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Program Evaluation

Child Care Services in North Dakota

Evaluation of Programs Administered by the Department of Health and Human Services

North Dakota Legislative Council
Policy and Program Evaluation Division

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Table of Contents

Executive Summary 4
Key Findings and Recommendations 5
- Finding No. 1 5
- Recommendation No. 1 5
- Department Response No. 1 5
- Finding No. 2 5
- Recommendation No. 2 5
- Department Response No. 2 5
- Finding No. 3 6
- Recommendation No. 3 6
- Department Response No. 3 6

Chapter 1: Introduction and Background 7
- History 7
- Child Care Funding 7
- Program Evaluation of Child Care Services 8
- Objective 8
- Scope 8
- Methodologies 8
- Limitations 9

Chapter 2: Administration and Policy Review 9
- Funding Approved by the Legislative Assembly 9
- Operating Budgets 10
- Significant Expenditures 10
- Expenditures by Category 10
- Performance Measures and Outcome Objectives 10
- Child Care Assistance Program Applications 11
- Marketing and Outreach Objectives 12

Contract Administration and Service Organization Monitoring 12
- Service Organization Reporting and Monitoring 13
- Program Policies and Guidance 13
- Policy Manuals 13
- Documentation Maintenance 14
- Efforts are Underway to Improve Data Integration 14

Chapter 3: Availability 14
- Child Care Supply 14
- Potential Measures of Supply 15
- Child Care Demand 16
- Child Care "Deserts" 17

Efforts to Increase Availability 17
Chapter 4: Affordability 18
Average Cost of Child Care 18
Child Care Assistance Program Participation Rate 19
Chapter 5: Quality 20
Bright & Early ND 20
North Dakota Best in Class Program 20
Provider Grants 21
Professional Development 21
Infant and Toddler Initiatives 22
Chapter 6: Workforce 22
Child Care Workforce Benefit Program 22
Perceived Impact of the Child Care Workforce Benefit Program 23
North Dakota Working Parents Child Care Relief 23
Child Care Assistance Program Data by Allowable Activity 24
Labor Force Participation Rates for Parents with Children Under Age 6 24
Chapter 7: Recent Changes to Child Care Programs 25
Changes to the State Max Rate 25
Quality Rating Improvement System Bonuses 25
Infant and Toddler Bonus Payment 26
Child Care Assistance Program Waitlist and Attendance Requirements 26
Chapter 8: Conclusion 26

Executive Summary

The Early Childhood and Economic Assistance Sections within the North Dakota Department of Health and Human Services (DHHS) administers several child care programs, including economic assistance programs, child care provider licensing, and quality initiatives. The purpose of the evaluation was to determine whether the additional child care funding provided in House Bill 1540 (2023) increased the availability, affordability, and quality of child care in North Dakota, and whether the programs have been effective. Major items identified as part of the evaluation, during the period July 2021 to July 2025, are listed below.

Availability summary:

- Licensed child care capacity slots across the state remained relatively consistent, decreasing from 38,361 to 38,044.
- The number of licensed providers decreased from 1,281 to 1,150.
- The average licensed capacity per provider increased from 30 to 33 slots.
- The number of child care shortage areas, also referred to as "desert" counties, decreased over the evaluation period.

Affordability summary:

- The average monthly number of families receiving Child Care Assistance Program (CCAP) benefits increased from 2,571 to 4,200.
- The number of children receiving CCAP benefits increased from 4,235 to 6,841.

Quality summary:

- The number of providers participating in Bright & Early ND Step Ratings 2 through 4 increased from 74 to 235.
- Participation in the North Dakota Best in Class Program increased from 23 to 51 organizations.
- Availability of provider grants funding and participation in provider grant initiatives decreased over the evaluation period.

Effectiveness summary:

- DHHS made organizational, structural, and policy changes over the evaluation period to improve its child care programs, but there was inconsistent application of specific, measurable, time-bound goals and insufficient performance data to track program effectiveness.
- The statewide licensed child care capacity and the number of child care counties classified as deserts decreased.
- CCAP participation increased in both the number of families and children served, but whether child care became more affordable for families could not be determined.
- Provider participation in quality initiatives, outside of the provider grant initiatives increased, but whether the quality of care provided to children and families increased could not be determined.
- Due to data limitations, the effectiveness of the additional funding provided to the department's child care programs in increasing availability, affordability, or quality of child care in the state could not be determined.

As described above, participation in certain programs and initiatives increased during the evaluation period, but the effectiveness the department's programs had in improving the affordability and quality of child care in North Dakota could not be determined.

Key Findings and Recommendations

Finding No. 1

Although DHHS makes policy changes to child care programs informed by evidence-based research, the department does not consistently document specific, measurable, and time-bound goals and objectives. Without clear outcome objectives and performance measures, it is difficult for the department to determine the effectiveness of its child care programs.

Recommendation No. 1

The recommendation to DHHS is to more clearly define objectives for child care programs, including the development and use of performance measures, metrics, and baselines for affordability, availability, and quality goals. The department should regularly review objectives and goals to ensure alignment with program purposes and budgetary conditions.

Department Response No. 1

The current finding appears to apply broadly to all DHHS child care programs, although the programs have different purposes, funding sources, administrators, and reporting requirements. It would be helpful to discuss specific scenarios.

While measurable growth in traditional outcome indicators may be limited, that should not be interpreted as a lack of impact. The intended outcome of many initiatives during and immediately after the public health emergency was stabilization followed by affordability, availability, and quality. In an environment where many providers faced increasing operating costs, workforce shortages, and the expiration of temporary relief funding, maintaining operations, retaining staff, and preventing further erosion of child care availability represent meaningful successes.

Child care is not a static system, making stability inherently difficult to measure through a single indicator. Meaningful evaluation requires examining multiple measures of provider viability, workforce stability, operational capacity, and family access while recognizing that preserving existing services during periods of significant market disruption is itself an important outcome. DHHS recognizes that there is data integration work necessary to compare multiple indicators.

HHS recently established a new role dedicated to enhancing our agencywide performance metrics and reporting which will help provide data-driven insights to support decision-making, assess program effectiveness and strengthen accountability at every level of the organization.

Finding No. 2

While DHHS collects a large amount of data, the department needs to improve the quality and availability of the information generated from the collected data. In working with the department, sources of information capable of measuring the impact, success, and efficiency of child care programs were found, but in many cases, the information was not available in a format useable for decisionmaking.

Recommendation No. 2

The recommendation to DHHS is to improve the quality and usability of information needed to monitor and evaluate objectives established under Recommendation No. 1.

Department Response No. 2

As noted in the Department’s response to No. 1, DHHS recognizes that there is data integration work necessary to compare multiple indicators.

DHHS continues to make improvements to the quality of data and data systems used to collect information. For example, the Department had a paper licensing system until December 2022 when the first licensing data system was introduced. DHHS is making progress toward an integrated data system for professional development, quality initiatives, resource and referral, and child care licensing; reducing from three to a single data system that providers will interact with to do business with the Early

Childhood section. API's exist for Early Childhood to share information with Economic Assistance SPACES as it pertains to the Child Care Assistance Program.

A comprehensive project strategy plan was developed to outline the overall approach to Early Childhood Integrated Data Sets (ECIDS) development, including data needs, governance, and management. A detailed roadmap was constructed for databases, dashboards, testing, documentation training, and implementation. The recent development of integrations includes the following key data sets: Vital Records; Teaching Strategies child outcome data; Insight workforce registry, QRIS, and child care resource and referral data; the Self-Service Portal and Continued Eligibility System SPACES; the ND Department of Public Instruction State Automated Reporting System STARS; and the special education case management system TIENET.

DHHS is working to operationalize ECIDS and has a master dictionary, a draft of ECIDS information outputs for internal use, and is working to address data quality alerts. Once processes have matured and the information has been validated, DHHS will be positioned to develop meaningful performance metrics and confidently communicate results to stakeholders.

In the next biennium we are hoping to add the licensing data set. We are also collaborating with the Governor's Office, the Children's Cabinet and SLDS advisory committee around strategies and funding to pair early childhood data with k-12.

Finding No. 3
Inconsistencies were observed within DHHS' documentation of the policies and procedures of child care programs. While some inconsistencies reflect changes the department made to improve processes, the variances found impair the ability of the department to communicate clear, consistent information to stakeholders.

Recommendation No. 3
The recommendation to DHHS is to standardize the documentation of policies and procedures across child care programs.

Department Response No. 3
DHHS agrees that documentation of policies and procedures promotes consistency, transparency, and effective communication with staff and stakeholders.

The evaluation finding appears to reflect differences in how policies and procedures are documented across various program areas. While some program areas rely on operational procedures, guidance documents, or internal work instructions, some units utilize formal, documented policies to support regulatory consistency. For example, Early Childhood Licensing has an established process for developing, reviewing, approving, and publishing formal policies. These policies are maintained through the department's formal policy management process and are used to ensure consistent interpretation and application of North Dakota Administrative Code (NDAC) requirements by licensing staff statewide. Although not required, these policies are publicly available.

Economic Assistance also has an established process for developing, reviewing, approving, and publishing formal policies. These are communicated to the Human Service Zone staff as they determine eligibility and authorize or deny CCAP benefits. In addition to documentation of policies, HHS Economic Assistance team members meet regularly with zone staff to communication changes.

This biennium, which is outside of the evaluation period, HHS Communications has been meeting with program staff and the executive office to develop talking points to communicate clear, consistent information to stakeholders, which includes protocol for the approval from leadership and depending on the nature of the communication may be coordinated with the Governor's office.

Chapter 1: Introduction and Background

History

The Child Care and Development Fund (CCDF) is administered by the Office of Child Care within the United States Department of Health and Human Services. The North Dakota Department of Health and Human Services is the lead agency responsible for administering CCDF funding received by the state. Within DHHS, the Early Childhood and Economic Assistance Sections are the primary administrators of CCDF-related programs.

Before July 2021, the Children and Family Services Division of DHHS oversaw child care licensing and contracted with Lutheran Social Services (LSS) to administer child care quality initiatives and serve as North Dakota's child care resource and referral organization.

Following the sudden closure of LSS in January 2021, DHHS launched the Early Childhood Section in July 2021 to administer services previously provided by LSS. Between October and December 2021, DHHS contracted with service organizations to provide the following services:

- South East Education Cooperative (SEEC) to serve as North Dakota's child care resource and referral organization known as Child Care Aware of North Dakota;
- USpireND for coaching and consulting with providers caring for children with disabilities, developmental delays, and challenging behavior; and
- Lakes & Prairies Community Action Partnership (CAPLP) to administer portions of North Dakota's quality rating and improvement system (QRIS) known as Bright & Early ND.

In addition to managing the contracts above, the Early Childhood Section is responsible for child care licensing and administering provider grants.

The Economic Assistance Section is responsible for determining eligibility policies and managing payments for economic assistance programs offered by the state, including CCAP, the Temporary Assistance for Needy Families Program, the Supplemental Nutrition Assistance Program, and the Low Income Home Energy Assistance Program. The Economic Assistance Section provides oversight and quality control while human service zone staff determine household eligibility for economic assistance.

The Legislative Assembly, in House Bill 1247 (2021), created the Department of Health and Human Services through a merger of the Department of Health and the Department of Human Services, which became effective in September 2022. The merger did not directly impact the structure of the Early Childhood and Economic Assistance Sections, as both were part of the Department of Human Services before the merger.

Child Care Funding

The CCDF, along with required state matching funds, has historically been the primary source of funding for child care programs in North Dakota. In 2023, the Legislative Assembly approved House Bill 1540, which provided $62.6 million in additional state funding for child care programs, including:

- $22 million for investment in CCAP to serve more working families;
- $15 million for enhanced CCAP payments for infant and toddler care;
- $3 million, which is considered one-time funding for quality tiers in CCAP;
- $2.3 million for waiving a fee to a family whose income does not exceed 30 percent of the state median income (SMI) for a family of the same size;
- $500,000 for providing CCAP application assistance and outreach;
- $5 million, which is considered one-time funding for an employer-led child care cost-share program;
- $7 million, which is considered one-time funding for grants and shared services;

- $1.8 million for partnerships care during nontraditional hours;
- $2 million for stipends of worker training;
- $3 million, which is considered one-time funding for quality infrastructure for providers; and
- $1 million, which is considered one-time funding for the streamlining background checks project.

Program Evaluation of Child Care Services
Section 2 of House Bill 1119 (2025) directed the Legislative Council to consider conducting a program evaluation of DHHS child care services. The program evaluation was approved by the Legislative Management at its May 2025 committee meeting. In November 2025, the program evaluation objective and scope were presented to and approved by the interim Human Services Committee.

Objective
The approved objective was to determine whether the additional child care-related funding provided in House Bill 1540 (2023) increased the availability, affordability, and quality of child care in North Dakota, and whether the child care programs have been effective.

Scope
The approved scope included the child care programs administered by the Early Childhood and Economic Assistance Sections of DHHS and focused on the 2021-23 and 2023-25 bienniums.

Methodologies
To accomplish the evaluation objective, the following items were completed:

- North Dakota households were surveyed to collect feedback on the availability, affordability, and quality of child care in their community. The survey was not statistically representative of households statewide.
- State-licensed child care providers were surveyed to collect feedback on availability, affordability, quality, and the administration of early childhood programs by DHHS. The survey was not statistically representative of child care providers statewide.
- DHHS directors and staff were interviewed to learn about various aspects of child care programs and decisionmaking processes.
- Relevant planning and budgeting documentation provided by DHHS was reviewed.
- Relevant studies and information published by national interest groups, stakeholders within the state, and federal sources were reviewed.
- Documents related to child care programs in the following states were reviewed: Alabama, Minnesota, Montana, New Mexico, Pennsylvania, South Dakota, Washington, and Wyoming.
- Internal data from DHHS was acquired and analyzed, including:
    - Financial data from PeopleSoft, the state's primary accounting system;
    - Transactional and demographic information from the North Dakota Integrated Eligibility Data System;
    - Operational data and records from the ND Early Childhood Hub, the primary information system used to track information collected by service organizations; and
    - Operational data and records from the child care licensing system.
- Data from sources external to DHHS was acquired and analyzed, including:
    - Demographic information published by the United States Census Bureau; and
    - Inflation data published by the United States Bureau of Labor Statistics.

Limitations

While DHHS and its partners provided documents and data upon request, turnover in key management positions during the evaluation period limited the ability to obtain all information and documentation that may have guided DHHS in making child care program policy and operational decisions. Had the information been available, the information may have assisted in evaluating whether the department's program objectives and performance measures had been met.

The department's data environment presented challenges. The vendor contract for the legacy resource and referral database has expired, making source data from the system unobtainable. The department's multiple data systems are not effectively integrated. Other instances of incomplete or inconsistent data collection occurred throughout the evaluation, limiting the ability to determine program effectiveness. For example, information related to providers operating on tribal lands was not consistently available, limiting the ability to fully evaluate child care supply and demand in certain areas. Additionally, information was not always recorded in a consistent manner across reporting periods. For example, provider license information was formatted differently for each time period provided, making it difficult to match providers' information over time and measure changes in the number of licensed providers. The findings are based on the available documentation and data records provided by DHHS.

Chapter 2: Administration and Policy Review

An administration and policy review was conducted to evaluate how the Early Childhood and Economic Assistance Sections administered child care programs and implemented policy to support access to child care programs. The review focused on program funding, administrative processes, stakeholder communication, performance measurement, and policy implementation.

Funding Approved by the Legislative Assembly

The Legislative Assembly appropriated the following funding for child care programs during the 2021-23 and 2023-25 bienniums.

2021-23 Biennium*	General	Federal**	Other	Total
CCAP - Base	$2,641,620	$18,228,048	$6,917,975	$27,787,643
Inclusion supports contracts/quality/QRIS/infrastructure/contract/ consultation	4,066,214	2,551,178	0	6,617,392
Total	$6,707,834	$20,779,226	$6,917,975	$34,405,035

*Based on data obtained from DHHS.
**2021-23 amounts exclude COVID-19 related funding.

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	7,000,000	0	0	7,000,000
Infant/toddler bonus payment	15,000,000	0	0	15,000,000
North Dakota Best in Class Program	12,000,000	0	0	12,000,000
Waterford Upstart	2,400,000	0	0	2,400,000
Quality/QRIS infrastructure contract	3,000,000	0	0	3,000,000
Child Care Aware coaching/startup/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
Total	$86,539,759	$34,360,433	$0	$120,900,192

*Based on data obtained from DHHS.

Operating Budgets

State and available federal funding is appropriated by the Legislative Assembly during regular and special legislative sessions. After each legislative session ends, DHHS allocates the legislative appropriations to various programs by funding source and enters the information into the department's budget system and PeopleSoft. The operating budget entries include all available funding at the beginning of the biennium, including carryover funding available from the prior biennium, base budget items, and additional one-time funding items to track expenditures against cost centers by expense type and funding source. The tables below identify the budget amounts allocated to the major programs by funding source for the 2021-23 and 2023-25 bienniums.

Child Care Assistance Operating Budget by Funding Source*

Biennium	State CCAP Budget	Federal CCAP Budget	Total CCAP Budget
2021-23	$12,628,271	$51,011,878	$63,640,149
2023-25	$62,023,831	$62,191,430	$124,215,261

*Based on data obtained from PeopleSoft.

Early Childhood Operating Budget by Funding Source*

Biennium	State Early Childhood Budget	Federal Early Childhood Budget	Total Early Childhood Budget
2021-23	$11,548,877	$93,912,149	$105,461,026
2023-25	$45,679,411	$39,290,085	$84,969,496

*Based on data obtained from PeopleSoft.

Significant Expenditures

Using internal data from DHHS, the evaluation established three major spending categories related to child care programs:

- **CCAP** - Offers direct payments to providers on behalf of households to help subsidize the cost of child care. The benefit amount and a household's copayment are dependent on provider type and household income. Additional detail on the impact of the economic assistance benefits is provided in Chapter 4.
- **Provider grants** - DHHS offers various grants to providers to increase child care capacity and improve child care quality and inclusion support. The effects of the grants are discussed further in Chapter 5.
- **Service organization payments** - The service organization payment category includes payments to the Early Childhood Section's three main service organizations discussed above: SEEC, USpireND, and CAPLP.

Expenditures by Category

The table below details expenditures by these major categories:

Child Care Expenditures by Major Category and Fiscal Year*

	2022	2023	2024	2025
CCAP payments	$28,134,463	$42,487,224	$37,572,060	$74,018,504
Provider grants	23,189,874	17,416,322	8,084,993	7,297,597
Service organization payments	978,173	2,698,484	3,639,019	4,270,542
Total	$52,302,510	$62,602,030	$49,296,072	$85,586,643

*Based on data obtained from PeopleSoft and SPACES.

Performance Measures and Outcome Objectives

The evaluation reviewed program documents, including federal plans and state budget requests, to identify performance measures and outcome objectives. While the documents identified targeted outcomes for child care programs, most goals did not include measurable performance indicators or time frames. For example, the DHHS budget detail submitted to the 2023 Legislative Assembly states the following goal:

> Build greater access to quality, affordable early childhood experiences so kids aged 0-5 from all backgrounds and circumstances, their families, and those who support them have the opportunity to realize their potential.

Additional examples of goals lacking specific, measurable, and time-bound measures occurred in the DHHS Budget Detail submitted to the 2025 Legislative Assembly:

> Improve child care availability, making it easier for working families to find child care when and where they need it.
>
> Increase utilization of child care assistance program (CCAP) across all geographic regions, as well as the percentage of slots in licensed child care that generate at least a portion of their revenue from CCAP funds.

The goals identify a desired outcome but do not establish measurable targets or a timeframe for DHHS or external stakeholders to review effectiveness and evaluate success.

More than 70 measures and metrics were identified that DHHS could use to support program monitoring and decisionmaking, including:

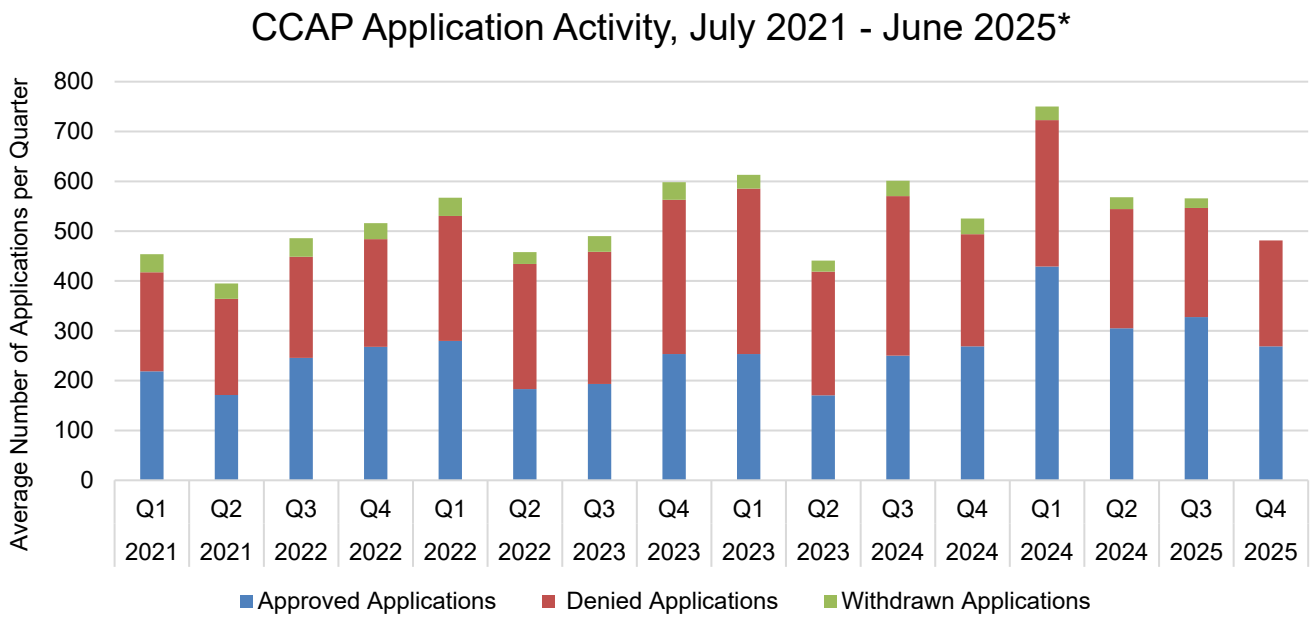
Area	Examples of Measures and Metrics*
Funding and resources	CCAP expenditures, provider grants, and service organization funding
Availability	Number of providers, licensed slots, areas in which child care is lacking, and demand estimates
Affordability	CCAP recipients, eligible recipients, and child care costs
Administration	Application processing time, licensing timelines, and inspection followup time
Quality and workforce	Professional development participation and coaching activities
Outcomes	Families served, children served, and participation rates

*Based on data obtained from DHHS.

Limited evidence was found connecting available measures and metrics to documented program goals, established baselines, performance measures, or expected outcomes.

Child Care Assistance Program Applications

The Department of Health and Human Services tracks CCAP application activity, including applications received, approved, denied, and withdrawn. From July 2021 through June 2025, CCAP applications were processed in an average of 22.75 days from submission to acceptance, which falls within the 30-day timeframe established in North Dakota Century Code Section 50-33-02. Quarterly average processing times were within the statutory timeframe. The graph below presents the average number of applications processed by quarter for the period July 2021 through June 2025.



*Based on data obtained from DHHS.

Marketing and Outreach Objectives

Internal planning documents included marketing and outreach objectives intended to expand awareness of child care programs and increase participation. Examples of documented goals included:

> Contract with a marketing consultant to help craft and implement an outreach strategy that is geared toward increasing families' awareness of CCAP with an effort to ensure more equitable access across the state, based on share of population most likely to be eligible for assistance. Develop and implement a communications strategy related to quality and to understanding North Dakota's early childhood infrastructure, including tools available to families who are seeking childcare. Explore new approaches to build awareness of components of quality, including robust digital and social media strategies geared toward young family preferences.
>
> Develop outreach campaign to encourage income-eligible health/safety/lifeline workers to apply for child care assistance. The goal of this outreach effort is to increase enrollment in CCAP within this targeted occupational category by at least 400 children per month.

The documented goals varied in specificity. While one goal included a measurable target, the goals did not consistently identify performance measures or time frames to evaluate progress toward intended outcomes or effectiveness. Without specific measures, the effectiveness of the marketing efforts cannot be determined.

Contract Administration and Service Organization Monitoring

This evaluation reviewed three major contracts used by the Early Childhood Section to provide child care-related services. The reviewed contracts included SEEC, which operates North Dakota's child care resource and referral organization, Child Care Aware of North Dakota; USpireND, which provides inclusivity coaching and consulting; and CAPLP, which administers portions of North Dakota's QRIS, known as Bright & Early ND.

Assessed components identified in federal guidance for child care contracts include scope of work, timelines, budget expectations, and performance indicators.

Contract administration improved over the evaluation period; however, the most recent contract amendments signed in 2025 no longer include budget expectations, and USpireND's contract does not include performance indicators.

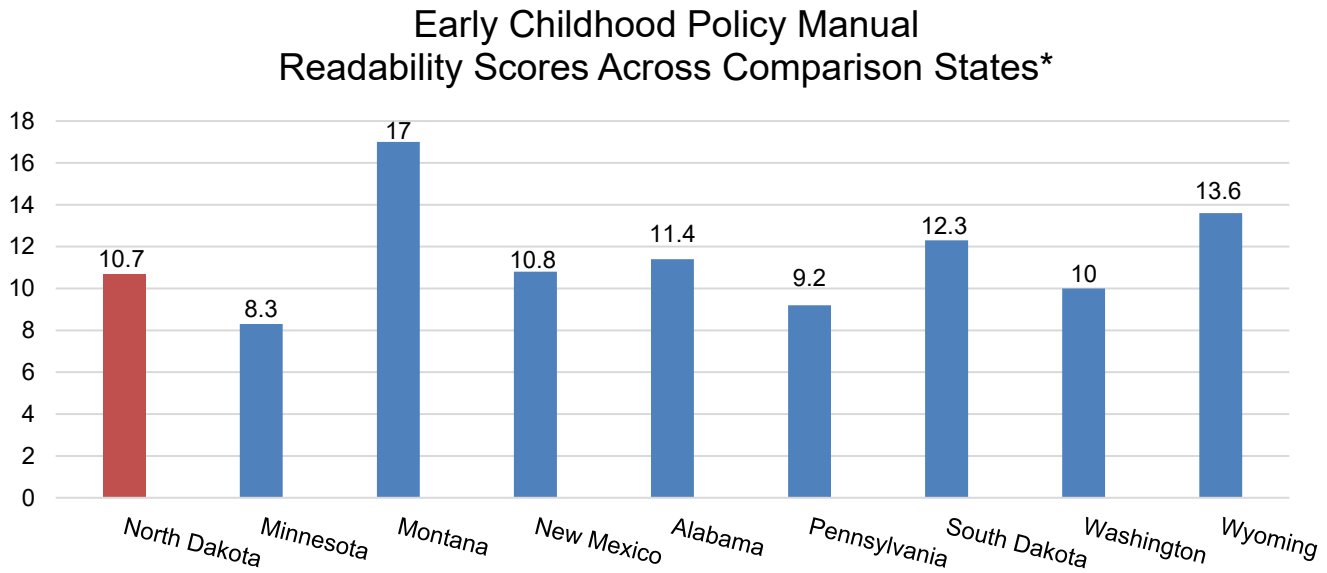
Service Organization Reporting and Monitoring
A review of quarterly reports submitted by SEEC and USpireND, along with a CAPLP workplan, indicated:

- All reports included performance information provided by the service organization.
- Only one report included historical information demonstrating trends or changes over time.
- The CAPLP workplan identified activities and reporting expectations but did not specify whether data would be used to evaluate long-term trends.

Additionally, a SEEC report template included outdated information. The outdated template was used for five quarters before revisions were made, indicating an opportunity to strengthen review processes for service organizations' reporting materials.

Program Policies and Guidance
The evaluation identified opportunities for DHHS to improve the usability of communication to families, providers, and other stakeholders. North Dakota's child care policies and provider-facing materials were compared with eight states selected based on regional proximity, similar rural characteristics, established quality improvement initiatives, and geographic diversity to provide additional context.

Policy Manuals
This evaluation reviewed child care policy manuals and equivalent provider-facing materials from North Dakota and the eight comparison states to assess readability. As shown on the graph below, the *North Dakota Early Childhood Services Policy Manual* ranked fourth out of nine states for readability. Differences in policy structure across states, including the use of administrative rules rather than stand-alone policy manuals, limit direct comparisons.



*Based on data obtained from readability comparative tests.

An assessment rubric was developed to compare how states organize, document, and communicate child care policy information. The rubric evaluated six aspects of public-facing policy manual usability, including how easily policy information could be found, navigated, understood, and maintained over time. Each criterion was scored on a five-point scale, with higher scores indicating greater usability. Using the rubric, while policy information generally was available, program-specific manuals varied in organization and usability. The *North Dakota Child Care Assistance Program Policy Manual* scored higher at 4.2 than the *North Dakota Early Childhood Policy Manual* at 3.3, indicating disparities in how easily providers can navigate and use the manuals.

Feedback from the Legislative Council's *Child Care Survey for Providers* furnished additional context about how program requirements are communicated. Several providers described challenges understanding and interpreting program policies and requirements. One provider stated:

> There is never a clear answer on policies/rules. Different places or people say different things. It makes it impossible to be fully compliant.

This comment reflects recurring themes identified in provider survey responses regarding clarity and consistency of program policies and uncertainty about whom to contact for clarification. The survey feedback is consistent with Finding No. 3, relating to inconsistencies in child care program and policy documentation.

Documentation Maintenance

This evaluation identified opportunities to strengthen the processes DHHS uses to develop, maintain, and communicate child care program guidance. While policy information generally is available to stakeholders, documentation practices are not consistently maintained across program areas. For example, a contract to develop provider-facing orientation materials did not identify a responsible party for maintaining or updating orientation resources. Within the orientation materials reviewed, broken links were identified and a determination could not be made whether a process exists for ongoing review of documentation or correction of outdated information.

Without clearly defined ownership and periodic review processes, child care program guidance may become outdated, increasing the risk that providers and stakeholders will receive incomplete or conflicting information.

Efforts are Underway to Improve Data Integration

The Department of Health and Human Services is working to improve data integration and availability through the development and implementation of the early childhood integrated data system (ECIDS). The purpose of ECIDS is to connect information across child care programs to improve coordination, support decisionmaking, and better understand outcomes for children and families.

Development and implementation of ECIDS is a complex, multiyear process involving coordination across multiple agencies and data sources. Progress has been made but competing priorities and implementation challenges have affected the pace of implementation and usage.

Overall, increased investment, improved contract structure, and expanded program activities benefited child care programs during the evaluation period. Clearer performance measures, stronger policy communication, and improved data integration would enhance the department's ability to determine whether administrative efforts and policy decisions achieve intended outcomes.

Chapter 3: Availability

This chapter reviews the number of licensed providers by county, licensed capacity by county, and whether licensed capacity is sufficient to meet demand. Licensed capacity remained consistent during the evaluation period and the increased funding provided by House Bill 1540 (2023) did not increase licensed capacity. A determination could not be made whether the increased funding prevented child care facility closures and helped maintain existing licensed capacity.

Child Care Supply

During the evaluation period, the primary measurement DHHS used to determine child care supply was licensed capacity. The Department of Health and Human Services does not compile licensed capacity by age group, limiting the ability to evaluate the supply of child care for specific age groups. The following comment from the Legislative Council's *Child Care Survey for Parents* highlights the difficulty of finding child care for specific age groups:

> The birth of my two children were strategically planned 4 years apart to ensure my husband and I could afford childcare… with our second child… my in-home daycare provider... didn’t have room,

and the cost of my childcare for my second child rose an additional $500/month (not counting what I paid to hold the spot while pregnant to ensure a spot)... I had to drive to two different places for 1 year while waiting for my daughter to enter school.

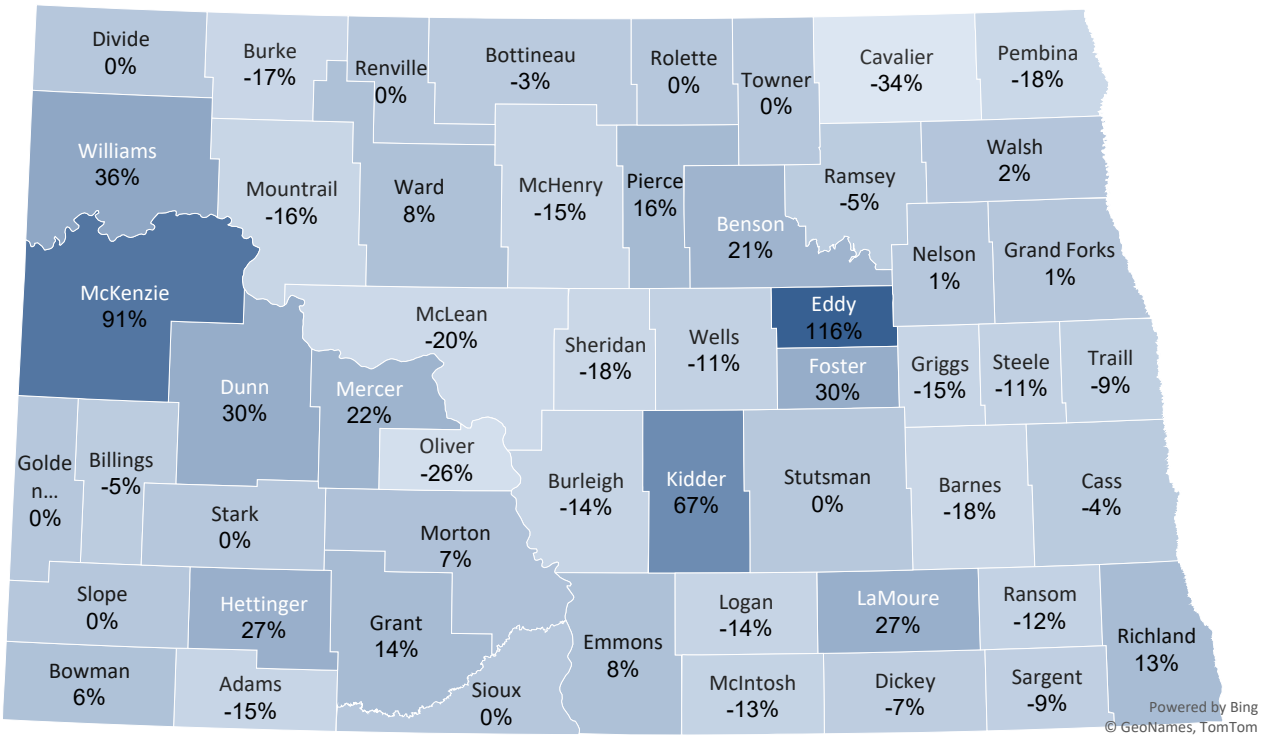
Licensed capacity generally is the benchmark measurement in child care programs because licensed capacity is a legally enforceable, standardized, safety-based measure, and reflects the maximum possible supply. Child care supply can be measured in three ways.

Potential Measures of Supply

- **Licensed capacity** - The number of children a provider is legally allowed to care for under a state child care license. This data is collected by DHHS.
- **Desired capacity** - The number of children a provider prefers to care for. The measurement is equal to or less than licensed capacity. Providers self-report this data to DHHS.
- **Operating capacity** - The number of children a provider actually cares for. The measurement varies day-to-day based on attendance and staff availability. This might be equal to or less than licensed and desired capacity. This data is not collected by DHHS.

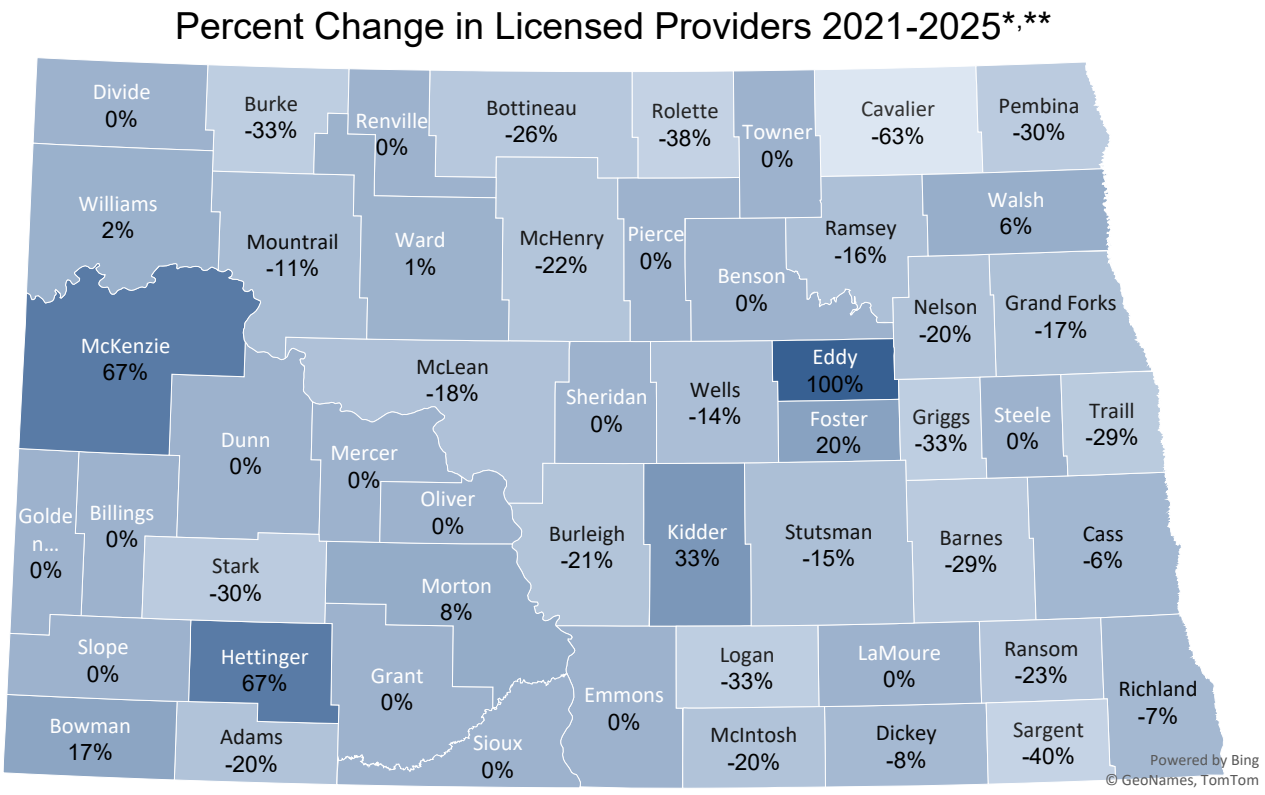
Statewide licensed capacity generally remained consistent with a slight decrease in slots from 38,361 in July 2021 to 38,044 in July 2025. The map below illustrates how licensed capacity changed by county over the period.

Percent Change in Licensed Capacity 2021-25*



*Based on data obtained from DHHS.

North Dakota had 1,281 providers in July 2021. The number decreased to 1,150 providers in July 2025. The average licensed slot capacity per provider was 30 in July 2021 and increased to an average of 33 in July 2025. The change in licensed provider by county over the period is presented below.



*Based on data obtained from DHHS.
**Slope and Sioux counties did not have any state-licensed child care providers between 2021 and 2025.

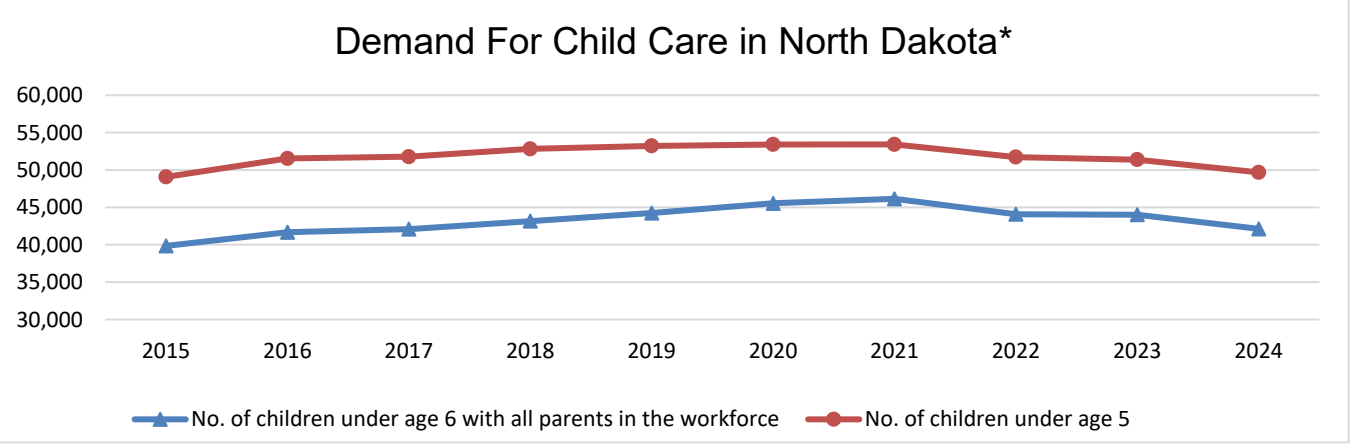
Child Care Demand

Determining the demand for child care slots is an important step in analyzing areas of the state that lack child care availability and shortages of child care slots within North Dakota and provides a baseline for measuring supply.

Data from the Census Bureau indicates demand for child care began decreasing in 2021. Demand often is measured in two ways:

- The number of children under age 5; and
- The number of children under age 6 with all parents in the workforce.

The graph below illustrates child care demand in North Dakota.



*Based on data obtained from the Census Bureau.

Child Care "Deserts"

The Department of Health and Human Services uses four classifications to describe a county's child care availability. The classifications are determined by the ratio of the licensed child care slots to the number of children under age 5 in the county. A county with one child care slot for every 3 to 5 children under age 5 is classified as a "desert." The table below presents the classifications assigned to various child care ratios.

Child Care Availability Classification Ratios*	
Classification	**Ratio of Children under age 5 to Licensed Slots**
Extreme shortage	Five or more
Desert	Three or more
Mild shortage (high needs)	Two or more
No shortage	Less than two

*Based on data obtained from DHHS.

Using the ratios above, data provided by DHHS and data from the Census Bureau's Population Estimates Program, North Dakota's 53 counties were classified. The analysis shows North Dakota had fewer desert counties in 2025 than in 2021.

Number of Counties Per Child Care Availability Classification*,**			
Classification	**July 2021**	**July 2023**	**July 2025**
Extreme shortage	0	0	0
Desert	5	3	2
Mild shortage	12	7	10
No shortage	34	41	39

*Based on data obtained from DHHS.
**Slope and Sioux Counties were not included in the analysis due to a lack of state-licensed providers.

A "no-shortage" classification does not imply an excess of child care availability, because availability for specific age groups or during specific hours may be limited.

The five desert counties from 2021 were analyzed to determine why some experienced a change in classification. The table below shows the five original desert counties, the classifications, licensed capacity, and population under age 5 over the evaluation period.

Desert Counties Over Time*									
	Classification			**Capacity**			**Demand**		
County	**2021**	**2023**	**2025**	**2021**	**2023**	**2025**	**2021**	**2023**	**2025**
Burke	Desert	Mild shortage	Mild shortage	48	60	40	149	124	119
Dunn	Desert	Desert	Desert	61	79	79	299	298	311
Mckenzie	Desert	Desert	No shortage	340	322	650	1,044	1,024	1,029
Sheridan	Desert	Desert	Desert	17	17	14	71	67	64
Williams	Desert	Mild shortage	Mild shortage	1,113	1,217	1,343	3,547	3,453	3,537

*Based on data obtained from DHHS.

The analysis found:

- Mckenzie and Williams Counties were removed from the desert classification due to an increase in licensed capacity.
- A decrease in Burke County's under age 5 population moved the county into the mild shortage classification.
- Dunn County's increase in licensed capacity was not sufficient to move it into the mild shortage classification.

Efforts to Increase Availability

The Department of Health and Human Services identifies desert counties to direct additional funding to counties experiencing child care shortages. Using county classifications published by DHHS, funding

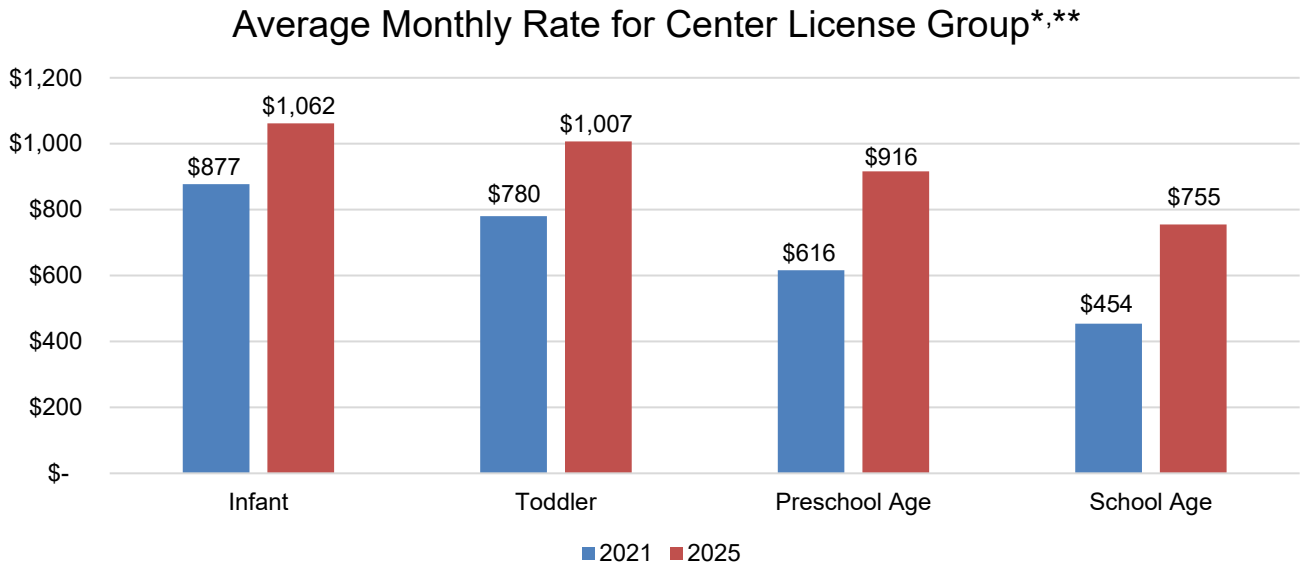
data was analyzed to evaluate whether the department targeted desert counties with additional funding. The analysis showed the department made targeted investments through grants and bonuses to providers in desert or mild shortage counties during the evaluation period, but it could not be determined if the funding was effective.

Chapter 4: Affordability

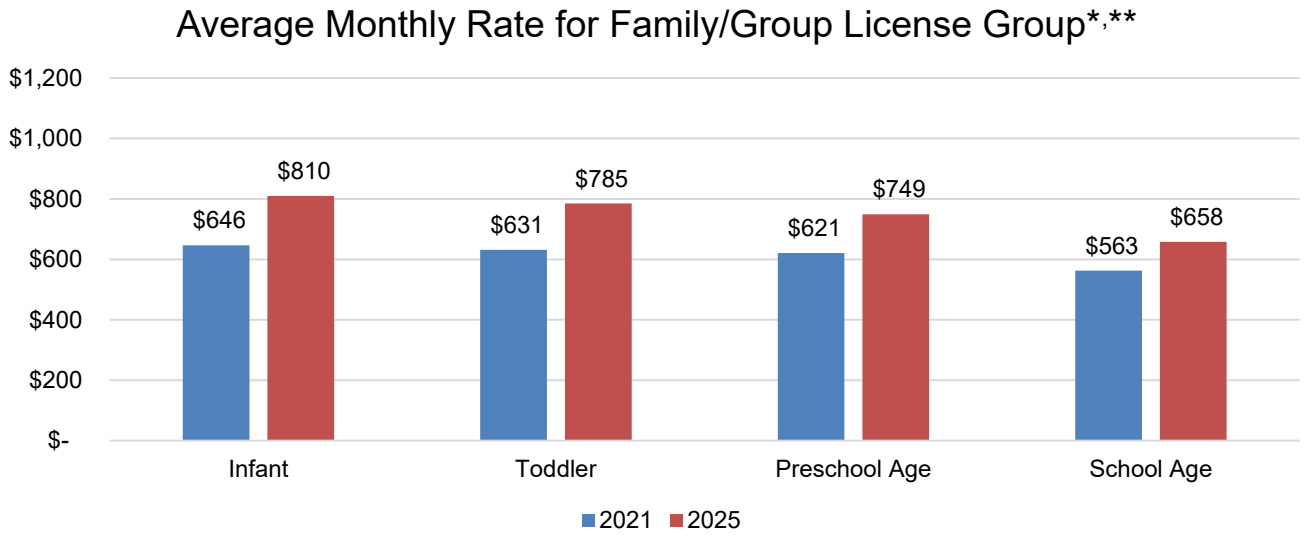
This chapter examines families' ability to afford child care. In fiscal year 2025, approximately 1,600 additional working families received monthly CCAP benefits to help with the cost of child care, compared to fiscal year 2022.

Average Cost of Child Care

Information collected from the market rate surveys (MRS) performed by North Dakota State University (NDSU) and DHHS is used to determine the average monthly rates of child care in North Dakota. The surveys sort the seven license types into two groups. Average monthly rates for the two groups are shown in the graphs below.



*Based on data obtained from DHHS and NDSU MRS.
**Includes center, multiple license, preschool, and school-age license types.



*Based on data obtained from DHHS and NDSU MRS.
**Includes group-home, group-facility, and family license types.

Information collected from the MRS conducted by NDSU and DHHS indicate child care rates by age group and license group increased more than the rate of inflation during the 2021 to 2025 period for all but one age group in the family/group license group as shown in the table below.

Change in Child Care Rates Vs. Inflation in North Dakota 2021-25*					
	Infant	Toddler	Preschool	School Age	Midwest CPI
Center license group	21.1%	29.1%	48.7%	66.3%	18.3%
Family/group license group	25.3%	24.3%	20.6%	17.0%	18.3%

*Based on data obtained from DHHS, NDSU, and the Bureau of Labor Statistics.

Child Care Assistance Program Participation Rate

The number of eligible recipients receiving CCAP benefits increased steadily each year of the evaluation period. During fiscal years 2022 through 2025, CCAP participation was limited to families making equal to or less than 85 percent of SMI. The table below shows estimated penetration rates among children under age 6 using the 85 percent SMI limits.

2022 Through 2026 CCAP Penetration Rates for Children Under Age 6**			
Fiscal Year	Monthly Average Number of Children Receiving CCAP Benefits	Estimated Eligible Children - Statewide	Penetration Rate
2022	2,958	18,813	15.7%
2023	3,461	18,689	18.5%
2024	3,798	19,472	19.5%
2025*	4,912	NA	NA

*Based on data obtained from DHHS child care assistance dashboard, the United States Department of Health and Human Services Administration for Children and Families, and the Census Bureau.
**Due to lack of available Census Bureau data, 2025 penetration rates could not be estimated.

In House Bill 1540 (2023), the Legislative Assembly reduced income limits from 85 to 75 percent of SMI. The change in income limits was effective July 1, 2025. It is estimated approximately 3,200 children under age 6 are no longer eligible for CCAP benefits under the new income limits. The income eligibility limit for CCAP benefits for a four-person household is $97,428 per year as of July 2026.

The table below identifies the number of working families and the number of CCAP recipients for fiscal years 2022 through 2025.

Number of Working Families and Monthly Average Number of CCAP Recipients*					
Fiscal Year	Working Families	Infant and Toddler Age	Preschool Age	School Age	Total Children
2022	2,571	1,285	1,673	1,277	4,235
2023	2,931	1,560	1,901	1,313	4,774
2024	3,167	1,734	2,064	1,382	5,180
2025	4,168	2,341	2,571	1,859	6,771

Definitions:
Working families: Families who are working or participating in education or training programs.
Infant and toddler age: Ages 0 through 35 months
Preschool age: Ages 36 through 71 months
School age: Ages 6 through 12 years

*Based on data obtained from DHHS child care assistance dashboard.

The number of eligible children receiving CCAP benefits increased during the review period. A determination could not be made whether the CCAP benefits were effective in increasing the affordability of child care for eligible families.

Chapter 5: Quality

This chapter reviews quality initiatives, including provider advancement in Bright & Early ND, participation in the North Dakota Best in Class Program, and involvement in professional development and grant programs. States must spend a minimum of 12 percent of CCDF funding on quality initiatives.

Provider participation in quality improvement initiatives generally increased during the evaluation period, indicating providers are engaging in opportunities to improve the quality of child care. The available data was not sufficient to determine the effectiveness of the quality improvement initiatives. The review used information provided by DHHS; however, changes to the initiatives make year-to-year comparisons challenging.

Bright & Early ND

The number of providers participating in Bright & Early ND generally increased over the evaluation period, which may have resulted from the increased funding directed toward the program. Benefits of participating in Bright & Early ND Steps 2 through 4 include QRIS bonuses for CCAP participants and additional grant opportunities.

Licensed providers automatically are enrolled in Bright & Early ND at Step 1. Providers may voluntarily advance to Steps 2 through 4 by meeting increasingly comprehensive quality requirements. As providers advance, they demonstrate compliance with additional standards related to staff qualifications, program curriculum, and continuous quality improvement. The table below provides the participants and expenditures of the Bright & Early ND Program.

Bright & Early ND Participation and Direct Expenditures*

	2022	2023	2024	2025
Total Number of providers**	1,235	1,225	1,135	1,150
Number of providers participating in Steps 2 through 4	74	121	190	235
Percent of providers participating in Steps 2 though 4	6.0%	9.9%	16.7%	20.4%
Total quality incentives and grants paid to providers	$82,875	$132,275	$471,752	$2,066,362
Payments to CAPLP	$154,289	$729,556	$1,009,774	$1,502,555

*Based on data obtained from PeopleSoft and the ND Early Childhood Hub.
**Total number of providers are estimated using best available information as of fiscal year end.

The table below shows the aggregated movement of providers between Bright & Early ND Steps 2 through 4. The data reflects all steps experienced an increase in provider participation across the review period. It also appears providers are not regressing from Steps 3 and 4 once attained. No providers moved down from a Step 3 or 4 during the review period.

Bright & Early ND Changes in Steps by Fiscal Year*

Number of providers	2022	2023	2024	2025
Step 2	48	73	130	159
Advanced from Step 1	29	50	93	84
Maintained Step 2	19	23	37	75
Decreased from Step 3 or 4	0	0	0	0
Step 3	27	33	41	51
Advanced from Step 2	9	16	19	27
Maintained Step 3	18	17	22	24
Decreased from Step 4	0	0	0	0
Step 4	13	15	19	25
Advanced from Step 3	2	0	5	9
Maintained Step 4	11	15	14	16

*Based on data obtained from the ND Early Childhood Hub.

North Dakota Best in Class Program

The North Dakota Best in Class Program focuses on quality experiences for children the year before kindergarten. Information reviewed demonstrates the program's impact on quality by reducing educational gaps and improving school readiness among the children served. The Department of

Health and Human Services' ECIDS project is working to advance data capabilities to measure the impact on children served by Best in Class Program participants.

Participation in the Best in Class Program has increased across both school districts and child care providers as shown in the table below.

Best in Class Program Participation and Funding by Fiscal Year*				
	2022	2023	2024	2025
Fiscal year funding costs	$1,700,187	$2,413,092	$4,860,656	$6,300,467
Average amount per recipient	$73,921	$68,945	$121,516	$123,539
School districts paid	22	34	36	47
Child care providers paid	1	1	4	4

*Based on data obtained from PeopleSoft.

Provider Grants

The Early Childhood Section offered various grants throughout the evaluation period. Each grant's eligibility requirements were designed to support agency initiatives. Although provider participation appears to have decreased over the evaluation period, the trend likely is due to budgetary constraints and stricter grant eligibility requirements.

Estimated Provider Participation in Grants by Identified Initiative*				
	2022	2023	2024	2025
Availability	7.3%	5.6%	0.6%	1.4%
Facility grants	0.0%	0.0%	0.0%	3.6%
Health and safety	24.4%	8.0%	0.0%	0.0%
Inclusion	2.9%	4.8%	1.7%	3.8%
Infant toddler incentives	7.8%	7.3%	1.1%	0.0%
Nontraditional hours	1.5%	1.6%	0.5%	0.2%
Quality	1.6%	2.1%	5.7%	5.0%
Technology	20.6%	8.7%	0.3%	0.0%
Percent of unique providers (participating in at least one initiative)	52.7%	29.3%	8.5%	11.4%

*Based on data obtained from PeopleSoft

Over the review period, available funds for provider grants decreased. During the 2021-23 biennium, many of the grant initiatives were provided by COVID-19-related sources with flexible eligibility requirements, while grants offered during the 2023-25 biennium had smaller funding pools and stricter eligibility requirements. The table below provides grant funding by grant program.

Estimated Grant Expenditures by Identified Initiative*					
	2022	2023	2024	2025	Total
Availability	$1,044,525	757,350	$10,800	$1,023,605	$2,836,280
Facility improvement	0	0	0	831,581	831,581
Health and safety	4,089,125	1,885,161	0	0	5,974,286
Inclusion	589,648	521,639	553,644	1,651,449	3,316,380
Infant toddler incentives	12,421,000	10,481,550	84,000	0	22,986,550
Nontraditional hours	352,750	387,750	467,500	1,340,000	2,548,000
Quality	260,625	629,025	1,535,362	1,567,408	3,992,420
Technology	1,467,673	741,124	22,481	0	2,231,278
Total	$20,225,346	$15,403,599	$2,673,787	$6,414,043	$44,716,775

*Based on data obtained from PeopleSoft.

Professional Development

Professional development participation by providers and employees appeared to increase slightly over the evaluation period. A total of 19,004 unique employees participated in professional development opportunities across the entire period, with an average of 9,517 unique employees participating each year. The pattern of having a much larger total participation number over the period compared to the average annual participation number suggests significant turnover in the child care workforce.

Infant and Toddler Initiatives

In the department's *Spending Plan for Implementation of American Rescue Plan Act of 2021 Child Care COVID Grant Funding*, the department identified two primary initiatives to target the costs and quality of care for infants and toddlers. Child care stabilization grants provided funding to child care providers to replace lost or reduced revenue due to low enrollment caused by the COVID-19 pandemic. Child care stabilization grants used federal funding and were discontinued after the federal funding ended. Enhanced CCAP payments were designed to support quality care for infants and toddlers from low-income families. House Bill 1540 (2023) continued the enhanced CCAP payments, known as the infant and toddler bonus, with state funding. Only providers with a Bright & Early ND Step 2 rating or higher were eligible for the payments.

Infant and Toddler Incentives by Payment Source*

	2022	2023	2024	2025
Infant and toddler stabilization grant incentives and enhanced CCAP payments - Federal funds	$12,421,000	$10,481,550	$0	$0
Infant and toddler bonus - State funds	$0	$0	$3,452,197	$9,356,256

*Based on data obtained from PeopleSoft.

The Department of Health and Human Services targets infant and toddler-aged children due to the increased costs of providing care for the age groups, including adult-to-child ratios and maximum group sizes. The Child Care Services Advisory Committee issued the *Study of Child Care Provider Licensing Final Report* in May 2026 detailing potential changes, including decreasing the number of license types and simplifying adult-to-child ratios and group sizes which could alleviate constraints on providers caring for infants and toddlers.

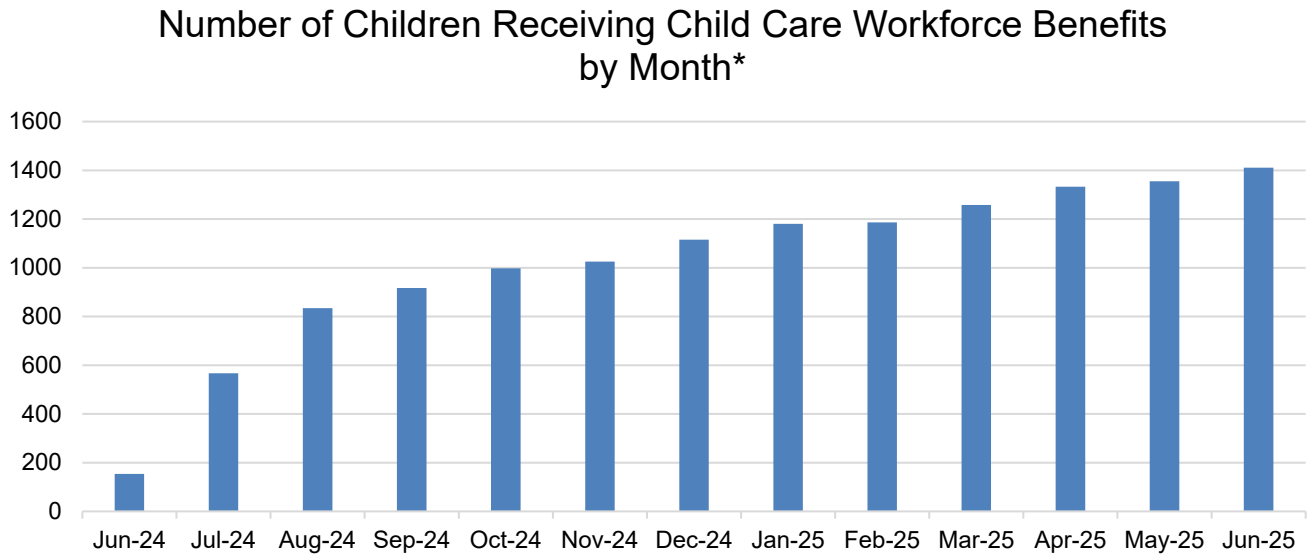
Chapter 6: Workforce

This chapter reviews access to child care and the impact on labor force participation. Participation in the Child Care Workforce Benefit (CCWB) and Working Parents Child Care Relief (WPCCR) programs was assessed and workforce participation rates were reviewed for parents with children under age 6.

While the amount of CCAP and WPCCR benefits received by working families increased during the evaluation period, it could not be determined if the additional funding provided in House Bill 1540 (2023) increased the workforce participation rate.

Child Care Workforce Benefit Program

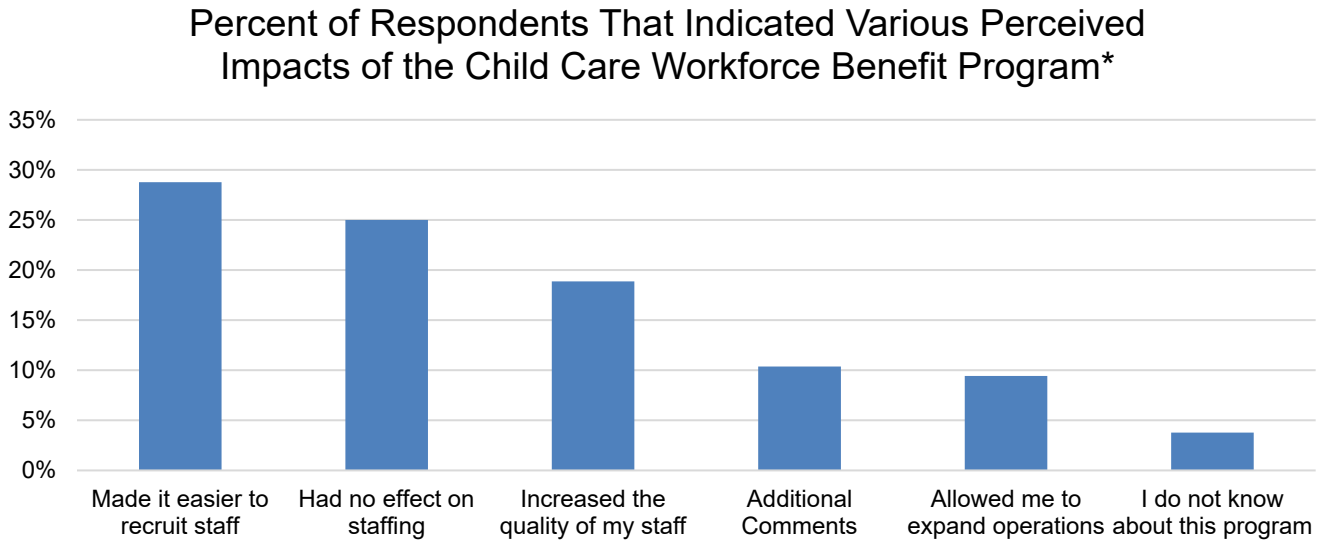
The Child Care Workforce Benefit Program was implemented in June 2024 and waives CCAP copayments for parents who are employed by a licensed child care provider and work at least 25 hours per week. The parents are exempt from CCAP income limits but must meet all other eligibility requirements. Due to earlier findings that licensed capacity decreased by 317 slots during the evaluation period, the CCWB Program did not increase licensed capacity, but it may have helped to maintain capacity or increase enrollment, which is not tracked. The graph below provides the number of participants in the CCWB Program.



*Based on data obtained from DHHS.

Perceived Impact of the Child Care Workforce Benefit Program

As part of the Legislative Council's *Child Care Survey for Providers*, respondents were asked about the impact the CCWB Program has had on the child care workforce. As previously mentioned, the survey is not statistically representative of providers statewide but offers additional information about respondents' perceived impact of the CCWB Program. The graph below provides the responses regarding the impact of the program.



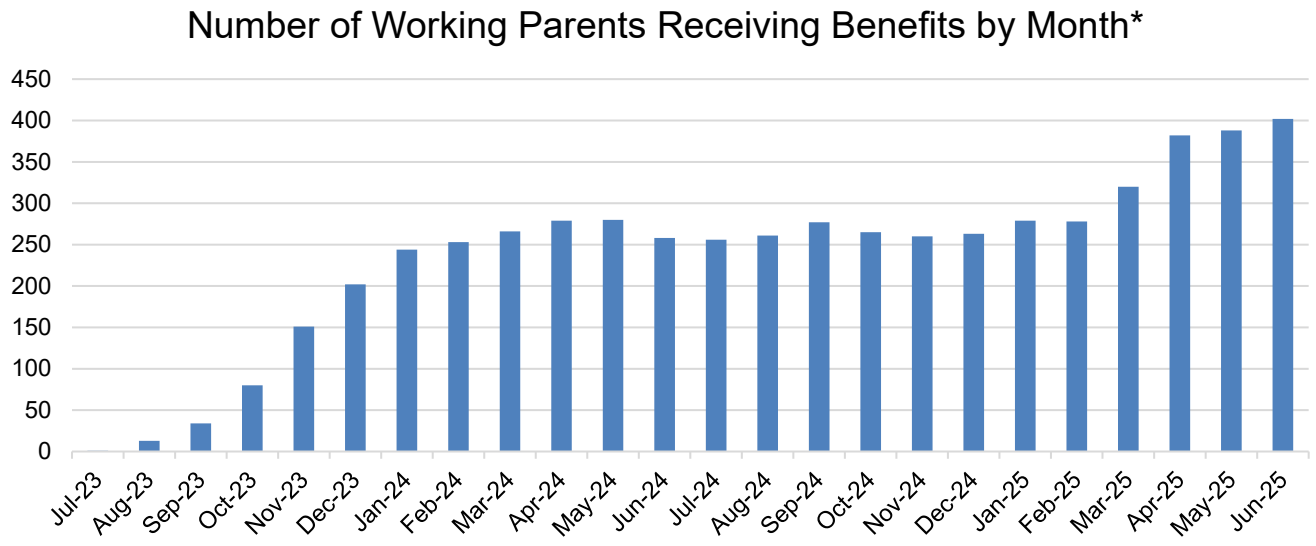
*Based on data obtained from the Legislative Council's *Child Care Survey for Providers.*

North Dakota Working Parents Child Care Relief

North Dakota Working Parents Child Care Relief is a cost-share pilot program involving employees, employers, and the state. The program received $5 million in one-time funding as part of House Bill 1540 (2023) and was launched in July 2023. The program is set to expire in September 2026 or when funding is exhausted, whichever occurs first. According to the DHHS website, the final round of payments will be made in August 2026.

Employees qualify for the WPCCR if their income is less than 150 percent of SMI and their employer participates in the program. The income limit as of July 2025 for a four-person household is $194,868 per year. Employers provide a monthly benefit of $150 or $300 to the employee to help pay for licensed

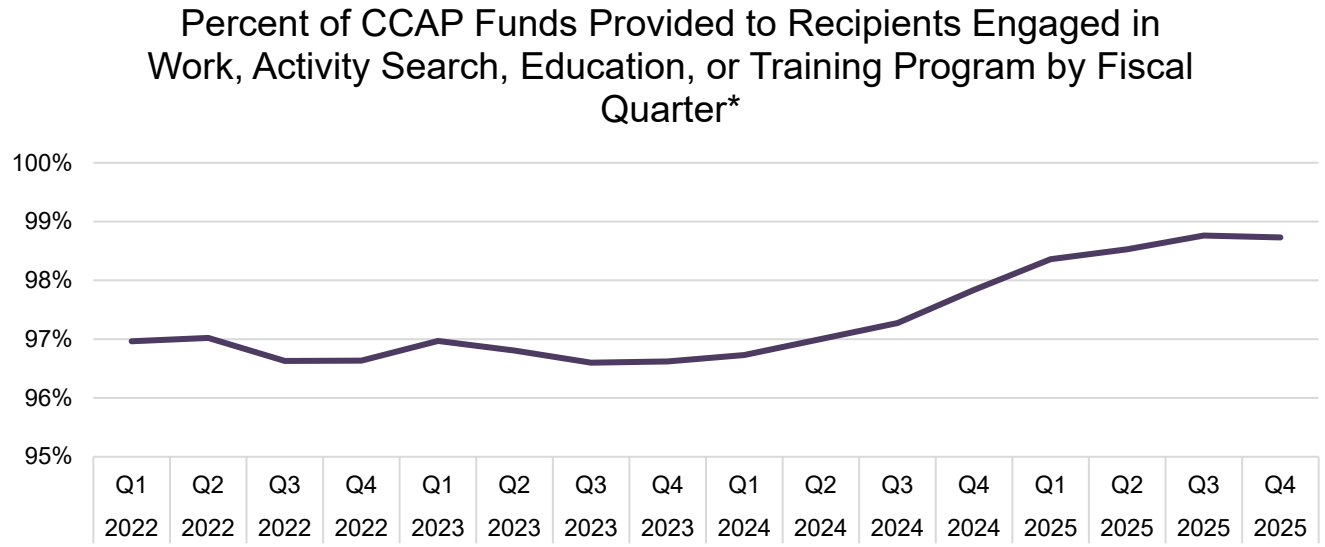
child care, and the state matches the benefit amount. According to the DHHS website, 61 employers participate in WPCCR. The graph below provides the number of program participants.



*Based on data obtained from DHHS.

Child Care Assistance Program Data by Allowable Activity

To qualify for CCAP, households must be engaged in an allowable activity. Allowable activities include work, activity search (searching for work or housing in situations of homelessness), education, training programs, or parental leave. As shown in the graph below, during the evaluation period, the share of funding provided to households participating in work, an activity search, education, or a training program increased.



*Based on data obtained from DHHS.

Labor Force Participation Rates for Parents with Children Under Age 6

Using Census Bureau data, labor force participation rates were identified for parents with children under age 6 in North Dakota. During the evaluation period, the workforce participation rate for parents with children under age 6 remained steady.

Workforce Participation Rates for Parents with Children Under Age 6*				
Year	**2021**	**2022**	**2023**	**2024**
Participation rate	85.0%	85.0%	85.1%	84.6%
*Based on data obtained from the Census Bureau.				

Data suggests challenges in finding or affording child care can affect workforce participation, particularly for lower-income families. According to the *2023-24 National Survey of Children's Health*, 8.6 percent of North Dakota respondents with children ages 0 to 5 reported a family member had quit a job, not taken a job, or greatly changed a job due to child care problems in the previous 12 months. Among North Dakota families with an income below 200 percent of the federal poverty level, the percentage increased to 15 percent.

The 2012 *Household Survey* conducted by the National Survey of Early Care and Education found most parents searching for care did so to support work or school participation, while lower-income families were less likely to find suitable child care and more likely to report affordability as a barrier. Census Bureau data from 2024 also shows mothers with children under age 6 participate in the workforce at lower rates than mothers with school-aged children.

Chapter 7: Recent Changes to Child Care Programs

The Department of Health and Human Services has projected a child care program budget shortfall. The department plans to transfer up to $23.4 million from Temporary Assistance for Needy Families Program funding from federal fiscal years 2025, 2026, and 2027 to child care assistance programs and made changes to economic assistance policy, payment rates, and quality initiatives. The budget and policy changes are outside the evaluation period. This chapter provides an overview of the recent policy changes.

Changes to the State Max Rate

The state max rate (SMR) establishes the total payment child care providers receive for providing services to CCAP participants. Some families may have to pay a remaining balance if their cost of care is more than the max rate. The SMR is determined by a provider's license type and the age of the child. The rates are updated by DHHS based on annual MRS data. The most recent change to SMR took effect January 1, 2026. Due to the projected budget shortfall for the 2025-27 biennium, rates were reduced for most provider types and age groups.

Changes to the SMR - Full-Time Care*

	Infant (Birth through 17 months)		Toddler (18 months through 35 months)		Preschool (36 months through 71 months)		Other (6 up to 13)	
Provider type	Previous	Current	Previous	Current	Previous	Current	Previous	Current
Center	$1,278	$1,240	$1,243	$1,124	$1,040	$940	$855	$800
Family/group	$980	$900	$980	$880	$823	$740	$812	$700
Self-declared/tribal registered	$646	$646	$600	$600	$588	$531	$569	$529
Approved relative	$422	$422	$398	$398	$388	$351	$374	$348

*Based on data obtained from DHHS.

Quality Rating and Improvement System Bonuses

Quality rating and improvement system bonuses, also referred to as quality tiers in CCAP, are an additional, separate payment to providers for meeting certain quality criteria. The payments are available only to providers caring for children participating in CCAP. Due to the projected budget shortfall during the 2025-27 biennium, DHHS adjusted CCAP QRIS bonuses. Changes to the QRIS bonuses for Bright & Early ND participants were effective January 1, 2026, and are summarized in the table below.

Changes to Child Care Assistance Program Quality Bonuses*

Prior to January 2026		Effective January 2026	
Step 1	Ineligible	Step 1	Ineligible
Step 2	5% of SMR	Step 2	Ineligible
Step 3	10% of SMR	Step 3	5% of SMR
Step 4	15% of SMR	Step 4	10% of SMR

*Based on data obtained from DHHS.

Infant and Toddler Bonus Payment

The infant and toddler bonus payment is available to all providers with a Bright & Early ND Step 2 or higher quality rating. Before January 1, 2026, infant and toddler bonus payments were paid to providers based on the number of CCAP recipients in their care, with providers receiving an additional payment equal to 30 percent of SMR for their provider type. Under the current structure, providers receive a $200 bonus payment per enrolled infant and a $115 bonus payment per enrolled toddler. The bonus is available for all infants and toddlers regardless of CCAP participation, provided the child is in attendance at least 40 hours per service month.

Child Care Assistance Program Waitlist and Attendance Requirements

Due to high demand for CCAP benefits and a projected budget shortfall, DHHS has implemented a waitlist for CCAP. Beginning December 1, 2025, applicants are placed on a waitlist with priority given to households experiencing homelessness or with income below 30 percent of the SMI.

In addition to implementing the waitlist, DHHS established a minimum attendance requirement for CCAP payments. As of April 1, 2026, children must attend child care for a minimum of 40 hours per service month to be eligible for CCAP benefits.

Effective April 1, 2026, DHHS updated CCAP policy to align with licensing standards provided in Sections 50-11.1-02(26)-(27), 50-11.1-02.1(1)-(3), and 50-11.1-03(1). Children are eligible for CCAP benefits through the month they turn age 12 and become ineligible the following month.

Chapter 8: Conclusion

During the evaluation period, DHHS made improvements to processes, incorporated evidence-based research into policy decisions, and directed new funding toward CCAP expansion, provider grants, and quality initiatives. The number of children receiving benefits from CCAP participation increased.

However, the evaluation was unable to establish a clear link between the additional funding and improved outcomes in several of the scope areas. Statewide licensed capacity remained relatively unchanged despite the additional funding. Due to lack of data, it could not be determined why some counties moved out of the desert classification and others did not, but decreasing estimated demand may be reducing child care shortage areas across the state. Child care costs continued to rise faster than inflation during the evaluation period, affecting affordability. Provider participation in quality initiatives increased, but the available data did not allow a determination whether the increased participation translated into improved outcomes for children.

The limited ability to determine effectiveness through the evaluation is attributable to DHHS not establishing specific, measurable, and time-bound goals, or the performance measures needed to identify progress toward the goals. Without this foundation, DHHS and the Legislative Assembly cannot readily determine whether current or future investments will achieve the intended purpose.

In response to a projected budget shortfall, DHHS made significant changes to CCAP payment rates and eligibility requirements in late 2025 and in early 2026. The changes occurred after the evaluation period and the effects are outside the scope of the evaluation.

The recommendations are intended to help DHHS build the structure needed to answer questions related to the success and effectiveness of child care programs in the future. Clearly defined program objectives, improved data quality and usability, and standardized documentation will provide the information necessary to appropriately evaluate the efficiency and effectiveness of North Dakota's child care programs.