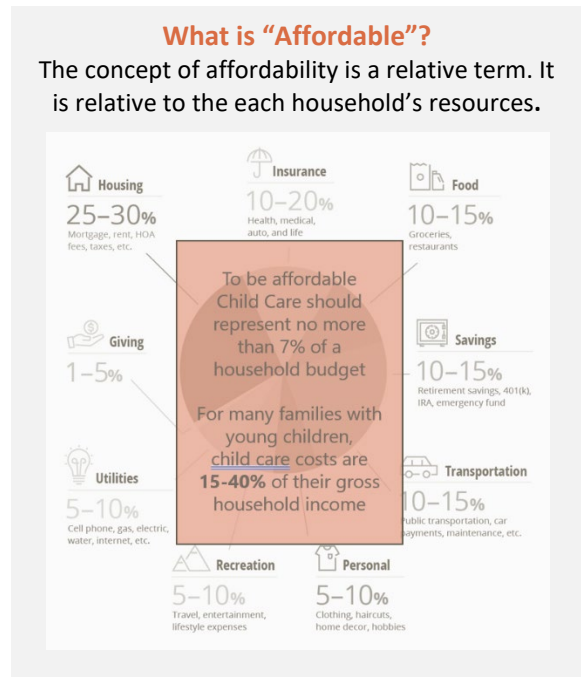
CCDBG. The federal Child Care and Development Block Grant is the primary federal funding source available to support states’ efforts to provide help to lower income families with the costs of child care.



According to a 2019 Report, North Dakota’s program provides help to approximately 7.1% of the North Dakota families who are likely to be eligible for assistance (according to funding levels and guidelines in place at the time).¹

Cost. The October 2021 Child Care Market study conducted for the North Dakota Child Care Assistance program found the average cost of center-based child care for infants (younger than 18 months) to be \$10,056 per year (\$9,576 in group/family settings).² For toddlers (children ages 18-35 months), the average annual cost was approximately \$8,000. This means that the cost of tuition for an infant in center-based care is 15% more than the average cost of in-state tuition at the state’s four-year public universities.³

Lower, moderate- and middle-income families with young children will struggle with the monthly out-of-pocket cost of child care, regardless of the fact that they are working. A sampling of occupations by average ND wage and number of jobs in wage range serves as a reminder that very few of the most commonly held jobs in our communities pay a wage that makes child care affordable, especially in the years before age 5.



Less than \$15 / hr	\$15 - \$20 / hour	\$20 - \$28 / hour	\$28 - \$35 / hour	>\$35 / hour
Child care worker Fast food Waiter/Waitress Cashier Bartender Vehicle/equip cleaner Hotel clerk Dishwasher Laundry/Dry cleaning Maid/Housekeeping	Home health/Pers care Customer service rep Hair stylist Retail Receptionist/secretary Restaurant cook Preschool teacher EMT Teller Security guard Nursing assistant Laborer Stocker/order filler Landscaping/grounds Janitor/cleaner	Carpenter/Constr Office/clerical Accounting clerk Assembler/fabricator Maintenance/repair Correctional officers Auto service tech Lic Practical Nurse Dental assistant Firefighter Social worker Truck driver Svc unit op (oil/gas) Retail supervisor Pharmacy tech	Sales representative HVAC installer Rotary drill operator Wellhead pumper HR specialist Accountant Police Real Estate Sales PR/marketing specialist Counselor/therapist Child/School social worker Registered Nurse Comp network specialist Construction supervisor Dental hygienist Architectural/mech drafter Heavy equip mechanic	Engineer Constr mgr Lineman Gen/Op mgr Loan officer Lawyer Sales manager Software dev Veterinarian Pharmacist Physician Dentist Psychologist Project mgmt
48,790 # of people employed in a job with average wage of <\$15/hour represents 13% of total jobs	90,050 25%	109,930 30%	73,420 20%	45,000 12%

Source: Job Service ND 2021 Employment and Wages by Occupation dataset | mean wage by occupation; 741,920 jobs included in statewide wage summary

¹ “Inequitable Access to Child Care Subsidies.” CLASP. Rebecca Ullrich, Stephanie Schmit and Ruth Close. April 2019.
² <https://www.hhs.nd.gov/sites/www/files/documents/DHS%20Legacy/2021-ccap-market-rate-survey.pdf>
³ Average in-state tuition for 4-year universities of \$8,734. Source: <https://ndus.edu/cost-to-attend/>

1. Invest in the Child Care Assistance Program

Fund child care assistance program to grow the number of families able to participate

GOAL: 3,000 children ages 0-3 by 2025 | FUNDING: \$22 million

The child care assistance program (CCAP) helps working parents and parents attending education or training programs, to pay for a portion of the cost of child care (see Appendix A for more about CCAP in ND).

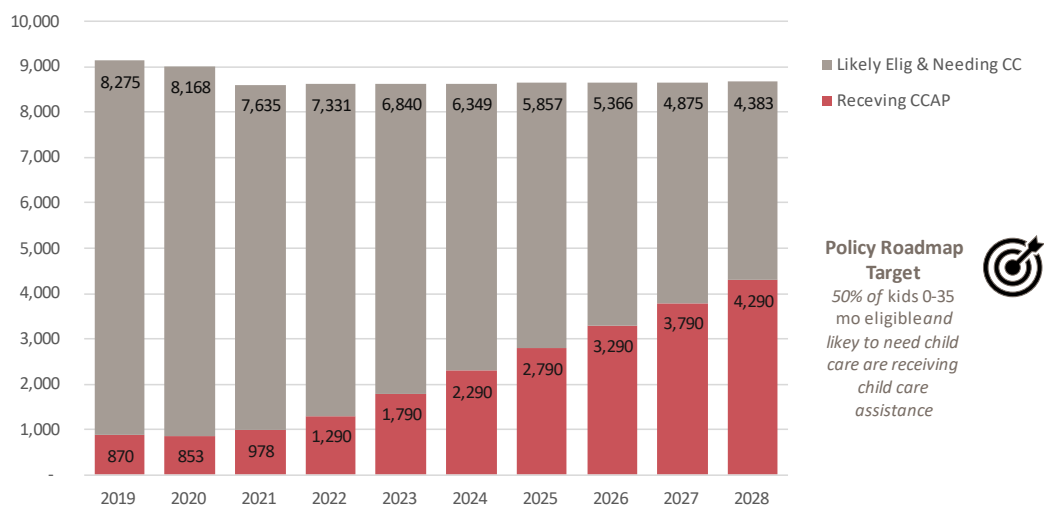
Adding state funds to the state’s existing child care assistance program would essentially allow North Dakota to use its existing program infrastructure to increase the number of working families who receive direct help paying for the cost of child care.

By making child care costs more manageable for people working in occupations that pay modest wages, we can expect to see increased:

- Economic stability for families
- Labor force participation for parents of young children
- Economic productivity for the state’s employers.

By increasing the resources available to the child care assistance program, instead of serving approximately 7-10% of working parents who are eligible for child care assistance, we can expand access to a far greater number of working parents and begin to move the needle on workforce.

With continued investment 50% of eligible children who are likely to need child care could receive some assistance by 2028



ND HHS analysis based on U.S. Census data (ND Kids Count: Population by single age) and Child Care Assistance Program utilization data (SPACES data warehouse)

Why this strategy?

More working families getting help with costs of child care =

Child care businesses have more customers with ability to pay =

More stable and reliable payments going directly to child care providers at the beginning of each month

2. Extend ND's Employer-led Child Care Cost Sharing Pilot

Help employers offer a child care benefit to their employees with young children

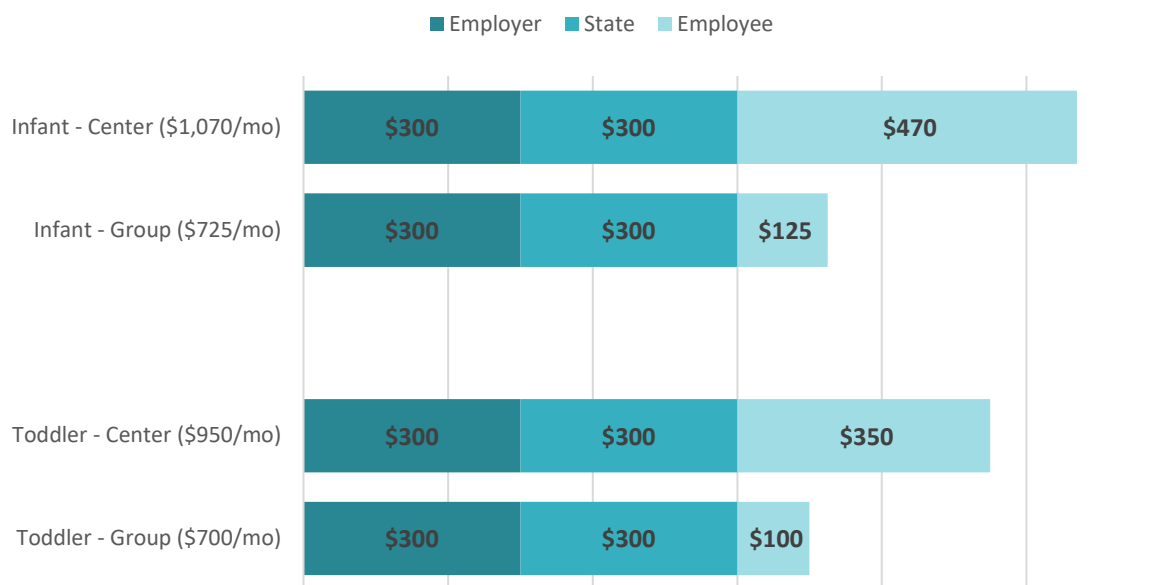
GOAL: Serve an additional 650 children through 2025 | FUNDING: \$5 million

In November 2021 the ND legislature authorized HHS to use ARPA funds to pilot a cost-share model that supported an employer-provided child care benefit program. Child Care Relief for Working Parents will give employers a meaningful vehicle to address the child care barrier many of their employees face.

The program creates a state match for employer-funded childcare stipends to employees where household income is no more than 100% of state median income. The maximum state match is \$300 per month, as long as the employee has a child ages zero to three, meets the household income thresholds, and is employed by a business that has opted in to participating in the program.

This matched stipend model offers a flexible and practical way to encourage private investment in child care, while allowing state dollars to serve more working families, and is designed to be a practical employee-level benefit that can be offered by both large and small employers.

The cost-sharing model behind this employer-led child care benefit can help make paying for child care more manageable



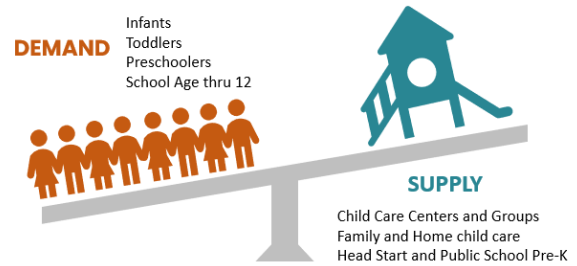
Why this strategy?

A shared cost model gives employers a meaningful vehicle to offset child care as a barrier to work for employees who are parenting young children

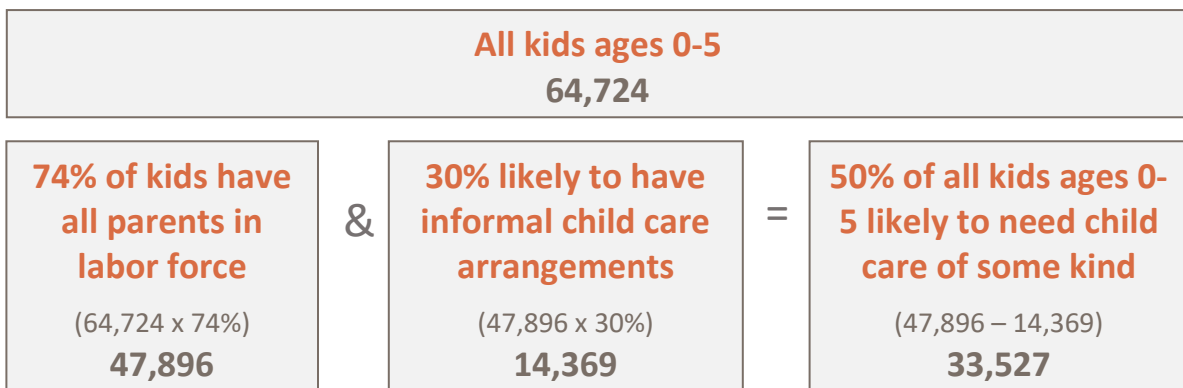
Availability

MAKE IT EASIER FOR WORKING FAMILIES TO FIND CHILD CARE WHEN AND WHERE THEY NEED IT.

Considering the realities of both demand and supply is essential to our ability to address the lack of available child care for working families with young children. While the challenges are real across the age spectrum, the greatest constraints occur when children are younger than age 3, which in child care parlance is referred to as “infant and toddler”. Infants and toddlers account for approximately half of the 65,000 children who are younger than 6 (see Appendix A for data by county).



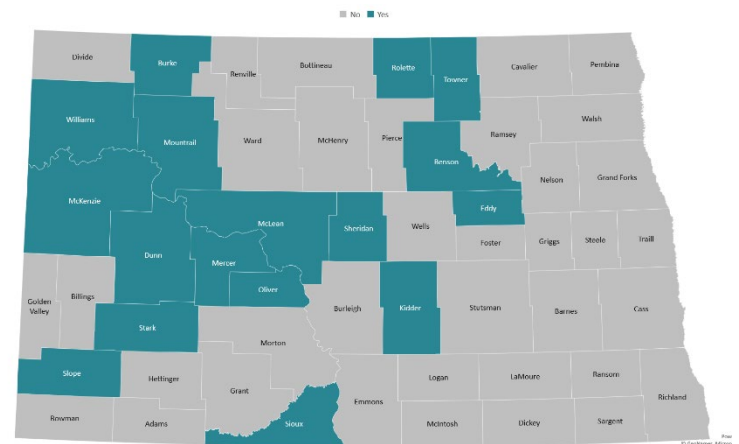
Demand. To estimate shortages in the availability of child care, we first need to establish the number of children likely to need some type of child care. While there is no precise measure available, we know that 74% of all children younger than age 5 have all parents in the workforce. We assume that about 1/3 of those children either don’t need child care or are in some type of informal care arrangement made by their families, which means that approximately 33,527, or 52% of the children ages 0-5, are estimated to need formal child care of some kind.



Supply. It’s hard to find child care no matter where you live. Across ND, there are 2-3 children for every licensed child care spot that’s available. Even given that reality there are certain areas where availability is even more constrained than others.

A child care desert is a concept that is broadly understood to mean that the shortage of licensed child care slots (as compared to the number of kids who are likely to need child care based on parental workforce participation) is at least 3 to 1. Meaning there are three children who are likely to need care for every one care slot available in the community.

20% of the state’s population lives in a county that was considered a child care desert in 2020



3. Increase Provider Payments for Infant and Toddler Care.

Increase infant/toddler child care assistance payment rates

GOAL: Increase CCAP State Max Rate for Infants and Toddlers by 25% | FUNDING: \$13 million

Child care is a costly and labor-intensive endeavor. This is especially true for the youngest children because quality care requires lower ratios of adults to children. For infants and toddlers, a single adult can only care for 4-5 children (depending on ages in the setting) and still offer the care and attention necessary for their developmental stage.

The federal Child Care Development Block Grant supports the provision of child care assistance for lower income working families. The state's Child Care Assistance Program (CCAP) reimburses child care providers at a rate equivalent to 75% of the going "market rate" in their communities. This market rate is re-evaluated every 1 to 3 years as per federal guidelines via a survey of licensed child care providers.

When is child care affordable?

Average monthly cost of care in a Child Care Center compared to the affordability standard of 7% of household income



1 child (9-month-old)

Center-based avg $\$838$ \longrightarrow Household income needed? $\$143,600$ = combined hourly wage of $\$69/\text{hr}$



1 child (3-year-old)

Center-based avg $\$726$ \longrightarrow Household income needed? $\$124,400$ = combined hourly wage of $\$60/\text{hr}$



2 children (1-year-old and 4-year old)

Center-based avg $\$1,564$ \longrightarrow Household income needed? $\$268,100$ = combined hourly wage of $\$129/\text{hr}$

To account for the higher relative cost of providing quality care to infants and toddlers, and to encourage child care providers to offer care to the youngest children in our state, the North Dakota Child Care Proposal includes funding to increase infant and toddler provider reimbursements paid to child care providers through the child care assistance program by 25%. (See proposed rates in Appendix B)

Making the rate adjustment as proposed will help assure that the **rate the State pays** child care providers on behalf of working families should be set to more closely approximate the realistic costs of providing care for infants and toddlers. (See Appendix B for more on how costs of providing care compare to payment rates)

Why this strategy?

Increasing payments for infant and toddler care directly addresses child care providers' biggest cost gap and reduces out of pocket costs for families who have had to cover fees that exceed the max rate the state can pay through its child care assistance program.

4: Streamline Background Checks and Reduce Administrative Burden

Make it as easy as possible for providers to get licensed, stay licensed, and participate in the state's quality improvement system.

GOAL: Streamline, automate and simplify processes and systems that affect delivery of early childhood services | FUNDING: \$1 million (criminal background check project)

By building on a model of early childhood experiences that embraces varied settings, the state of North Dakota must pay special attention to thoughtful alignment of rules, processes, and infrastructure across sectors. Reducing administrative burden while still maintaining accountability and upholding quality standards requires thoughtful application of policy and a mindset of continuous improvement.

The following list of items include a series of actions that move us further toward this goal of reduced administrative burden. The list includes both items that are proposed for consideration in the 2023-25 legislative session as well as items that are already in progress or recently completed (Q4 2022).

Proposed for 2023-25 Legislative consideration

- Remove requirement for separate food/lodging license for Group size 30 or lower
- Streamline criminal background check application and scheduling processes to the greatest extent possible (\$1 million budget request)
- Allow notice of certain documents to be served by electronic means instead of by certified mail.
- Exempt head start programs, and early head start and Best in Class programs from the requirements of chapter 54-44.4.
- Change the requirement from a grant to direct payment for early childhood services inclusion support services to reduce requirements for early childhood services providers to obtain funding.
- Allow for direct monthly payment of child care assistance payments to early childhood providers.

In Progress / Complete

- Reduce administrative burdens of licensing through implementation of the new Child Care Licensing platform
- Automate routing of submitted documentation with other EC and HHS systems to eliminate need for repeat data entry
- Re-vamp CCAP eligibility portal and processes to ensure more consistency in how Human Service Zones deliver child care assistance
- Include all early childhood options in the Resource & Referral database (licensed child care, Head Start and school-based settings)
- Assure reciprocity wherever possible for trainings and certifications obtained beyond early childhood

Why this strategy?

Reducing administrative burden frees up child care provider staff time to focus on serving children and building their business.

5. Support Child Care Providers with Grants, Incentives and Shared Services

Support sustainable child care businesses with targeted investments, including a shared services model

GOAL: Facility, quality, inclusion, and start-up grants, plus shared service grants and supports for child care businesses | FUNDING: \$7 million

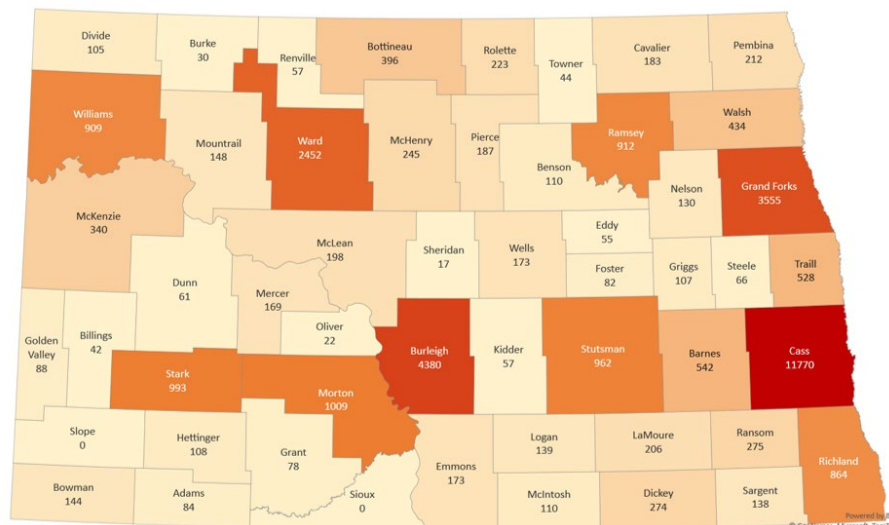
Grants and Incentives. ND should continue to support the capacity and stability of the state’s child care providers by offering targeted support that can help support health and safety of facilities and offer incentives to programs embarking on a formalized quality improvement journey. Inclusion grants will support providers who endeavor to provide quality child care experiences for children with special needs. Start-up grants will support entrepreneurs who are entering the business of child care, with enhanced resources available to programs that are starting up or expanding in designated child care deserts.

Shared Services. Shared services models can allow child care providers to access administrative supports at reduced cost via statewide or regional vendors. While there are a myriad of approaches to consider, by way of example, the state could create a vendor pool that eligible child care businesses could utilize to ensure stronger and more cost-effective business operations, which will ultimately support increased access to quality care.

Eligible services might include, but are not limited to billing and accounting, payroll services, human resources support, website development, technology and IT supports, supply procurement, training and technical assistance, and the provision of employee benefits. The state could create a list of private partners who meet established qualifications designed to assure strengths needed to support child care businesses. Participation in this vendor pool would include access to pre-negotiated rates and service packages.

The state would then provide grants to child care businesses to help cover the cost of shared services, with targeted investments to incentivize child care programs that operate in designated child care deserts, who are actively participating in quality improvement efforts, or who offer care during non-traditional hours.

38,864 child care spots in 1,352 licensed child care programs operated by 1,210 small businesses across ND (Jan 2022)



Why this strategy?

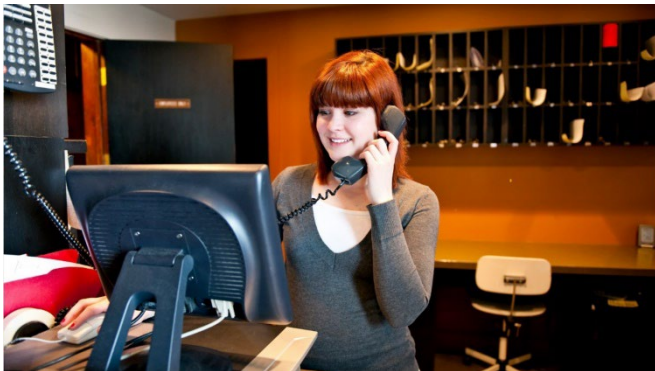
Supporting child care entrepreneurs with targeted business-oriented resources will support more stable and sustainable operations.

6. Create New Partnerships for the Provision of Care during Non-Traditional Hours

Pilot partnership(s) between employers and child care programs

GOAL: 1-2 pilots in place by end of 2025 | FUNDING: \$1 million

For North Dakotans engaged in shift work outside of the traditional “nine to five” business day, child care can be particularly difficult to access. With access to additional resources, North Dakota DHHS can partner with providers and employers to identify and **pilot strategies to increase access to child care during non-traditional hours**. The specific nature of the pilot projects will be driven by the unique needs identified in each proposal



Why this strategy?

Matching supply and demand through targeted partnerships will return real results for employers and their employees who need child care during non-traditional hours.

7. Build Improved Career Pathways

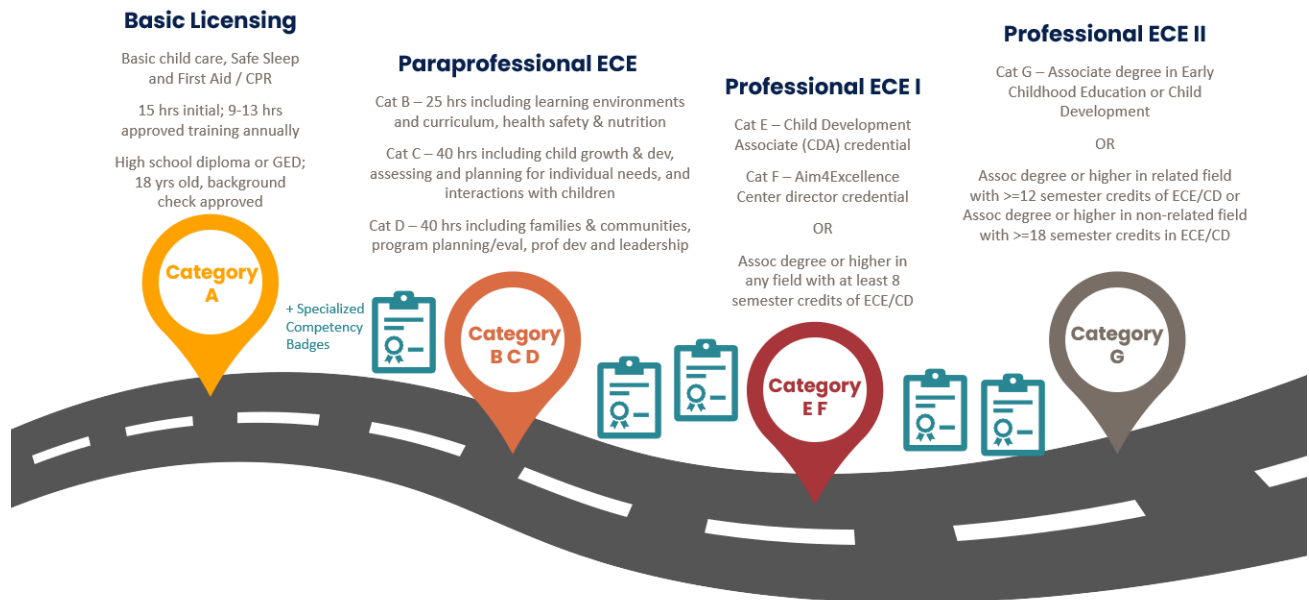
Make it as easy as possible for people who work in early childhood to chart their own career path in the field
GOAL: Align the early childhood workforce registry to reflect an expanded career pathway model | **FUNDING:** N/A (grant funded)

In order to develop a pipeline of qualified early childhood professionals, HHS could partner with the Department of Career and Technical Education, the Department of Public Instruction, and higher education programs to improve career pathway opportunities for students interested in pursuing careers in the field - including opportunities that might provide them with on-the-job training within local child care programs.

We can also make sure we are doing everything we can to ensure that young people who want to go into **early childhood as a career** have an opportunity through the state’s **CTE** and **public schools** to take courses that prepare them for the work – and that offer them on-the-job training in partnership with local child care programs.

By partnering with CTE and public schools, North Dakota can help young people interested in a career in early childhood get a leg up, building real world credit and on-the-job experience while still in high school.

Early Childhood Career Pathway



Why this strategy?
Making it easy to pursue a career in early childhood – from entry level to leadership – will create long term sustainability for early childhood providers.

Quality

WORKING PARENTS ARE BETTER EMPLOYEES WHEN THEY KNOW THEIR CHILDREN ARE SAFE AND WELL CARED FOR

Child outcomes associated with early childhood investments are closely linked with program quality.

What is quality? For little ones, a good day means that they have a great place to play and caring adults to interact with.

There's a lot that goes in to understanding how children develop and grow. There are strategies that help ensure that a two-year old is having a chance to build curiosity and resilience – all while playing. There are also unique approaches for kids when they are one, or four, or ten. And while the strategies are different, they all point to growth. The snapshot below offers an example of how early childhood professionals think about early literacy skills at various developmental ages.

Objective 17: Demonstrates knowledge of print and its uses.
A. Uses and appreciates books and other texts

Not Yet	1	2	3	4	5	6	7	8	9		
	Shows interest in books <ul style="list-style-type: none">Gazes at the pages of a bookBrings book to adult to read		Orients book correctly; turns pages from the front of the book to the back; recognizes familiar books by their covers <ul style="list-style-type: none">Hands teacher book and says, "Let's read Corduroy!"			Knows some features of a book (e.g., title, author, illustrator, front and back covers); connects specific books to authors <ul style="list-style-type: none">Says, "I want to read this Dr. Seuss book today."Says, "Eric Carle wrote this book. He is the author."Selects a book in the library and talks to the librarian about the front and back cover; points out the title page when prompted		Uses various types of books for their intended purposes <ul style="list-style-type: none">Selects a nonfiction book about insects to identify the butterfly seen on the playground			
	0 – 1 yrs		1 – 2 yrs		2 – 3 yrs		3 yrs		4 yrs		Kindergarten

Kindness and caring are a huge part of helping children grow, as are the concepts and strategies that can be learned through early childhood-focused professional development and training.

As a state – we want to make sure that every adult who works with our youngest children feels equipped to give that child the absolute best experience they can. Seeing the child's interests and abilities and helping make sure their environment and experiences give them the best chance possible to grow and realize their full potential.



8. Expand Best In Class Program

The year before kindergarten is a pivotal time in a child's life. In North Dakota we want to make an impact-level investment to make sure that there's a spot in a Best in Class program for every ND child whose family chooses to participate.

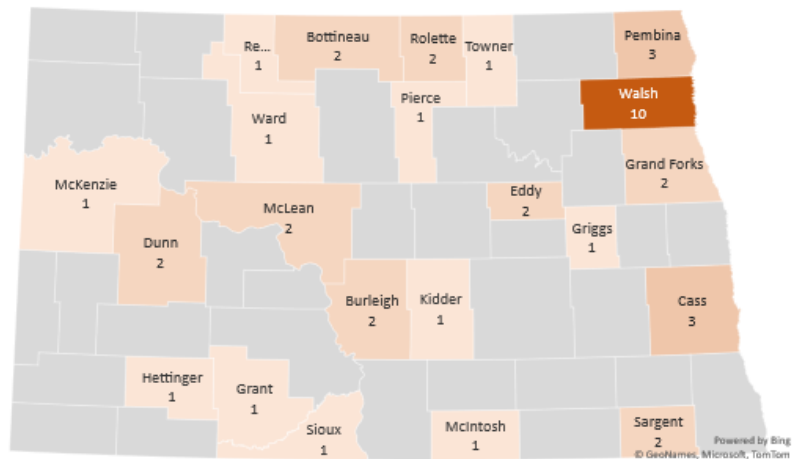
GOAL: Increase annual Best in Class slots to 1,800 by 2025 | ADDITIONAL FUNDING: \$16 million

In 2021 the North Dakota legislature authorized policy and funding to pilot a new program designed to provide high-quality early childhood experiences to children in the year prior to kindergarten entry.

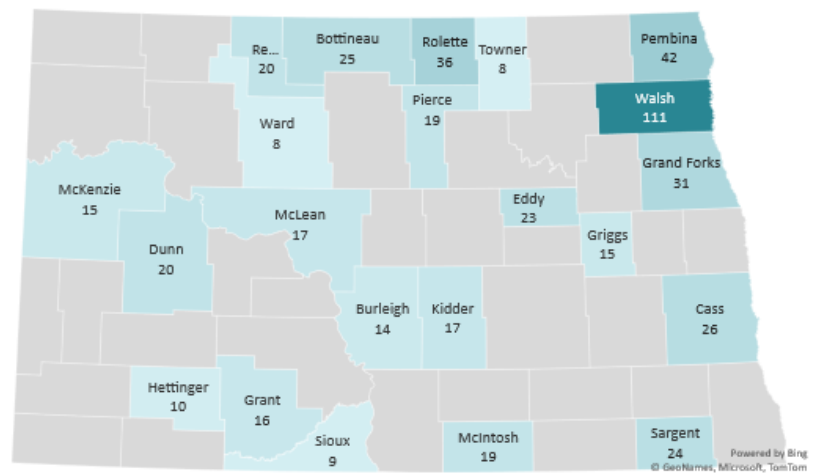
Built on over 20 years of research from similar programs across the country, in its first two years of operation, the *Best-in-Class* (BIC) program has supported programs in 37 communities where a BIC experience was provided to more than 930 North Dakota children.

Expanding annual participation to 1,800 children per year by the end of the 2023-2025 biennium would support high quality early experiences in more than 100 public and private early childhood programs across the state.

2022-23 BIC program included 44 groups of children in 23 counties



23 BIC programs served 544 children in 2022-23



Why this strategy?

Taking steps to make sure all kids have access to high quality experiences in the year before kindergarten will return both immediate and long-term results.

9. Establish Quality Tiers in CCAP Payment Schedule

To help make sure that all working parents have a greater ability to choose the quality child care that's right for them, the State can build quality tiers into the child care assistance program payment schedule.

GOAL: Build quality tiers into the child care payment structure | FUNDING: \$6 million

As referenced throughout this document, child care is a major expense for North Dakota families. Because cost and quality are commonly linked, lower-income North Dakota families are often priced out of top-quality programs, limiting parental choice and sub-optimizing developmental and learning opportunities.



There are a lot of great child care providers in ND. It's a fact that if your household income is lower, your ability to choose the best quality care is often limited – it's just not affordable to you, which means that it's out of reach.

This proposal will mean that any child care provider who takes care of a child younger than age 3 and who has taken all the steps necessary to validate the quality standards that they put to work in their program, can receive a higher payment rate. This quality payment boost puts working families with more modest incomes on par with families who are better able to afford the higher cost of the highest quality care and at the same time provide higher compensation to programs with verified higher quality care.



North Dakota Bright and Early Quality Rating Improvement System (QRIS)



Step 1
Health and Safety



Step 2
Space and Materials



Step 3
Activities and Experiences



Step 4
Relationships and Interactions

Why this strategy?

Paying for quality acknowledges the extra effort it takes to provide validated quality experiences to kids of all ages and abilities.

10. Reward the Completion of “Above-And-Beyond” Training.

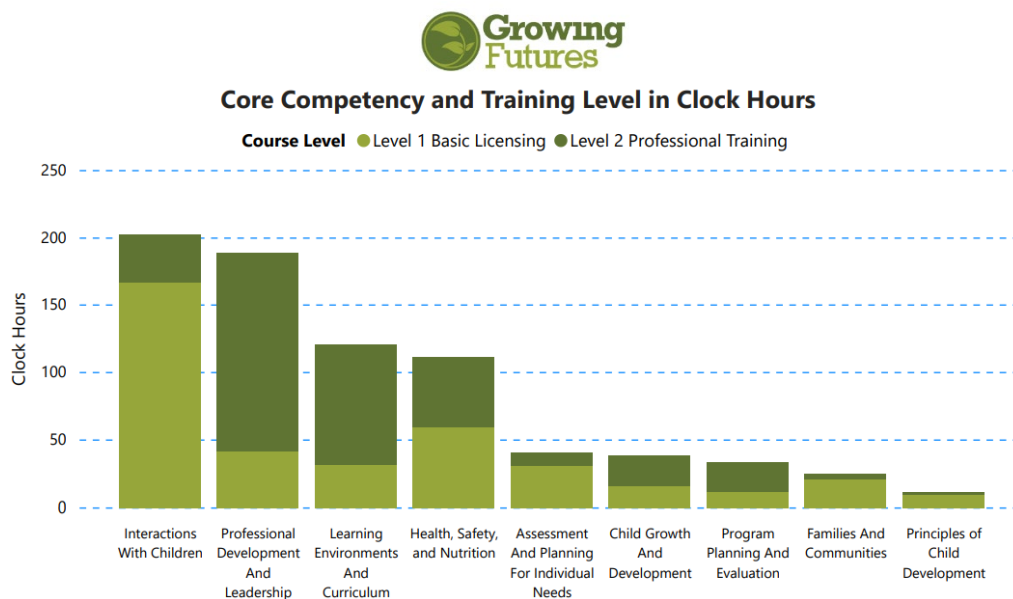
Grants and incentives to child care workers to support quality care through high impact professional development. Build system to acknowledge achievement of topical competencies.

GOAL: Double workforce engagement with high priority professional development topics | FUNDING: \$2 million

It is difficult for child care programs to schedule time during the paid work day for their staff to engage in training and professional development. Child care programs typically operate 10-12 hours per day and are staffed to interact with and provide care for children during that time. So while basic (required) training may happen during work hours, it is often left to child care staff members to build their credentials and skills outside of paid work time.

We know that children benefit from spending time with caregivers who feel equipped to respond to each child’s unique needs and interests. The overall quality of North Dakota’s child care programs is closely linked to the professional knowledge of the state’s child care providers.

This proposal recognizes the value of the “above and beyond” training that child care workers bring to the jobs they do by offering career development grants and scholarships in high priority early childhood content areas designed to improve quality and increase children’s opportunities to realize their full potential.



Why this strategy?

The adults in the room are the most important part of a child’s experience, which means rewarding skill-building in early childhood workforce will pay dividends.

ND Child Care Proposal 2023-25 Biennial Investment

OVERVIEW OF INITIATIVES IN 2023-25 SENATE BILL 2012

	ND Child Care Proposal Budget Req	Incl in 2023-2025 Exec Budget Req	TOTAL 2023-25
1. Expand funding for Child Care Assistance Program	\$22,000,000	\$48,319,826 (CCDF/Gen) \$5,200,000 (ARPA)	\$75,519,826
2. Extend employer child care benefit cost share pilot	\$5,000,000	\$9,000,000 (ARPA)	\$14,000,000
3. Increase provider payments for Infant/Toddler care	\$13,000,000		\$13,000,000
4. Streamline background check processes	\$1,000,000		\$1,000,000
5. Grants, incentives, and shared services for providers	\$7,000,000	\$750,000 (CCDF/Gen)	\$7,750,000
6. Partnership(s) for non-traditional hours care	\$1,000,000		\$1,000,000
7. Create improved career pathways	\$0		\$0
8. Expand Best in Class program	\$16,000,000	\$2,400,000 (ESSER II)	\$18,400,000
9. Create quality-based pmts and quality infrastructure	\$6,000,000	\$3,500,000 (CCDF/Gen)	9,500,000
10. Reward child care workers' "above & beyond" training	\$2,000,000		\$2,000,000
TOTAL	\$73,000,000	\$69,169,826	\$142,169,826

Child care is a workforce solution that can make a difference for ND employers



Affordability

Connect more working families to child care assistance to keep the cost of child care within 7% of household income

\$27 million | Helping lower income working parents with child care costs | Public private cost share for employer-provided child care benefit for employees



Availability

Make it easier for working families to find child care when and where they need it

\$21 million | Payments for Infant and Toddler care | Supporting more sustainable operations for child care entrepreneurs | Care during non-traditional hours | Child care worker career pathways



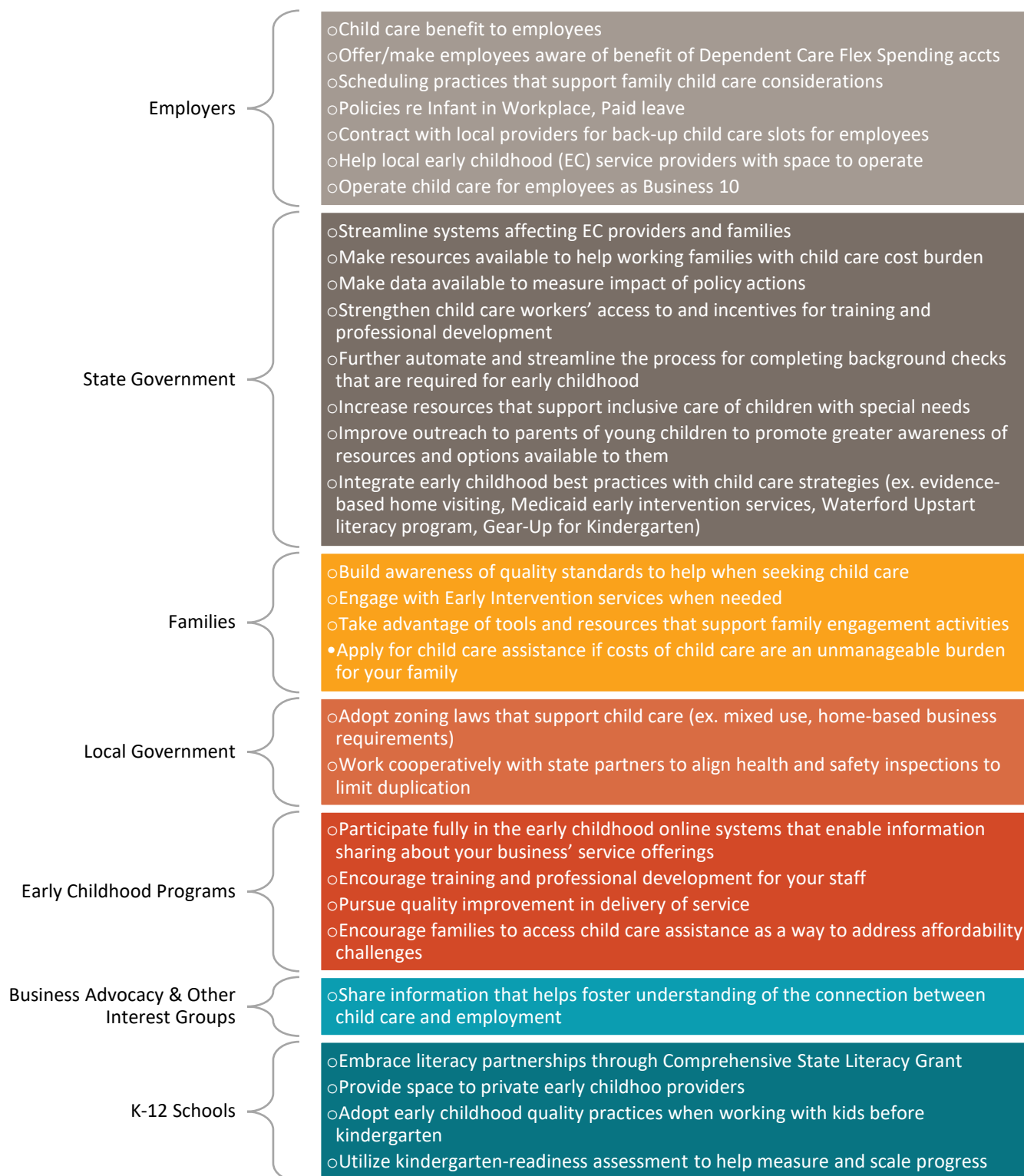
Quality

Help kids realize their potential by supporting quality early childhood experiences

\$24 million | Best in Class program | Scholarships and Incentives for child care worker professional development | Connecting child care payments to quality

Stakeholder Opportunities for Impact

No single actor alone can make meaningful systems-level change. If the state of North Dakota is to achieve its goal of removing child care as a barrier to work for as many working families as possible, everyone will have to own a piece of the solution. To spur conversation, this Issue Brief outlines several opportunities for stakeholder impact.



Child care is a workforce solution

The absence of affordable high quality child care that is available when and where working parents need it is a challenge for North Dakota employees and employers alike, creating barriers to workforce participation, business productivity, and a thriving state economy.

According to pre-pandemic data reported by the Harvard Business Review, inadequate childcare costs America's working parents \$37 billion a year in lost income and employers \$13 billion a year in lost productivity – with both figures projected to have risen over the past two years.

During a June 2022 employer roundtable discussion hosted by Governor Burgum and former Lt. Governor Sanford, North Dakota business leaders raised common and consistent concerns about the impact of child care on their productivity and bottom lines, with one large employer noting the loss of 13% of its total workforce to child care issues over the past 18-months alone.

Notably, instability in the child care sector takes a particular toll on working mothers, causing them to leave the workforce in disproportionately large numbers since the onset of the pandemic.

Workforce is one of the biggest constraints to economic growth facing North Dakota communities and businesses today.

Making quality child care more affordable and more available to working families is a workforce recruitment (and retention) strategy that will matter to thousands of young families who are choosing where they want to live and work.

- North Dakota consistently has more job openings than people to fill them.
- 47% of North Dakota job openings pay an average starting wage of less than \$25/hour.
- To thrive, communities need workers who want to work in both low-skill-required and high-skill-required jobs.
- The economic realities of child-rearing affect household decisions about employment.
- There are 44,000+ ND households who have children younger than age 5.
- Three of every four households with children younger than age 5 have ALL parents in the workforce.

74%

Parents in workforce

74% of the 44,000+ North Dakota households who have children younger than age 5 likely have at least some need for child care as all available parents are in the workforce

In addition to its power as an immediate workforce strategy, decades of research indicates that quality early childhood experiences set kids up for a better school experience, lower the need for special education, and create a strong foundation for any career they choose to follow.

By addressing child care issues, we can help relieve workforce pressures across multiple industries. When quality child care is available and affordable, it's easier for parents to work.

Appendix A: About ND's Child Care Assistance Program (CCAP)

North Dakota utilizes approximately \$32 million in federal funding each biennium for child care assistance. About half of that goes to families with children younger than age 3.

Co-payment. Families who qualify for child care assistance still pay a portion of their child care costs.

The amount of assistance they receive is scaled to how much their household earns.

The goal is to keep child care more affordable, which means the family share (i.e., co-pay) is capped at 7% of their gross household income.

HH Size	<30% State Median Income		
	Monthly Income	Est Max Hourly Wage *	Monthly Copay (2-3% of inc)
2	<\$1,214	\$7.00	\$13 - \$37
3	<\$1,499	\$8.65	\$15 - \$45
4	<\$1,785	\$10.30	\$18 - \$54
5	<\$2,070	\$11.94	\$21 - \$63
6	<\$2,356	\$13.59	\$24 - \$71
7	<\$2,409	\$13.90	\$25 - \$73
8	<\$2,463	\$14.21	\$25 - \$74

HH Size	30-40% State Median Income		
	Monthly Income	Est Max Hourly Wage *	Monthly Copay (4-6% of inc)
2	\$1215 - \$2427	\$14.00	\$73 - \$146
3	\$1500 - \$2998	\$17.30	\$90 - \$180
4	\$1786 - \$3569	\$20.59	\$108 - \$215
5	\$2071 - \$4140	\$23.88	\$125 - \$249
6	\$2357 - \$4711	\$27.18	\$142 - \$283
7	\$2410 - \$4818	\$27.80	\$145 - \$290
8	\$2464 - \$4926	\$28.42	\$148 - \$296

HH Size	50-60% State Median Income		
	Monthly Income	Est Max Hourly Wage *	Monthly Copay (7% of inc)
2	\$2428 - \$3641	\$21.01	\$213 - \$255
3	\$2999 - \$4497	\$25.94	\$263 - \$315
4	\$3570 - \$5354	\$30.89	\$313 - \$375
5	\$4141 - \$6211	\$35.83	\$363 - \$435
6	\$4712 - \$7067	\$40.77	\$413 - \$495
7	\$4819 - \$7228	\$41.70	\$422 - \$506
8	\$4927 - \$7388	\$42.62	\$431 - \$518

HH Size	60-85% State Median Income		
	Monthly Income	Est Max Hourly Wage *	Monthly Copay (7% of inc)
2	\$3642 - \$5158	\$29.76	\$362
3	\$4498 - \$6371	\$36.76	\$446
4	\$5355 - \$7585	\$43.76	\$531
5	\$6212 - \$8798	\$50.76	\$616
6	\$7068 - \$10011	\$57.76	\$701
7	\$7229 - \$10239	\$59.07	\$717
8	\$7389 - \$10467	\$60.39	\$733

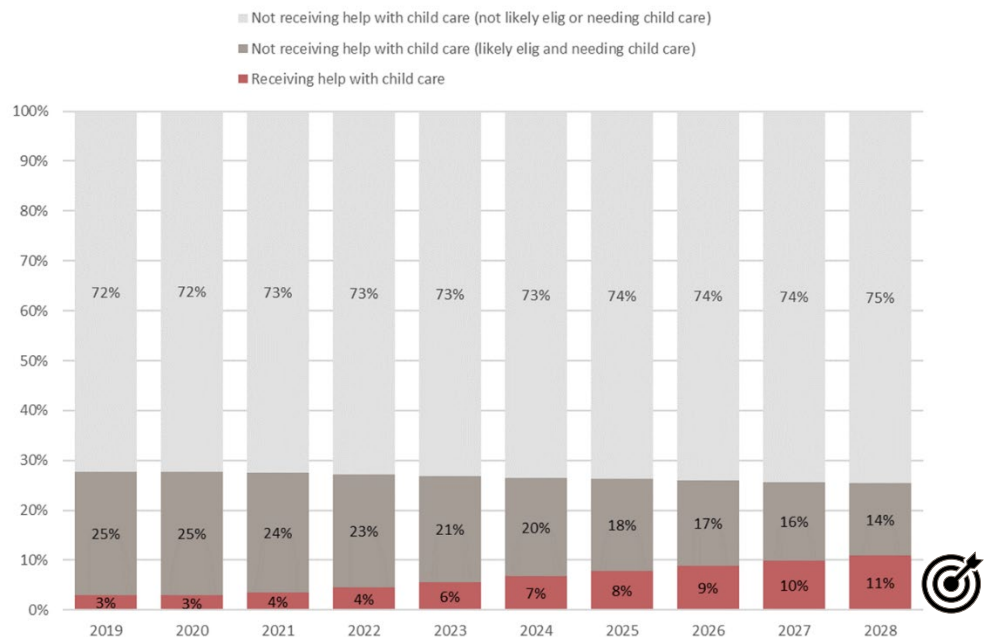
*Assumes single earner, full-time work

Using federal funds alone, today, fewer than 1 in 10 working families who might be eligible actually receive assistance.

This represents roughly 4% of all families with children ages 0-5.

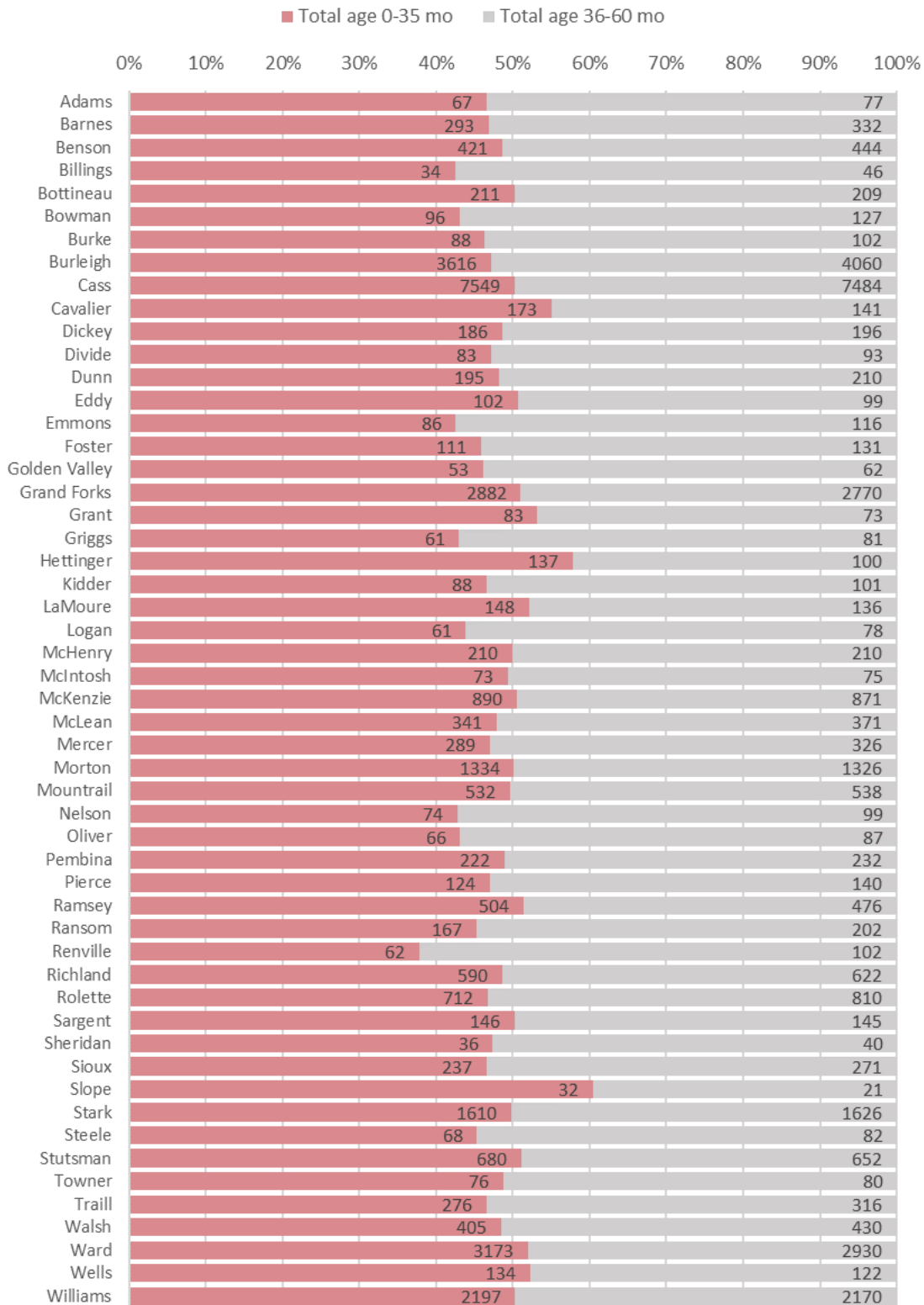
Those who are receiving assistance from CCAP are employed or in school or an approved training program, they are income eligible, and they have responsibility for a co-pay that is scaled to their income.

In 2022 approximately 4% of children ages 0-5 lived in families who benefitted from some amount of help with costs of child care



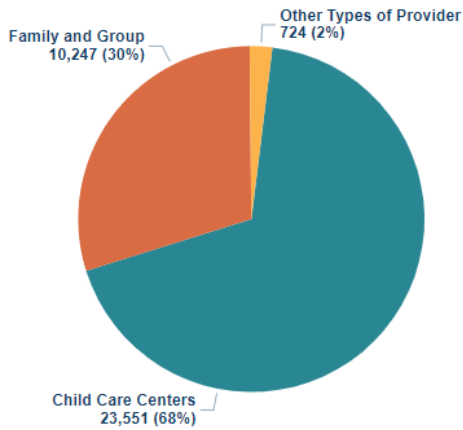
Ages 0-5. There are 64,000 kids ages 0-5 in ND. About half are younger than age 3.

Estimates suggest that about 1 in 5 of those children lives in a household that would potentially be eligible for at least some amount of child care assistance, based on their household income.

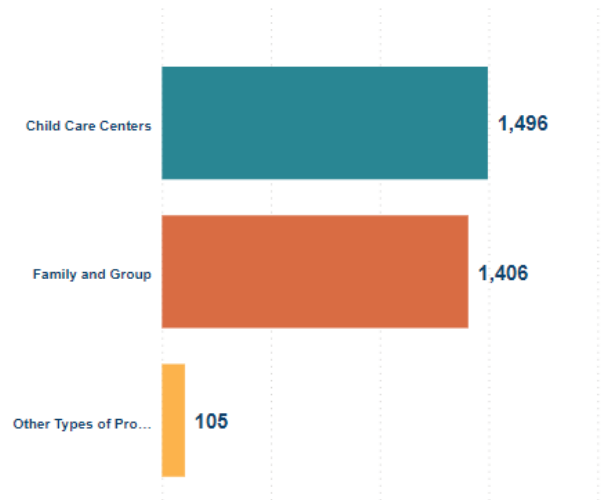


1,224 child care providers were enrolled to participate in the state CCAP program (as of December 2022). Together, these providers represent 34,522 child care spots, which is approximately 85% of all licensed child care spots in the state. 68% of CCAP capacity is in child care centers while 30% is in family, group and home settings.

Spots available in Child Care programs that have enrolled in CCAP

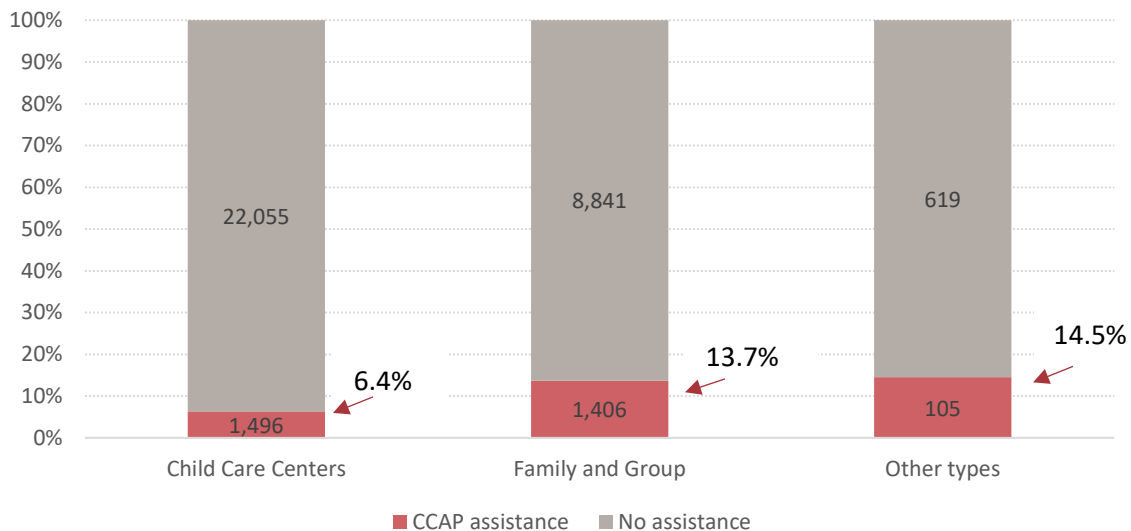


CCAP-Assisted child care spots



Usage data shows that only 6.4% of all child care center spaces signed up as eligible to receive CCAP (1,496) have enrolled a child whose family is benefitting from the program. In family and group settings, 13.7% of available spaces (1,406) have enrolled a child whose family is benefitting from CCAP.

8.7% of the 34,522 child care spots registered with the child care assistance program had a child enrolled with assistance (Nov 2022)



Appendix B: Proposed Adjustments to CCAP Rate Tables

Increase provider payments for infant and toddler care. To account for the higher relative cost of providing quality care to infants and toddlers, and to encourage child care providers to offer care to the youngest children in our state, the ND Child Care Proposal includes funding to increase infant and toddler payments to child care providers through the child care assistance program by 25%.

The table below shows the spectrum of market rate child care costs by age of child and type of setting. The current state max rate (“SMR”) is set to equal the 75th percentile of market rate. The proposal would increase the SMR by 25%, represented in the table as the adjusted state max rate (“Adj SMR”).

ND Child Care Assistance Program - Summary of Rates / Proposed Rates

Infant (age 0-35 mo)								
License Types	Min	Mean	50th	75th	Max	SMR	Adj SMR	
Center (C, E, K, M)	\$ 595	\$ 838	\$ 860	\$ 913	\$ 1,890	\$ 913	\$ 1,142	
Family/Group (F, G, H)	\$ 475	\$ 672	\$ 630	\$ 700	\$ 1,200	\$ 700	\$ 875	

Toddler (age 18-35 mo)								
License Types	Min	Mean	50th	75th	Max	SMR	Adj SMR	
Center (C, E, K, M)	\$ 595	\$ 798	\$ 790	\$ 888	\$ 1,810	\$ 888	\$ 1,110	
Family/Group (F, G, H)	\$ 475	\$ 661	\$ 600	\$ 700	\$ 1,000	\$ 700	\$ 875	

Preschool (age 36-71 mo)								
License Types	Min	Mean	50th	75th	Max	SMR	SMR	
Center (C, E, K, M)	\$ 260	\$ 726	\$ 728	\$ 811	\$ 1,610	\$ 811	\$ 811	
Family/Group (F, G, H)	\$ 475	\$ 653	\$ 600	\$ 680	\$ 850	\$ 680	\$ 680	

School Age (age 6-12 yrs)								
License Types	Min	Mean	50th	75th	Max	SMR	SMR	
Center (C, E, K, M)	\$ 185	\$ 539	\$ 660	\$ 760	\$ 1,410	\$ 760	\$ 760	
Family/Group (F, G, H)	\$ 220	\$ 635	\$ 580	\$ 660	\$ 850	\$ 660	\$ 660	

SOURCE NOTES

Min, Mean, Max, and Percentile rates from 2021 ND Child Care Market Study

SMR = State Max Rate for ND Child Care Assistance Program (Oct 2022)

Adj SMR = Proposed increase to SMR, included in 2023-25 EC Policy Roadmap

Establish Quality-based payment tiers in the CCAP payment schedule. In addition to the proposed increase in state max rate for infant/toddler care, the ND Child Care Proposal also includes funding to create quality-based payment tiers within the Child Care Assistance Program. This will support providers in attaining/sustaining higher levels of program quality and expand the ability of working parents to select the best possible care for their children.

The table below shows the current state max rate (“SMR”) and the adjusted SMR as per the proposed infant/toddler payment increase (“Adj SMR”), and then applies an example of what quality-based payment tiers could look like. The columns labeled “QRIS2”, “QRIS3”, and “QRIS4” represent payment increases of 5-15%, based on verified quality rating, by age of child and type of setting. The columns labeled “Diff@2”, “Diff@3”, and “Diff@4” call out the increased payment rate available to a program that has validated quality as per the state’s quality rating improvement system (QRIS), which is known in ND as “Bright and Early”.

ND Child Care Assistance Program - Proposed Quality Tiers in Rate Schedule

Infant (age 0-35 mo)			+5%	+10%	+15%			
License Types	SMR	Adj SMR	QRIS2	QRIS3	QRIS4	Diff@2	Diff@3	Diff@4
Center (C, E, K, M)	\$ 913	\$ 1,142	\$ 1,199	\$ 1,256	\$ 1,313	\$ 57	\$ 114	\$ 171
Family/Group (F, G, H)	\$ 700	\$ 875	\$ 919	\$ 963	\$ 1,006	\$ 44	\$ 88	\$ 131

Toddler (age 18-35 mo)								
License Types	SMR	Adj SMR	QRIS2	QRIS3	QRIS4	Diff@2	Diff@3	Diff@4
Center (C, E, K, M)	\$ 888	\$ 1,110	\$ 1,166	\$ 1,221	\$ 1,277	\$ 56	\$ 111	\$ 167
Family/Group (F, G, H)	\$ 700	\$ 875	\$ 919	\$ 963	\$ 1,006	\$ 44	\$ 88	\$ 131

Preschool (age 36-71 mo)								
License Types	SMR	Adj SMR	QRIS2	QRIS3	QRIS4	Diff@2	Diff@3	Diff@4
Center (C, E, K, M)	\$ 811	\$ 811	\$ 852	\$ 892	\$ 933	\$ 41	\$ 81	\$ 122
Family/Group (F, G, H)	\$ 680	\$ 680	\$ 714	\$ 748	\$ 782	\$ 34	\$ 68	\$ 102

School Age (age 6-12 yrs)								
License Types	SMR	Adj SMR	QRIS2	QRIS3	QRIS4	Diff@2	Diff@3	Diff@4
Center (C, E, K, M)	\$ 760	\$ 760	\$ 798	\$ 836	\$ 874	\$ 38	\$ 76	\$ 114
Family/Group (F, G, H)	\$ 660	\$ 660	\$ 693	\$ 726	\$ 759	\$ 33	\$ 66	\$ 99

SOURCE NOTES

SMR = State Max Rate for ND Child Care Assistance Program (Oct 2022)

Adj SMR = Proposed increase to SMR, included in 2023-25 EC Policy Roadmap

QRIS2 - QRIS4 = Proposed adjustment to SMR for Steps 2, 3, and 4 in ND QRIS

Analysis: impact of proposed rate changes on the gap that exists between the cost of providing care and the revenue available to pay for it. The charts below compare the costs of providing child care with a variety of different payment rates that either characterize the current market or that represent two elements of the Child Care proposal under consideration in the 2023-25 legislative session.

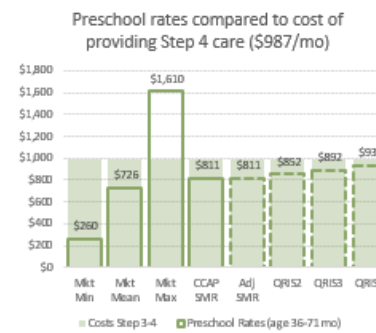
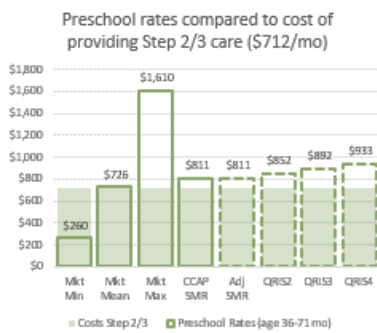
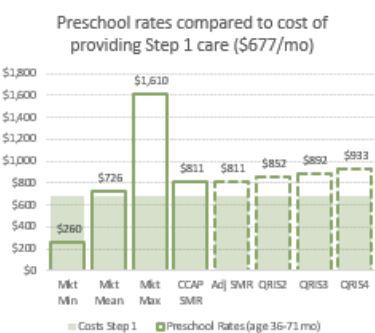
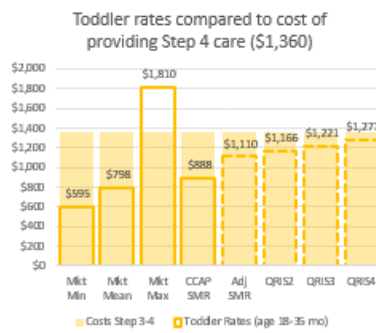
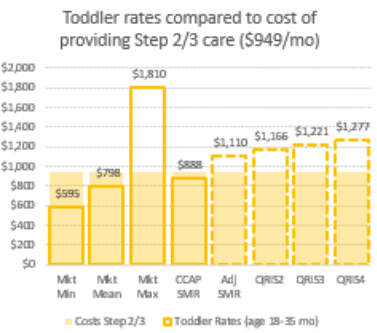
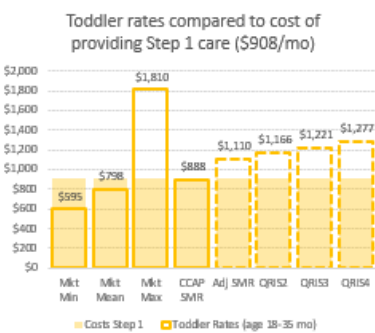
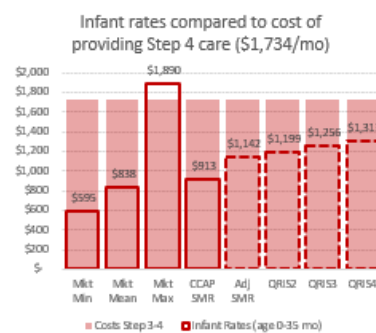
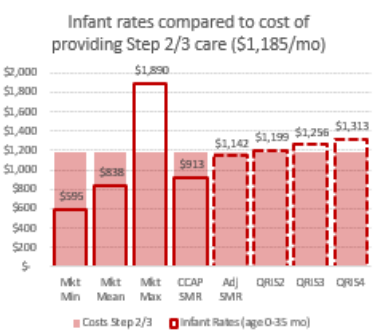
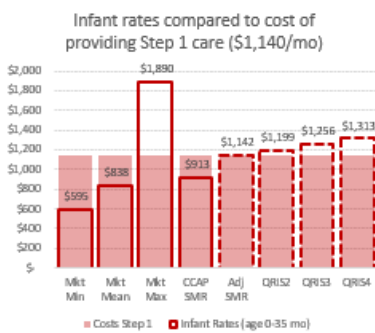
The cost element of the charts below is based on data from Dr. Sam Workman’s June 2021 report, “The True Cost of Child Care”. These estimates of cost are intended to roughly approximate various quality tiers in the current QRIS system by taking into account:

- Step 1: The basics required to operate as a licensed child care in North Dakota
- Step 2/3: Costs associated with going above and beyond health and safety standards with additional space, materials/supplies, and time for staff preparation
- Step 4: Additional investments in staffing, that create parity with compensation available to kindergarten teachers

The payment rates represent the minimum, mean, and maximum rates reported in the Oct 2021 ND Child Care Market Survey, the 2022 state max rate (SMR) for CCAP, and each of the proposed rate adjustments (infant/toddler rate increase = Adj SMR and Quality Tiers in CCAP payment schedule = QRIS2, QRIS3, and QRIS4).



When the solid line indicating payment rate exceeds the shaded line indicating cost of providing care, child care providers are a step closer to having a sustainable business model (i.e., where revenue exceeds cost).



Appendix C: Comparison of the 2022 State Median Income (SMI) and Fed Poverty Level (FPL)

Families potentially eligible for Child Care Assistance (CCAP)													
HH Size	Federal Poverty Level		30% SMI		60% SMI		85% SMI		100% SMI		150% SMI		
	Annual Income	Hourly Wage	Annual Income	Hourly Wage	Annual Income	Hourly Wage	Annual Income	Hourly Wage	Annual Income	Hourly Wage	Annual Income	Hourly Wage	
1	\$13,590	\$6.53	\$16,704	\$8.03	\$33,408	\$16.06	\$47,328	\$22.75	\$55,680	\$26.77	\$83,520	\$40.15	
2	\$18,310	\$8.80	\$21,840	\$10.50	\$43,692	\$21.01	\$61,896	\$29.76	\$72,820	\$35.01	\$109,230	\$52.51	
3	\$23,030	\$11.07	\$26,988	\$12.98	\$53,964	\$25.94	\$76,452	\$36.76	\$89,940	\$43.24	\$134,910	\$64.86	
4	\$27,750	\$13.34	\$32,124	\$15.44	\$64,248	\$30.89	\$91,020	\$43.76	\$107,076	\$51.48	\$160,614	\$77.22	
5	\$32,470	\$15.61	\$37,260	\$17.91	\$74,532	\$35.83	\$105,576	\$50.76	\$124,220	\$59.72	\$186,330	\$89.58	
6	\$37,190	\$17.88	\$42,396	\$20.38	\$84,804	\$40.77	\$120,132	\$57.76	\$141,340	\$67.95	\$212,010	\$101.93	
7	\$41,910	\$20.15	\$43,368	\$20.85	\$86,736	\$41.70	\$122,868	\$59.07	\$144,560	\$69.50	\$216,840	\$104.25	
8	\$46,630	\$22.42	\$44,328	\$21.31	\$88,656	\$42.62	\$125,604	\$60.39	\$147,760	\$71.04	\$221,640	\$106.56	

*2022 State Median Income (SMI) and 2022 Federal Poverty Level (FPL)

"Hourly wage" is calculated by assuming 2080 hours worked per year per annual income range noted.

Multiple wage earners could combine earnings to attain the noted household (HH) income / hourly wage.