North Dakota Legislative Council
Prepared for Senator Hogue
LC# 27.9171.01000
January 2026

NORTH DAKOTA CHILD CARE ASSISTANCE AND WORKFORCE PARTICIPATION

This memorandum provides information regarding North Dakota's child care assistance programs and state funding for child care programs. The Early Childhood Division of the North Dakota Department of Health and Human Services (DHHS) was created in July 2021 to align and focus early childhood programs. Prior to the merger of the State Department of Health and the Department of Human Services, the Children and Family Services Division of the Department of Human Services was responsible for administering child care programs. The Department of Public Instruction (DPI) and the Department of Commerce also support early childhood programs. The Early Childhood Division is responsible for the licensing of child care providers, designing and implementing a quality rating improvement system (QRIS), providing opportunities to child care workers for professional development, and administering child care assistance programs.

PROGRAMS

The DHHS operates multiple programs that aim to support working families and parents that participate in educational and job training programs.

The **Child Care Assistance Program** (CCAP) helps pay a portion or full amount of child care costs for working families. The Child Care Assistance Program receives funding from the General Fund and the federal government's Child Care and Development Fund (CCDF). To receive CCDF funds, states must provide matching dollars. North Dakota currently exceeds the minimum matching requirements. A state's lead agency may apply for CCDF funds. The United States Department of Health and Human Services Office of Child Care determines state program compliance with requirements of federal statutes and regulations. The CCDF regulations set minimum standards and licensing requirements to ensure the health and safety of children. To be eligible for CCAP, families must have an income below or equal to 75 percent of the state median income (SMI), be actively working or in a training program, have less than $1 million of family assets, and have children under 13 years of age. Federal rules require family copayments to be capped at 7 percent of family income. The United States Department of Health and Human Services publishes a worksheet on its websites for families to determine their copay.

The **Crossroads Program** supports parents up to age 21 by helping pay a portion of their child care and transportation costs for parents to continue their education. The program waives all CCAP copayments, offers help with transportation costs, and provides case management to help young parents develop parenting skills, find housing, set goals, and make appropriate child care decisions. The program provides additional educational incentives, including payment upon completion of high school, a GED, or postsecondary education.

North Dakota Working Parents Child Care Relief (WPCCR) is a cost-share program between employees, employers, and the state. Employees qualify if their income is less than 150 percent of SMI and their employer participates in the program. Employers provide a monthly benefit of $150 or $300 to the employee to pay for licensed child care. This benefit is matched by state funding. Parents enrolled in WPCCR are ineligible for CCAP.

The **Child Care Workforce Benefit** waives CCAP copayments for parents who are employed by a licensed child care provider and work at least 25 hours a week. These parents are exempt from CCAP income limits but must meet all other eligibility requirements.

Bright & Early ND is North Dakota's quality rating and improvement system and is designed to assess, improve, and communicate the level of quality of early childhood programs. North Dakota Century Code Chapter 50-11.1 directs the creation and administration of the program. Bright & Early ND offers direct financial incentives to child care providers to improve quality and educational outcomes. These incentives include additional payments for CCAP participants and quality improvement grants.

Head Start and Early Head Start are child development programs serving children from birth to age 5, expectant mothers, and families. The overall goal of Head Start is to increase the social ability of children in low-income families and children with disabilities and improve the chances of success in school. The program is federally funded and requires a local funding match of 20 percent. The basic elements of Head Start are regulated through federal Head Start Program Performance Standards. Grantees and parents have control over their programs, and each program is designed to meet the needs of families in the local community.

North Dakota's **Best in Class Program** was established in 2021 and invests in programs committed to delivering the highest quality experiences to the children and families they serve. Best in Class emphasizes individualized learning and interactions between adults and children based on developmentally appropriate experiences.

Section 15.1-09-58 requires a collaborative effort between DPI and DHHS to approve local school districts' **Four-Year Old Programs**. The licensing and potential grants for Four-Year Old Programs are managed by DHHS. The programs receive state funding through Best in Class initiatives. In addition to Four-Year Old Programs, DHHS and DPI also administer **Waterford Upstart**, an online program designed to help prekindergarten students prepare for formal schooling. The program is limited to certain populations (Appendix A) and qualifying families are enrolled at no cost. The program received $1.5 million in one-time funding for the 2025-27 biennium.

The **Child Care Loan Program** (CCLP) was created in 2009 and is operated by the Department of Commerce through the North Dakota Development Fund. New and existing child care providers can receive up to $1 million in low-interest (2.5 percent) loans. Loans more than $100,000 require matching funds from the private sector and are subject to higher interest rates. Testimony from the department to the Human Services Committee on November 19, 2025, indicates the Department of Commerce has extended $16.2 million of CCLP funds across 138 loans since 2009. The ratio of private to CCLP funds over this period is 2.23:1. Child Care Loan Program funds may be used by child care providers for the acquiring, leasing, or remodeling of real estate facilities, purchasing equipment or working capital.

BUDGET - CHILD CARE PROGRAMS

The following budget information has been provided to the Legislative Council by DHHS:

2025-27 Biennium

	General	Federal	Other	Total
CCAP	$75,303,154	$29,869,302	$7,034,072	$112,206,528
Quality tiers in CCAP	1,500,000	0	0	1,500,000
Employer-led cost-share program	2,200,000	0	0	2,200,000
Grants and shared services	5,550,000	0	0	5,550,000
Infant/Toddler bonus payment	11,000,000	0	0	11,000,000
Best in Class	16,000,000	0	0	16,000,000
Waterford Upstart	1,500,000	0	0	1,500,000
Quality/QRIS infrastructure contract	1,500,000	1,284,508	0	2,784,508
CCAP coaching/Start-up/Referral contract	800,000	2,256,250	0	3,056,250
Inclusion supports contract	872,500	180,000	0	1,052,500
Stipends for worker training (Above & Beyond)	2,000,000	0	0	2,000,000
	$118,225,654	$33,590,060	$7,034,072	$158,849,786

2023-25 Biennium

	General	Federal	Other	Total
CCAP	$33,489,759	$34,360,433	$0	$67,850,192
Quality tiers in CCAP	3,000,000	0	0	3,000,000
Employer-led cost-share program	5,000,000	0	0	5,000,000
Grants and shared services	6,000,000	0	0	6,000,000
Infant/Toddler bonus payment	15,000,000	0	0	15,000,000
Best in Class	12,000,000	0	0	12,000,000
Waterford Upstart	2,400,000	0	0	2,400,000
Quality/QRIS infrastructure contract	2,650,000	0	0	2,650,000
CCAP coaching/Start-up/Referral contract	500,000	0	0	500,000
Partnerships for care during nontraditional hours	1,800,000	0	0	1,800,000
Inclusion supports contract	1,350,000	0	0	1,350,000
Stipends for worker training (Above & Beyond)	2,000,000	0	0	2,000,000
	$85,189,759	$34,360,433	$0	$119,550,192

2021-23 Biennium

	General	Federal	Other	Total
CCAP - Base	$2,641,620	$18,228,048	$6,917,975	$27,787,643
CCAP - Covid addition	0	90,850,000	0	90,850,000
Inclusion supports contracts/Quality /QRIS infrastructure contract/Consultation	4,066,214	2,551,178	0	6,617,392
	$6,707,834	$111,629,226	$6,917,975	$125,255,035

On December 10, 2025, DHHS presented testimony to the Budget Section - Human Resources Division that projected budget overruns for child care programs will total $35.5 million. Federal regulations allow for up to 20 percent of Temporary Assistance for Needy Families funding to be transferred to CCAP programs. The department intends to use this mechanism to reduce the budget shortfall. In addition to moving funds, DHHS is making policy adjustments to reduce budget shortfalls (Appendix B). Testimony from DHHS representatives indicated changes in DHHS policy may cost some families up to an additional $100 per month.

The quarterly report (Appendix C) indicates that budget shortfalls have been driven by high enrollment numbers and increased costs of child care. The department initially projected 6,400 children would receive child care assistance. The average monthly enrollment in child care assistance programs for July 2025 through June 2027 was 7,387 children. The department initially projected the monthly average cost per child to be $731. The monthly average cost rose to $911 in July 2025 through June 2027.

PREVIOUS LEGISLATION

2025

Senate Bill No. 2282 (2025) provided a nonrefundable credit against tax income liability equal to 50 percent of a qualified employer's child care contributions. The credit cannot be carried over to the next year and covers direct payments from an employer to child care providers. The credit is limited to $1,000 per employee. No fiscal impact could be determined when the bill was passed. These credits will first be available for tax year 2025.

2023

House Bill No. 1540 (2023) appropriated $62.6 million of one-time funding for child care programs. $42.8 million was appropriated specifically to CCAP. The bill lowered the CCAP income eligibility requirement from 85 to 75 percent of SMI while eliminating copayment costs for families with incomes lower than 30 percent of SMI.

In addition to the appropriation for CCAP, House Bill No. 1540 appropriated $5 million for WPCCR, $7 million for grants and shared services, $1.8 million for partnerships care during nontraditional hours, $2

million for stipends for worker training, $3 million for quality infrastructure, and $1 million for streamlining background checks.

Senate Bill No. 2238 (2023) appropriated an additional $300,000 to DHHS to purchase mobile fingerprint scanners and hire new employees to perform background checks of child care providers. The perceived legislative intent of this bill was to accelerate the hiring process for child care providers.

2021

Section 1 of Senate Bill No. 2202 (2021) allows a city or county to grant a property tax exemption to property owned or leased by a licensed operator for the purpose of providing early childhood services. This exemption has a net zero fiscal impact on state revenues and shifts property tax burdens onto other property owners. It is unknown to what extent political subdivisions are applying the property tax exemption.

2015

House Bill No. 1410 (2015) appropriated $4,900 to DHHS for the purpose of providing grants to Head Start programs in this state, for the 2015-17 biennium.

Senate Bill No. 2151 (2015) added sections to Chapter 15.1-37. These sections established early childhood provider coalitions in school districts and directed the receipt and distribution of grants for Four-Year Old Programs. A fiscal note from 2015 projected a $3 million impact on the state budget. Grants were $2,000 or $1,000 depending on whether the child is eligible for free or reduced lunches under the Richard B. Russell National School Lunch Act. This funding mechanism and the entirety of Chapter 15.1-37 was repealed in 2025.

INCENTIVIZING PARENTS TO JOIN THE WORKFORCE

It is not possible to directly determine the effect of DHHS child care programs on parental participation in the labor force. According to the North Dakota State University Center for Social Research, 72.9 percent of North Dakota children under age 6 have all parents in the workforce. This is higher than the national rate of 69.9 percent. North Dakota currently ranks 15th for the percentage of children under age 6 with all parents in the workforce. Some national studies and research in other states provide valuable data on parents, child care, and workforce participation.

The 2023-24 National Survey of Children's Health indicates that 8.6 percent of North Dakota survey respondents with children ages 0 to 5 years had a family member "quit a job, not take a job, or greatly change [their] job because of problems with child care" in the past 12 months.[1] This is lower than the national estimate of 10.3 percent. Finding child care is a more prevalent issue for lower-income families. Of North Dakota parents with an income of 0 to 199 percent of federal poverty level, 15.1 percent reported quitting a job, not taking a job, or greatly changing their job due to problems with child care. This number decreased to 8.9 percent for parents with an income between 200 to 299 percent of federal poverty level.

Data from the 2012 National Survey of Early Care and Education Household Survey indicated that 46 percent of parents with children under age 6 has searched for child care within the past 2 years.[2] Of those searching for child care, the majority (66 percent) of parents reported searching for child care to meet parents' needs (defined as work or attending school). Lower-income households, defined as households with income less that 200 percent of the federal poverty line, were less likely to search for child care than higher-income households and were less likely to find suitable child care and enroll their

[1]Child and Adolescent Health Measurement Initiative. 2023-2024 National Survey of Children's Health data query. Data Resource Center for Child and Adolescent Health supported by the U.S. Department of Health and Human Services, Health Resources and Services Administration, Maternal and Child Health Bureau (last accessed January 26, 2026)

[2]Parent's reasons for searching for care and results of search: An analysis using the Access Framework, Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services (2021)

children. Forty-nine percent of lower-income households that did not enroll their children in child care reported affordability as the primary reason.

Data from the Bureau of Labor Statistics suggests that mothers may join the workforce if child care is available. Sixty-eight percent of mothers with children under 6 years old participate in the workforce. Mothers with children that are school aged (6 years or older) participate in the labor force at a much higher rate (78 percent).[3]

According to a survey by Pew Research Center, nearly 50 percent of workers with children under the age of 18 who left the workforce in 2021 cited child care issues as a reason for leaving the workforce.[4] The research does not divide responses by affordability or availability concerns. A survey conducted in 2025 in Ohio found more than 56 percent of surveyed parents would consider entering the workforce if quality child care were available.[5]

A study in Oregon provides anecdotal evidence that child care subsidies can result in labor force participation.[6] Every respondent in a 2007 qualitative analysis of Oregon's child care subsidies program indicated that they could not pay for child care without subsidies and would be unable to work without receiving payments. Fluctuations in copayment amounts, insufficient benefits, hourly pay, and inconsistent work schedules often associated with low-wage jobs added additional challenges for parents to find and retain child care.

[3]As children at home aged, labor force participation increased for mothers but decreased for fathers, The Economics Daily, Bureau of Labor Statistics, U.S. Department of Labor (last accessed January 26, 2026)
[4]Kim Parker and Juliana Menasce Horowitz, Majority of workers who quit a job in 2021 cite low pay, no opportunities for advancement, feeling disrespected (2022)
[5]Ohio Voter Poll, UpONE (2025)
[6]Ellen K. Scott, et al., Assessing the Impacts of Oregon’s 2007 Changes to Child-Care Subsidy Policy (2011)