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# SUSTAINABLE SOLUTIONS FOR TRANSFORMING CHILD CARE IN SOUTH DAKOTA

*South Dakota Child Care Task Force*

JANUARY 2025

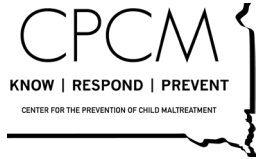
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The South Dakota Child Care Task Force thanks its funders, without whom this report would not have been possible.



This report is supported in part by the University of South Dakota, Center for the Prevention of Child Maltreatment (CPCM), through an Early Childhood Comprehensive Systems grant from the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS). The contents of these materials do not necessarily represent the official views of the University of South Dakota, CPCM, or HRSA.

# INTRODUCTION

## Context

South Dakota prides itself on being a family-friendly state and is home to 69,976 children aged five and under. The state added over [11,000 infants](#)<sup>1</sup> to its population in 2023. Recent [data](#) show that 72 percent of children five and under have all parents working, elevating the need for consistent access to quality, affordable child care in the state. National estimates place the licensed child care gap at about 30 percent, and in South Dakota, at 35 percent. For South Dakota's parents and employers, the lack of access to affordable child care poses an increasing threat to workforce participation. For the state, the child care deficit lowers workforce productivity, slows economic expansion, and is estimated to cause an annual loss of about \$329 million.<sup>2</sup>

The pandemic threw the need for formalization of the child care sector into sharp focus, when many child care programs struggled to survive, and parents struggled to continue to work due to care shortages. Systems of child care [governance](#)<sup>3</sup> vary widely across the country along a spectrum of coordinated, consolidated, and created systems. Coordinated approaches stitch together funding and oversight across different departments such as Health and Human Services, Social Services, and Education. About half of states, including South Dakota, fall into this category. Consolidated systems bring different child care components under one entity. Created systems dedicate a new agency to oversee all child care functions in a streamlined and sustainable manner; only 11 states in the nation have created a dedicated child care entity. Calls for systemic initiatives in child care became louder through and after the pandemic, with more states taking stock of their early care and education landscape as a step toward developing sustainable solutions to support children, families, employers, and their state's economic growth.<sup>4</sup>

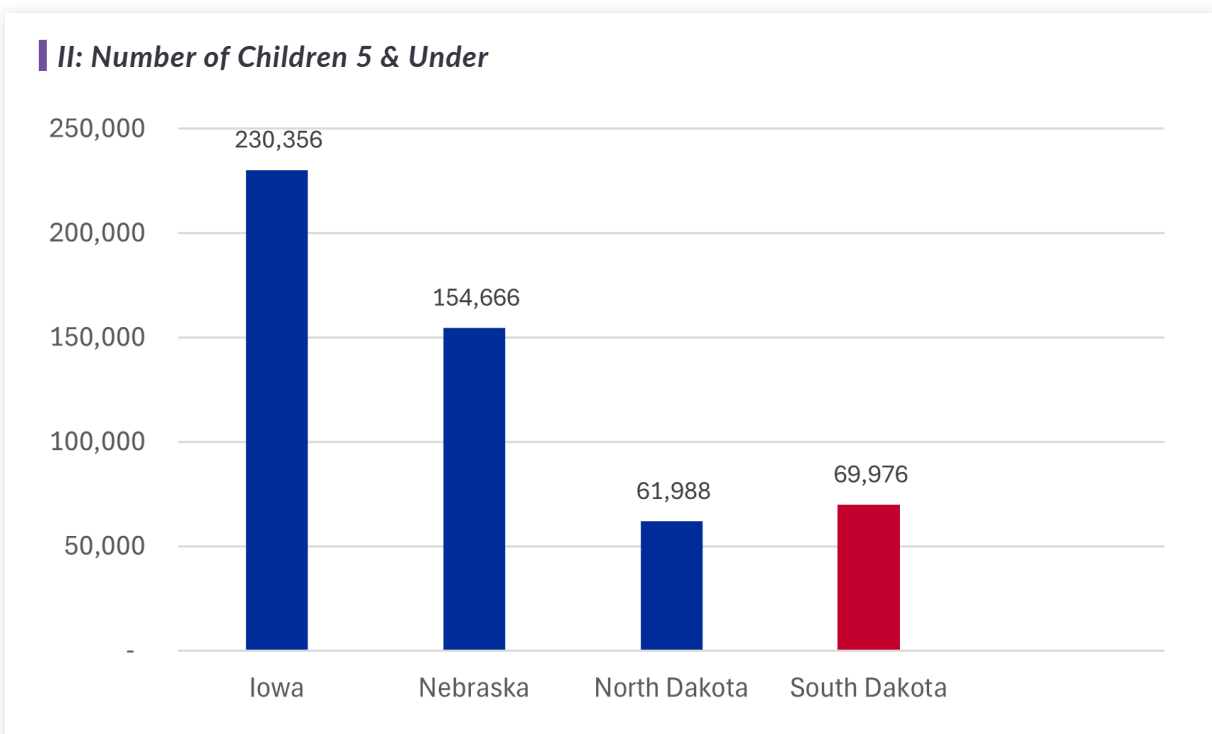
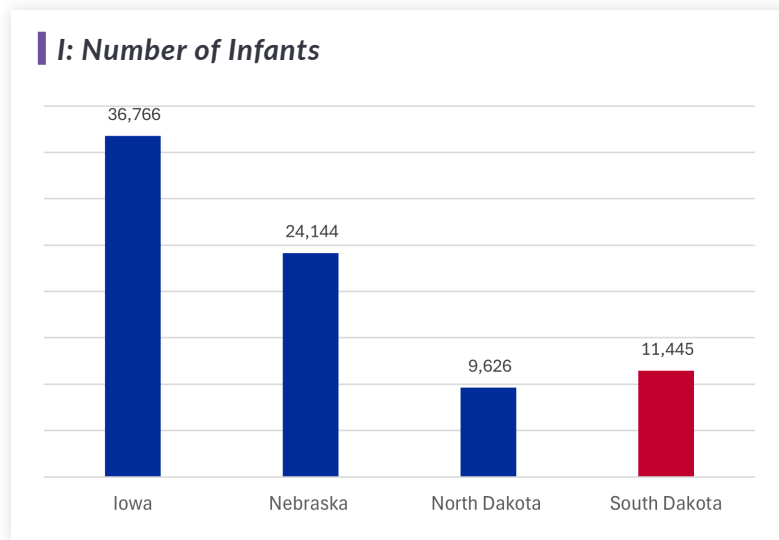
The South Dakota Child Care Task Force was launched in 2023 and convenes varied stakeholders including policymakers, early childhood experts, child care agencies representing child care centers and Family Child Care homes, and representatives from philanthropy and higher education. The purpose of the Task Force is to develop practical and sustainable solutions to the state's child care crisis that are aligned with the state's economic, political, and cultural landscape. [The Hunt Institute](#),<sup>5</sup> a nonpartisan educational policy institute established by four-term North Carolina Governor James B. Hunt, is a trusted technical assistance partner to states, supporting policy initiatives in child care and early learning, K-12 education, teacher diversity, and higher education. This report was developed by the South Dakota Child Care Task Force and The Hunt Institute to lay the groundwork for stakeholders in South Dakota to develop effective solutions to the lingering child care deficit in the state.

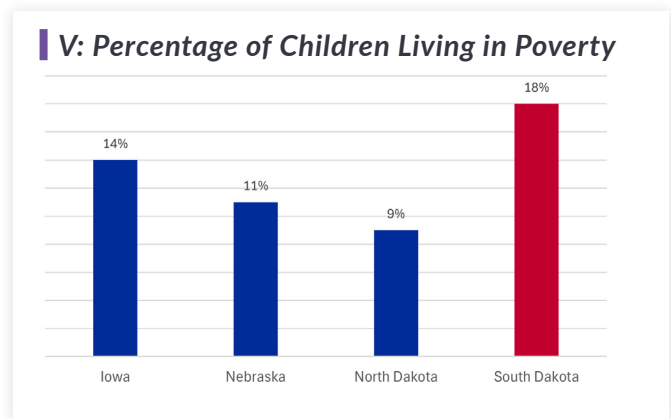
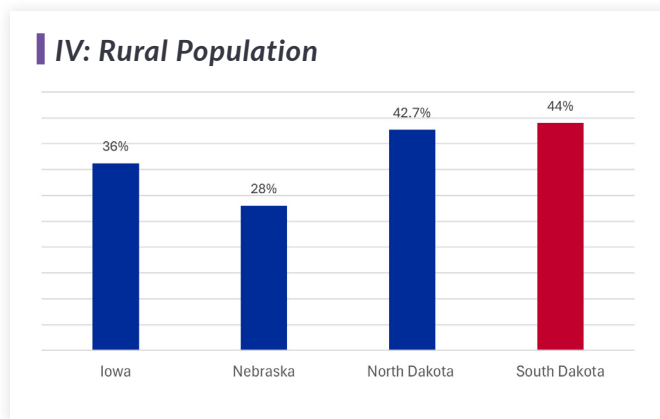
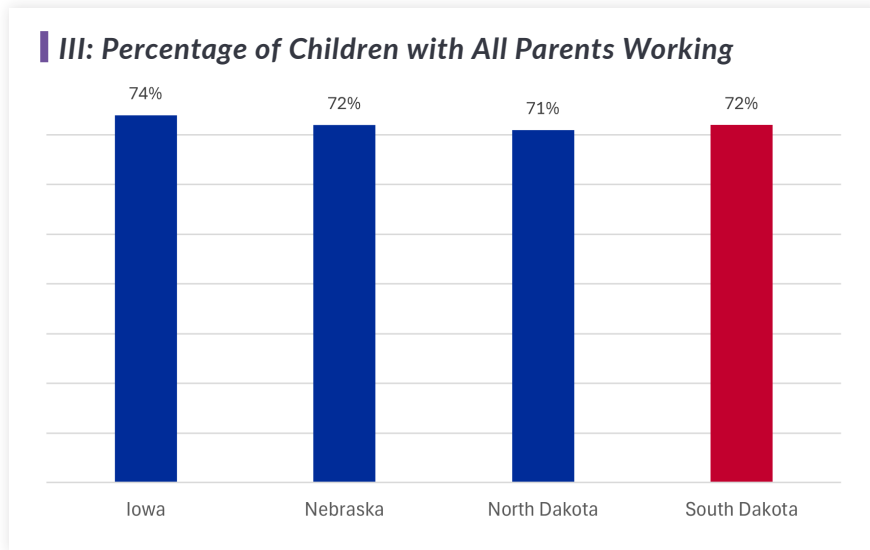
The first chapter provides a summary of key indicators relating to children aged five and under in the state; shows how child care is connected to optimal early development, parental workforce participation, and the state's economic productivity; and describes the main public programs and allocations influencing the child care landscape in the state. The chapters that follow provide an in-depth look at child care in South Dakota, with data drawn from national databases as well as state surveys. Profiles of promising initiatives in the state are included within each chapter, illustrating how local stakeholders developed innovative solutions to child care deficits in their regions. A chapter on the early childhood workforce summarizes challenges faced by this key workforce, along with examples from neighboring states on initiatives to strengthen workforce compensation and qualifications as strategies to reduce attrition and improve the quality of care. The report ends with concrete recommendations for improving child care in South Dakota in ways that strengthen social and economic outcomes for children, families, and communities.



## Children and Families in South Dakota

There were about 11,000<sup>6</sup> children born in the state in 2023 (Figure I), and just under 70,000<sup>7</sup> children aged five and under (Figure II). The majority of 72 percent<sup>8</sup> or over 50,000 children aged five and under have all parents working (Figure III). The state rural population is 44 percent<sup>9</sup> (Figure IV), and almost one in five<sup>10</sup> children live in poverty (Figure V). Comparisons of South Dakota with neighboring states like Iowa,<sup>11</sup> Nebraska,<sup>12</sup> and North Dakota,<sup>13</sup> show that North and South Dakota are similar in the numbers of infants, numbers of children aged five and under, and the percentage of their populations that live in rural areas. South Dakota's percentage of children living in poverty is higher than its neighbors.





## Types of Child Care Programs

Child care in South Dakota occurs in a [variety of settings](#),<sup>14</sup> including Family, Friend, and Neighbor care, Family Child Care, Center-based care, Early Head Start and Head Start centers, and in preschool. In this report, they are referred to as child care settings or programs.

**Family, Friend, and Neighbor (FFN)** care occurs in the provider’s home and is typically unlicensed. This setting offers flexibility in hours, is less expensive, and relies on individuals’ social networks to provide care (including relatives, friends, neighbors, or nannies).

**Family Child Care (FCC)** occurs in homes in which one or two early educators support a small group of mixed-age children. These settings are usually registered and often reflect families’ cultural and linguistic background and offer care at non-traditional hours.

**Child Care Centers** operate out of commercial buildings and usually enroll a larger number of children. Centers typically group children by age, providing classroom environments. These programs are often the field’s most heavily regulated.

**Early Head Start and Head Start** are federally funded, community-based programs serving infants, toddlers, and preschool-aged children from low-income families and/or children who experience other risk factors.





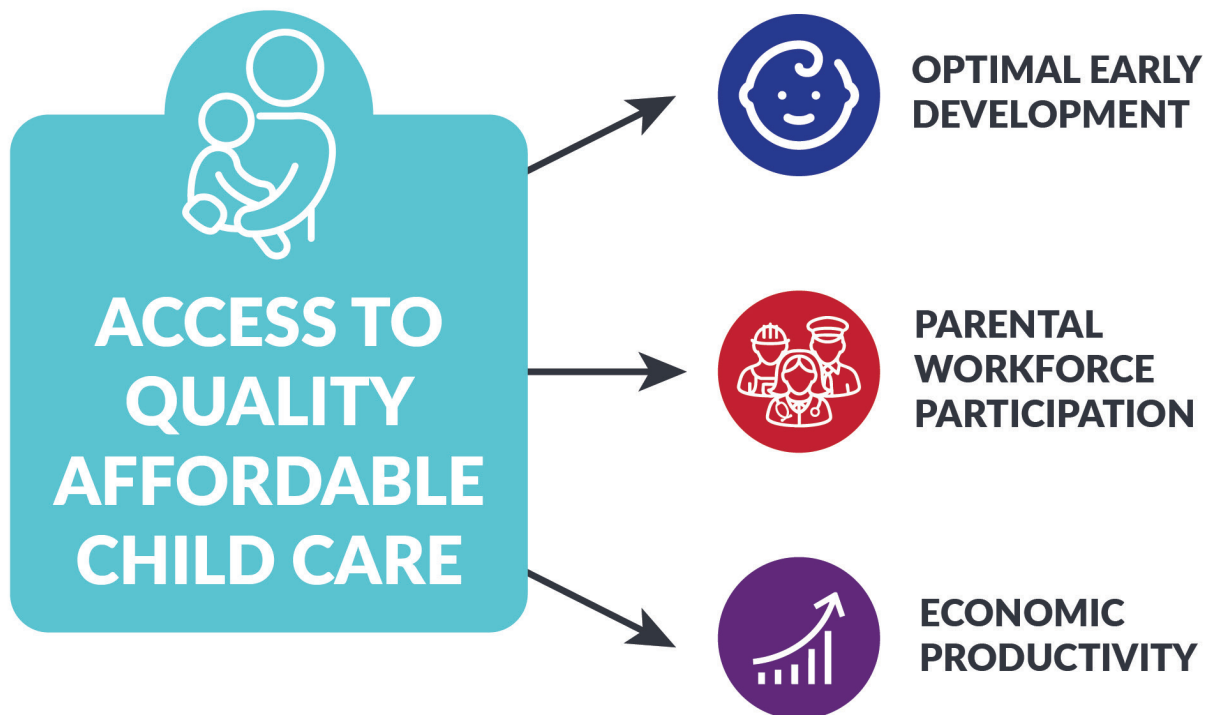
**Preschool** is offered via mixed-delivery models that include the participation of school districts, private, and community and faith-based programs, which often also provide child care for infants and toddlers in the same location. In South Dakota, private preschool settings can be licensed or unlicensed.

Estimates show that there is a shortfall of 35 percent<sup>15</sup> in access to licensed care. There are over 2000 sole proprietorships<sup>16</sup> in South Dakota, usually unlicensed FFN care providers, who at least partially fill this gap.

## The Critical Importance of Child Care

The US Chamber of Commerce states, “The childcare (sic) sector is critical to the American economy. Not only does childcare generate its own economic output, but since it ensures working parents can go to work, childcare also supports every other industry. In other words, when the childcare systems are strong, it boosts other sectors, too. However, childcare in this country needs attention as there is an opportunity for meaningful improvements.”<sup>17</sup> Child care plays an important role in children’s early development, parental workforce participation, and the state’s economic productivity (Figure I). Research shows that the experiences children have early in life, including safe and supportive environments and stable relationships with adults, are crucial for brain development. Child care helps parents stay in the workforce and supports the economic security of families. It also supports parents and caregivers who are working, training, or pursuing an education. Reliable child care can help workers avoid disruptions that can lead to costly productivity losses for employers.

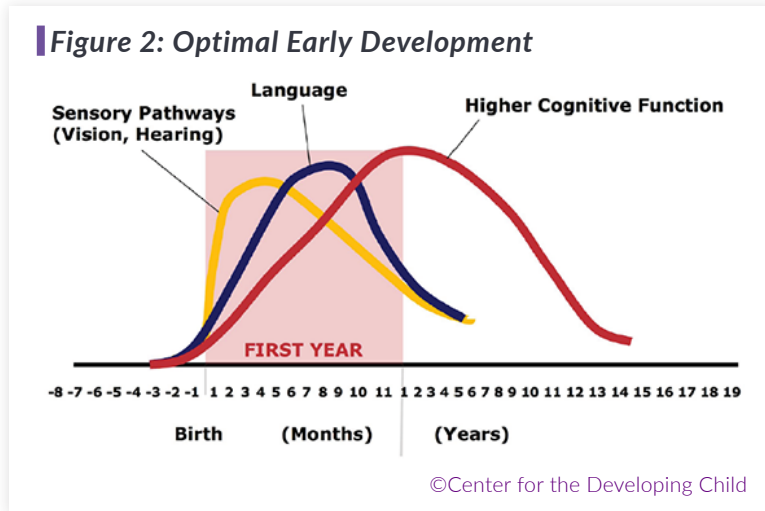
**Figure 1: The Critical Importance of Child Care**



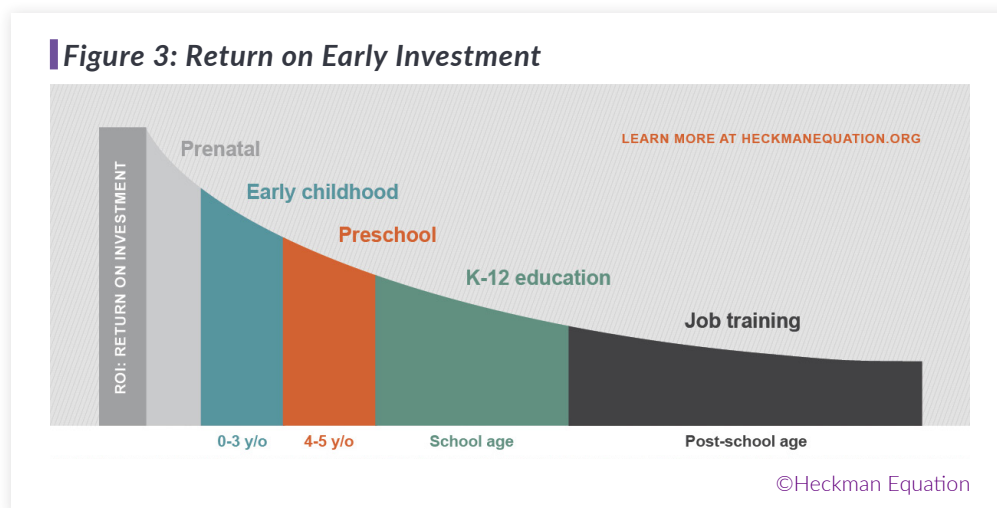
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## OPTIMAL EARLY DEVELOPMENT

As stated earlier, 72 percent of children aged five and under in South Dakota have all parents working. High quality child care can ensure the consistent exposure to language-rich environments that are essential for young children to develop robust networks of neural connectivity that support their academic and life [success](#)<sup>18</sup> for decades to come. Such development happens [iteratively](#)<sup>19</sup> through interactions with nurturing adults. Policies that promote optimal conditions for early development positively influence the trajectory of children’s school and life outcomes. [Figure 2](#)<sup>20</sup> shows how vision, hearing, language and higher cognitive development occur sequentially, with 90 percent of brain development happening from birth to five.



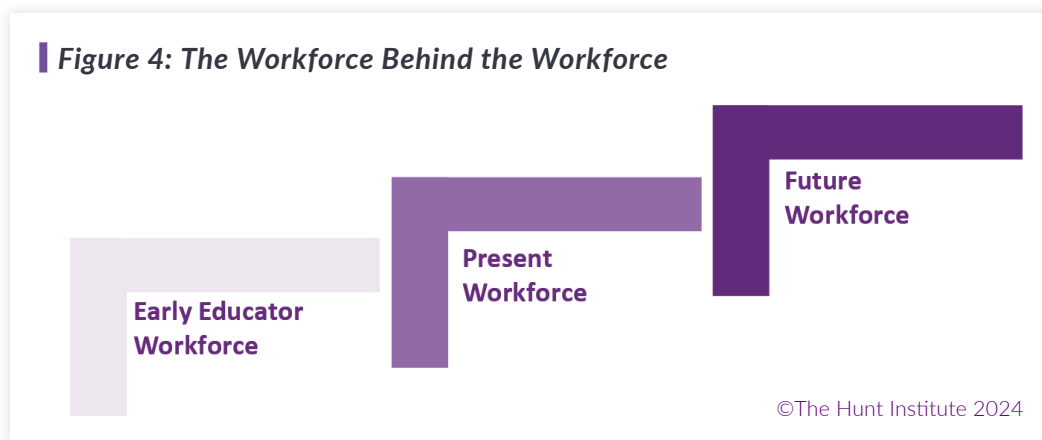
**Return on investment of optimal early development:** The absence of stimulating early experiences can have adverse results. [Studies](#)<sup>21</sup> show that disparities in cognitive development, health, and social-emotional development are evident at nine months and increase by 24 months. Through a longitudinal study of the Perry Preschool Project, the Heckman Equation [demonstrates](#)<sup>22</sup> how early childhood investment can minimize [adverse](#)<sup>23</sup> childhood experiences and enhance the potential of an individual to contribute positively to their families, societies, and the economy. The Perry Preschool, a high-quality program for 3–5-year-olds developed in Michigan in the 1960s, showed a return to society of between about \$7 and \$12 for each \$1 invested. [Figure 3](#)<sup>24</sup> shows that the greatest return on investment is associated with programs supporting early development.



Recent meta-analyses continue to show that [savings](#)<sup>25</sup> from investing early are reaped across education and social service systems in the form of reductions in grade retention, special education, welfare supports and incarceration as well as increases in employment and taxpaying ability. According to [The Center for High Impact Philanthropy](#),<sup>26</sup> high quality early childhood programs can yield a \$4–\$9 dollar return per \$1 invested. The First Five Years Fund summarizes the [lifelong gains](#)<sup>27</sup> of early education as reducing opportunity gaps, and improving graduation rates, economic stability, health outcomes, and parenting practices.

## PARENTAL WORKFORCE PARTICIPATION

Child care shortages restrict parental participation in the workforce, which in turn can strain [family finances](#),<sup>28</sup> decrease taxpaying ability, and increase the need for public support. Figure 4 shows why early educators are the “workforce [behind](#)<sup>29</sup> the workforce.” They allow parents to stay in the workforce, even as they support early development of the future workforce. However, early educators are paid about [\\$12.67 per hour](#)<sup>30</sup> on average in South Dakota, which makes them one of the lowest paid professions in the state; the average living wage for an individual in the state is [\\$19.58](#).<sup>31</sup> Policies that help attract early educators to the field and keep them [engaged](#)<sup>32</sup> through supplementing wages and providing benefits are needed to address widespread burnout and [attrition](#)<sup>33</sup> in the sector. Recent data on statewide attrition rates for early educators are not available, but data from 2021 point to an attrition rate of 41 percent (for full time early educators in licensed settings) which jeopardizes consistent care of young children and workforce participation of their parents.



## ECONOMIC PRODUCTIVITY

The recent [Child Care Workforce Study](#) report<sup>35</sup> from the South Dakota Department of Social Services (DSS) highlights the importance of child care to South Dakota’s strong economy, which currently enjoys the lowest unemployment rate in the nation. According to the report, an estimated 6000 child care professionals or early educators are employed in this critical sector, and are key to ensuring that children thrive, parents work, and the state continues to grow its economy. The report concludes that current levels of child care compensation may pose challenges to staffing centers and retaining the workforce, widening child care gaps. Significant child care gaps slow down economic productivity. An [analysis](#)<sup>36</sup> of the economic impacts of insufficient child care shows that the national economy loses about \$122 billion annually, with families losing \$78 billion in income, businesses losing \$23 billion in turnover, and the state losing \$21 billion in taxes on income and goods. For South Dakota, the annual economic impact of infant and toddler child care deficits is estimated to be \$329 million.

# Governance of Child Care in South Dakota

[Solutions](#)<sup>37</sup> to the child care shortages in other states have typically engaged the key stakeholders in this sector including public entities governing state-level child care initiatives. Early childhood governance in South Dakota primarily rests with the [Department of Social Services](#) (DSS),<sup>38</sup> which oversees child care licensing and child care financial assistance. The [Department of Education](#)<sup>39</sup> manages the Head Start Collaboration Office and the Child and Adult Care Food Program and Special Education Programs. The [Department of Health](#)<sup>40</sup> is responsible for three federally funded home visiting programs.

**Table I: Governance of Early Childhood Programs in South Dakota**

| State Agency                  | State Office  | Federal Agency   |
|-------------------------------|---|--|
| Department of Social Services | <p><i>Division of Economic Assistance</i></p> <p>*Child Care Assistance</p> <p><i>Office of Licensing and Accreditation</i></p> <p>*Child Care Quality</p>  | <p><b>Administration for Children and Families</b></p> <p>*Office of Child Care</p> <p>*Child Care and Development Block Grant</p>   |
| Department of Education       | <p><i>Head State Collaboration Office</i></p> <p><i>Child and Adult Care Food Program</i></p> <p><i>Special Education: Preschool Section Part B 619</i></p> <p><i>Birth to Three/Special Education Programs: Part C</i></p> | <p><b>Administration of Children and Families + Office of Head Start</b></p> <p><b>US Department of Agriculture</b></p> <p><b>US Department of Education</b></p> <p>*Office of Special Education</p> |
| Department of Health          | <p><i>Bright Start Home Visiting Program</i></p> <p><i>Families First Home Visiting Program</i></p> <p><i>Parents as Teachers</i></p>   | <p><b>Health Resources and Services Administration</b></p> <p>*Maternal, Infant, and Early Childhood Home Visiting</p>   |

## DEPARTMENT OF SOCIAL SERVICES: CHILD CARE PROGRAMS

The following are key child care-related programs of the agency:

[South Dakota Benefits Eligibility and Enrollment System \(BEES\)](#)<sup>41</sup> – Benefits Eligibility Enrollment System (BEES) is the modernized system for Medicaid application, eligibility, and enrollment. BEES successfully launched in March 2024. The Child Care Assistance Program will be integrated in early 2026 during the second phase of system modernization utilizing the BEES platform. BEES will provide both a parent portal, which will allow parents and caregivers to apply and correspond with DSS staff, and a portal for child care owners and administrators, where they can access information, submit reimbursement requests, and correspond with DSS staff.



**[Early Childhood Enrichment \(ECE\) Program](#)**<sup>42</sup> – South Dakota has five ECE offices located in Rapid City, Pierre, Aberdeen, Sioux Falls, and Brookings, which serve urban, rural, and frontier areas within these regions. Each office provides educational, coaching and technical assistance services required for licensing, which are also available to unregulated child care settings. Most child care programs are concentrated around Sioux Falls and Rapid City, while others are spread throughout the state. ECE offices offer in-person and virtual services to provide access for child care programs in remote areas. Professional development series and qualifications opportunities are also offered.

**[Quality Recognition and Information System \(QRIS\)](#)**<sup>43</sup> – DSS contracted with South Dakota State University (SDSU) to establish a QRIS pilot in 2022. The Quality Collaborative formed at SDSU to identify frameworks, develop and pilot a four-level building block approach to support quality improvement, and based on learnings from the pilot, inform statewide implementation of QRIS. Frameworks will be varied for child care centers, Family Child Care, and Out-of-School-Time (OST) settings. The pilot was conducted with a sample of 50 treatment and control child care settings representing urban, rural, frontier, and tribal regions as well as the five ECE regions. A highlight of the system is that it will make it easier for parents to find quality care in their region.

Alongside systemic programs such as child care assistance and licensing, DSS also published a [Cost of Care Study](#)<sup>44</sup> required for reapplication to the Child Care and Development Block Grant, and a [Child Care Workforce Study](#)<sup>45</sup> assessing remuneration, qualifications, and attrition in the early education workforce that can support evidence-based child care initiatives in the state.

## STATE CHILD CARE GRANT PROGRAMS

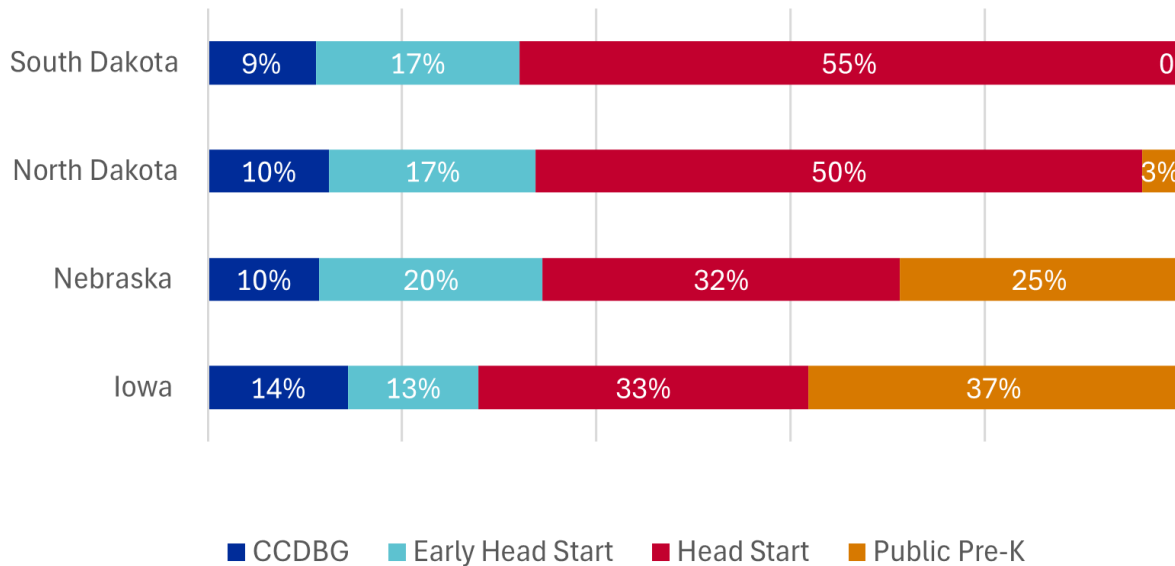
The pandemic saw an influx of American Rescue Plan Act (ARPA) funds into the state that were channeled into grant programs for stabilizing and expanding the child care sector in South Dakota during a time when child care businesses were struggling to survive. The [Governor's Office of Economic Development](#)<sup>46</sup> offered two rounds of funding, beginning in 2023, that supported 28 recipients totaling \$1.3 million in the planning phase and 13 recipients totaling \$3.7 million in the implementation phase. Focused on community-based child care solutions, grants were awarded to partnerships that developed sustainable approaches to addressing child care deficits.

In 2021-2022, DSS launched the Stabilization Grant program through which over \$60 million was awarded to 707 Family Child Care homes, Group child care, center-based care, and school-aged care programs. The Start-up and Expansion grant program awarded \$15 million to 119 child care programs.

## SUMMARY OF FEDERAL AND STATE FUNDING FOR CHILD CARE

The building blocks of public funding for early education are the Child Care and Development Block Grant (CCDBG), Early Head Start and Head Start, and funding for public preschool. Figure VI shows that in South Dakota, CCDBG covers [nine percent](#)<sup>47</sup> of children who fall into this income category, Early Head Start reaches 17 percent, and Head Start reaches over half of eligible children. South Dakota does not yet offer public [preschool](#),<sup>48</sup> although over [3,200](#)<sup>49</sup> students are enrolled in Pre-K programs that are supported by braiding funding from public, philanthropic, and other local sources. [School Administrators South Dakota \(SASD\)](#),<sup>50</sup> an educational nonprofit, provides technical assistance and professional development to preschool initiatives across the state. [Comparison](#)<sup>51</sup> states are similar on CCDBG and Early Head Start coverage. North and South Dakota reach more children eligible for Head Start than the other states, while Nebraska and Iowa provide public preschool to more eligible children.

## VI: State and Federal Funding for Child Care and Early Learning



## Conclusion

Over 70 percent of young children in South Dakota, a significant majority, have all parents working. Over 40 percent of the population live in rural areas, and almost 20 percent of young children live in low income families. South Dakota must meet the challenge of increasing access to high quality, affordable child care across the state to support healthy development of young children, employment and stability of their families, and ensure that the state economy continues to thrive. Positive early development yields long term gains in children's school readiness, academic achievement, graduation rates, future employment, and positive contributions to families and communities. It reduces the need for public investment in supplemental and corrective programs. It supports parental workforce participation and productivity. The child care gap is detrimental to the state economy and has an annual economic impact of \$329 million.

The first chapter of the report provided a summary of key indicators on families with children aged five and under in the state, types of child care, the critical importance of child care, and governance of child care programs. The chapters that follow provide an in-depth look at access, affordability, and the early educator workforce in South Dakota, with current data drawn from national databases, recent DSS reports on cost models and the early childhood workforce, a survey of child care owners/administrators and parents conducted by South Dakota State University Extension, and child care surveys conducted by the Klein Visioneering Group. Profiles of promising child care solutions led by local stakeholders are included in every chapter. Examples from Brookings and Gregory showcase initiatives to improve access to care. An example from Rapid City highlights a scholarship program and a shared cost model that helped reduce the price of child care for families. From Sioux Falls comes an example of high quality child care, and examples from Iowa and Nebraska show the power of public investment in strengthening the child care sector through cost-sharing, compensation, and credentialing initiatives. The conclusion provides concrete recommendations for sustainably improving access to affordable, quality care in South Dakota. Two appendices follow: Appendix I provides a comprehensive glossary defining key terms in the report and Appendix II outlines core concepts and data pertinent to school-aged care.

## ENDNOTES

- <sup>1</sup> Kids Count Data Center. Child population by single year of age in South Dakota. Author. <https://datacenter.aecf.org/data/tables/10689-child-population-by-single-year-of-age?loc=43&loct=2#detailed/2/any/false/2545/555/20493>
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- <sup>17</sup> Melhorn, S.F. (2024). Understanding America's labor shortage: The impact of scarce and costly childcare. U.S. Chamber of Commerce. <https://www.uschamber.com/workforce/understanding-americas-labor-shortage-the-scarce-and-costly-childcare-issue#:~:text=The%20childcare%20sector%20is%20critical,affordable%20and%20accessible%20childcare%20remains.>
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## II. IMPROVING ACCESS TO CHILD CARE IN SOUTH DAKOTA

### BROOKINGS CHILD CARE COLLABORATIVE

The Brookings Economic Development Corporation (BEDC)<sup>1</sup> is focused on advancing the region's economy. When employers in the area named access to child care as their employees' greatest obstacle to workforce participation of their employees, BEDC, as a first step, began conducting research on this sector. The Corporation launched a formal Workforce Survey in 2019 to learn more about the impact of child care shortages on employment and began developing partnerships with a wide array of organizations representing the fields of health, mental health, education, child care, and economic development to develop a comprehensive solution to improve access. Soon these partnerships coalesced into the Brookings Early Care and Education Collaborative (BECEC). By 2022, BECEC had a child care supply plan that identified the need to create 900 slots in Brookings County, including 495 slots in the city of Brookings.

The inflow of ARPA funds allowed the Brookings City Council to provide the Corporation with \$580,000 to develop a sustainable child care solution for the area. As BEDC was considering the possibility of launching a new facility, the Brookings School District (BSD) decided to integrate preschool classrooms in three buildings. The Boys and Girls Club (BGC), another partner, was already offering preschool and school-aged care and expressed an interest in transitioning its preschool program to the district and redesigning its facilities to offer care for infants and toddlers. Together, the Corporation, BSD and BGC formed the Brookings Child Care Collaborative (BCCC). The Fishback Center for Early Childhood Education at South Dakota State University joined the Collaborative as a technical assistance partner. The Collaborative was successful in procuring an additional \$1 million in public and philanthropic investment and will wrap up Phase One by offering care across four locations from 6 AM to 6 PM for 130 infants and toddlers and 230 preschoolers. Pre-K slots are already open in three elementary schools, and the infant and toddler slots will open later this year.

This approach to increasing child care slots through partnerships with established child care programs meant that the Collaborative could increase access, while saving on overhead and ensuring that early educators are paid at a rate that could improve workforce stability. As the program matures, the Collaborative is focused on implementing consistent policies and curricula across all four sites. The Fishback Center for Early Childhood Education at South Dakota State University will offer early educators access to internships and courses. Preschool teachers will have access to professional development, curriculum, and other resources through the school district. The Boys and Girls Club, lauded for its high-quality offerings, will develop a standards-based approach for its Birth to Two program. BECEC is actively seeking support from business and community stakeholders to sustain and scale its operations.



# Increasing Access to Care for Working Families with Young Children

Child care is considered [accessible](#)<sup>2</sup> if parents can enroll their child in an arrangement that supports the child’s development and meets the parents’ needs for care in a reasonable and affordable manner. National data show that many states experience a deficit of licensed child care. Shortfalls in access to child care are caused when the demand for care outstrips its supply in a region. Such deficits are partially caused by the [unstable business model](#)<sup>3</sup> underlying the provision of care, which can be a barrier to expansion of child care capacity and lead to child care closures. The child care business model is inherently imbalanced as the true cost of providing care to families is often higher than the price that families can afford to pay for this care. The work of caring for children can be strenuous, and profit margins for child care operators are low or non-existent. The cost of infant and toddler care is [especially high](#)<sup>4</sup> due to the smaller class sizes and the intensive care this age group needs. This chapter references current cost data from the 2024 DSS [Child Care Market Rate Survey: Cost of Care Report](#)<sup>5</sup> and cost models calculated by Klein Visioneering Group<sup>6</sup> that illustrate concerns about funding gaps that challenge long-term viability and growth of child care settings.

The financial strain on child care operators is also at the root of challenges faced in staffing child care settings. The high cost of providing care, which includes salaries and wages alongside space, material, and other costs, cause the compensation of early educators to [skew low](#)<sup>7</sup>. Comparisons show that early educators, on average, are some of the [lowest paid professionals](#)<sup>8</sup> in the country, and rarely have access to paid time off or health benefits. Low compensation combined with demanding work frequently causes burnout in this workforce, leading to high rates of [attrition](#)<sup>9</sup>. This chapter includes data on the compensation of early educators relative to that of elementary school teachers and other comparisons.

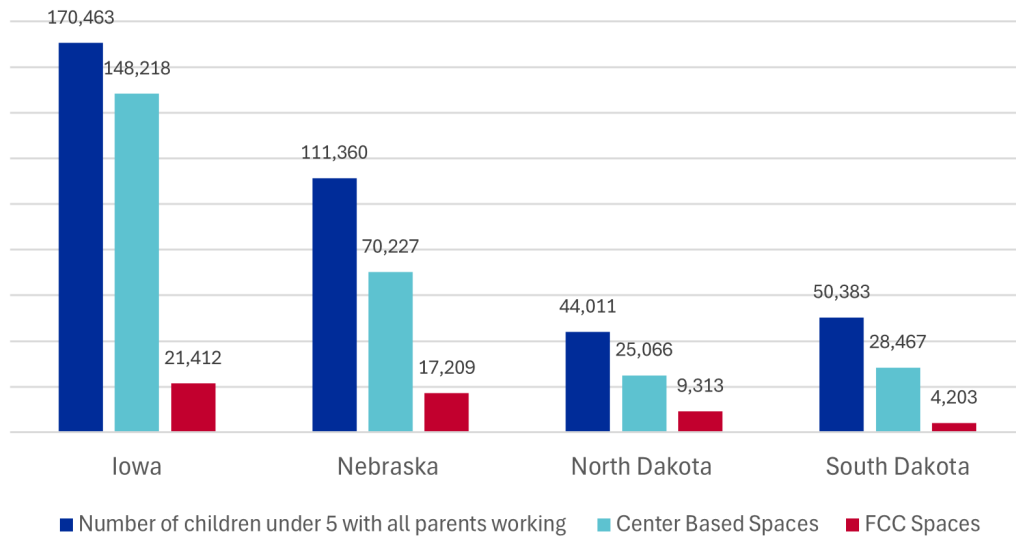
South Dakota Kids Count describes child care in South Dakota as a [patchwork](#)<sup>10</sup> of regulated and unregulated care. Table II shows that for children aged five and under, there is an estimated shortfall of 35 percent in licensed center-based and FCC spaces, as compared to the number of children with all parents working. Data from the Census shows that there are around [2,200](#)<sup>11</sup> sole proprietorships that offer child care across the state, with a concentration of child care programs in Minnehaha and Pennington counties. A county-based [analysis](#)<sup>12</sup> of child care spaces by Early Learner South Dakota shows uneven availability in South Dakota’s rural swathes. There are counties with no licensed care, counties with scattered availability, and a concentration of care in urban counties. Graph VII compares [access to licensed spaces](#)<sup>13</sup> across South Dakota and its neighbors, showing that Iowa, Nebraska, and North Dakota also experience shortfalls in access to licensed child care spaces.

**Table II: Estimated Licensed Child Care Gap**

| Center-Based Spaces                        | FCC Spaces | Total Licensed Spaces for Children Aged 5 and Under | Children Aged 5 and Under with All Parents Working |
|--|------------|---|--|
| 28,467                                     | 4,203      | 32,670  | 50,283   |
| <b>Estimated Gap in Licensed Care: 35%</b> |            |   |  |



### VII: Access to Licensed Child Care Spaces



## Cost Models in Child Care

[Cost modeling](#)<sup>14</sup> is a tool that helps estimate expenses and revenues for operating businesses. Cost modeling in early childhood is designed to understand the comprehensive cost, or the “true cost,” of providing care to better align costs and revenues to stabilize the sector. At the provider level, costs include space, materials, salaries, and other expenses, while revenue includes tuition, child care assistance, public food program reimbursements, grants, donations, and other income. Table III lists general costs and revenues that factor into cost models of child care settings, and Tables IV and V represent actual annual cost and revenue breakdowns from a child care center and an FCC, developed through interviews with administrators from these settings.

**Table III: Typical Costs and Revenue in a Provider Cost Model**

| Costs   | Revenue   |
|---|---|
| <ul style="list-style-type: none"> <li>• Space (rent)</li> <li>• Safety and health requirements</li> <li>• Educational materials</li> <li>• Salaries</li> <li>• Benefits</li> <li>• Professional learning opportunities</li> <li>• Administrative Costs</li> <li>• Insurance</li> </ul> | <ul style="list-style-type: none"> <li>• Tuition and fees by age group for enrolled children (size of business)</li> <li>• Child care subsidies</li> <li>• Other public funding (e.g., food program)</li> <li>• Business partnerships</li> <li>• Grants</li> <li>• Donations</li> </ul> |

Tables IV presents a breakdown of the annual costs and revenues for a child care center in an urban part of South Dakota that serves children between birth and three years of age. The biggest cost for the child care center was salaries (61 percent) and the most revenue came from child care assistance (77.5 percent).

**Table IV: Breakdown of Annual Costs and Revenue Percentages for a Child Care Center**

| Costs   | Cost (%) | Revenue                                   | Revenue (%) |
|---|----------|---|-------------|
| Space (occupancy cost, insurance, utilities)                        | 10.5%    | Tuition and Fees (0-3)                    | 21%         |
| Safety and Health Requirements (Most are included with other costs) | 1%       | Federal Child Care Assistance (0-3)       | 77.5%       |
| Education Materials   | 8.4%     | Other Public Funding (e.g., food program) | 0%          |
| Salaries (Admin)  | 4.7%     | Business Partnerships                     | 1%          |
| Salaries (Educators)  | 61%      | Individual Donations                      | .5%         |
| Benefits  | 11.9%    |   |             |
| Food  | 1%       |   |             |
| Professional Development  | 1.5%     |   |             |

Table V presents a breakdown of the annual costs and revenues for an FCC home in an urban part of South Dakota. The biggest cost is salaries. Costs related to space, taxes, and utilities are shared with the FCC owner's household, and are calculated at 40 percent of the total. Labeled a [time space percentage](#)<sup>15</sup>, the ratio can vary from 30-50 percent, depending on enrollment.

**Table V: Annual Breakdown of Costs and Revenue Percentages for an FCC Home**

| Costs                               | Cost % | Revenue                                   | Revenue % |
|-------------------------------------|--------|---|-----------|
| Space (mortgage, taxes, repairs)    | 12.7%  | Tuition, Fees, and Child Care Assistance  | 87.8%     |
| Utilities (gas, electric, internet) | 3.9%   | Other Public Funding (e.g., food program) | 12.1%     |
| Advertising                         | 0.5%   |   |           |
| Insurance                           | 0.9%   |   |           |
| Curriculum and Education Materials  | 4.4%   |   |           |
| Food                                | 18.6%  |   |           |
| Training and Professional Expense   | 2.0%   |   |           |
| Cleaning Services and Supplies      | 9.3%   |   |           |
| Payroll (owner)                     | 44.8%  |   |           |
| Vehicle Expenses                    | 2.3%   |   |           |



## Findings from the 2024 Cost of Care Study

DSS commissioned a study on the cost of care that meets minimum standards as well as meets the highest standards prescribed by the statewide QRIS (discussed in Chapter I). The study included a representative sample of child care settings, including licensed centers, FCC homes, and school-aged care. The [report](#)<sup>16</sup> shows, through a cost analysis by geographic region and type of care, that child care centers operate with funding gaps or low profit margins. Table VI summarizes findings that show that net revenue is negative for child care centers, and ranges from 20–25 percent for FCC homes. A limitation of the study is that it does not include cost of care estimates for the highest quality of care, factoring in wage parity, benefits for early educators, and quality programming. Net revenues are likely to be lower for these estimates.

**Table VI: Model Costs, Revenues, and Net Revenues for Licensed Child Care**

| Geography | Child Care Center: Costs | Child Care Center: Revenue | Center: Net Revenue | FCC: Costs | FCC: Revenue | FCC: Net Revenue |
|-----------|--------------------------|----------------------------|---------------------|------------|--------------|------------------|
| Rural     | \$927,353                | \$688,486                  | -\$238,877          | \$71,093   | \$93,861     | +\$22,768        |
| Urban     | \$1,145,133              | \$1,111,477                | -\$33,656           | \$79,991   | \$101,978    | +\$21,987        |
| Suburban  | \$926,062                | \$910,428                  | -\$15,634           | \$73,825   | \$91,823     | +\$17,998        |

## Understanding the Funding Gap

As seen in Tables IV and V, the largest cost incurred by the two child care settings is salaries. The following analysis of cost models of a child care center and an FCC home, courtesy of the Klein Visioneering Group<sup>17</sup>, contrasts annual costs and revenues and shows that both settings operate on deficits. Annual deficits can challenge viability of a child care business, potentially jeopardizing reliable access to care for families who rely on them. Licensed child care settings can have higher staff-child ratios for preschool and school-aged care and lower staff-child ratios for care of infant and toddlers. Table VII illustrates the lower staff-child ratios for infants and toddlers in licensed settings, as compared to the higher ratio for preschoolers. Mixed aged child care settings allow funding gaps in infant and toddler care to be covered by revenue from the care of older children. Other mechanisms through which child care owners meet funding gaps is by seeking donations and grants that help pay for staff bonuses, professional development, additional materials, and routine maintenance of their spaces. While these measures alleviate funding gaps, the inherent challenges in providing care for younger children can disincentivize child care owners from continuing to provide infant and toddler care.

**Table VII: Staff-Child Ratios in Licensed Child Care Settings in South Dakota**

| Ratios                                       | Infants | Toddlers | Preschoolers | Requirement |
|--|---------|----------|--------------|-------------|
| State Ratios                                 | 1:5     | 1:5      | 1:10         | Yes         |
| <a href="#">NAEYC Standard</a> <sup>15</sup> | 1:4     | 1:6      | 1:10         | Yes         |



Table VIII represents cost data from a child care center in South Dakota which serves 30 infants, 60 toddlers, and 90 preschoolers. The center utilizes 6 infant teachers, 12 toddler teachers, and 9 preschool teachers. All teachers receive a small benefits package of 6.8 percent of their compensation. Lead teachers are paid \$20 per hour and assistant teachers are paid \$15 per hour. All teachers work full time. The center has two administrative staff, a director, and a site coordinator. The director earns \$45,000 per year and the site coordinator earns \$32,000 per year. Monthly costs related to the physical space are fully subsidized and excluded from the calculations. Table VIII shows that the projected net income for this center at both the affordable rate of care recommended by the [Office of Child Care](#)<sup>18</sup>, no more than 7% of the median family income, and the market rate. The market rate is currently calculated using the 75th percentile of the [South Dakota Child Care Market Rate Report](#)<sup>19</sup>. Table VII shows that there are net deficits, as the cost of care is more than the market rate, and much more than the affordable rate.

**Table VIII: Projected Net Operating Income**

| Rate                   | Total Annual Revenue | Total Annual Expenses |           |               | 1-Year Net Revenue |
|------------------------|----------------------|-----------------------|-----------|---------------|--------------------|
|                        |                      | Total                 | Personnel | Non-Personnel |                    |
| <b>Affordable Rate</b> | \$1,104,809          | \$1,601,783           | 77%       | 23%           | -\$464,974         |
| <b>Market Rate</b>     | \$1,489,989          | \$1,601,783           | 77%       | 23%           | -\$111,794         |

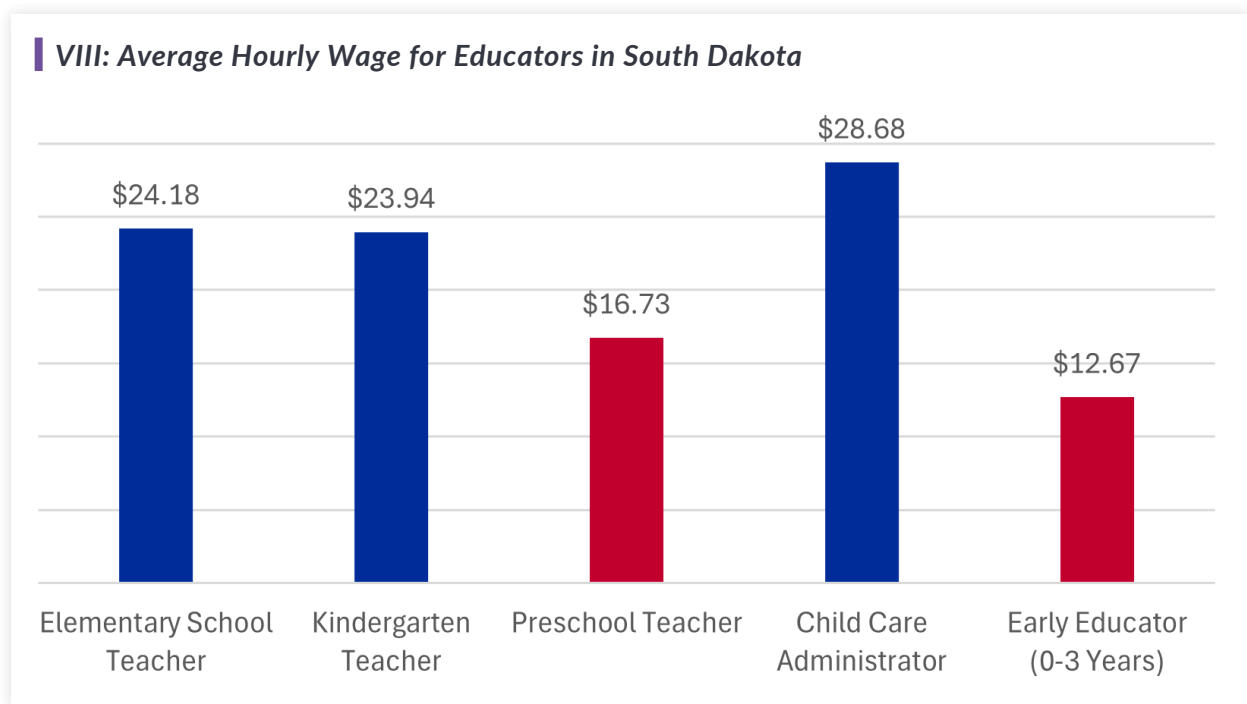
Table VIII summarizes data from an FCC home that serves 13 children. There is one full time lead teacher, who is paid \$13 per hour and a part-time cook who is also paid \$13 per hour. The program also has a full time Director who earns \$31,000 per year. Expenses include program costs, personnel costs, rent, and utilities. The net revenue in this case is also negative at the affordable rate as well as the current rate charged by the FCC.

**Table IX: Projected Net Operating Income**

| Rate                   | Total Annual Revenue | Total Annual Expenses |           |               | 1-Year Net Revenue |
|------------------------|----------------------|-----------------------|-----------|---------------|--------------------|
|                        |                      | Total                 | Personnel | Non-Personnel |                    |
| <b>Affordable Rate</b> | \$85,073             | \$104,932             | 68%       | 32%           | -\$19,859          |
| <b>Market Rate</b>     | \$99,580             | \$104,932             | 68%       | 32%           | -\$5,352           |

## Pay Parity of Early Educators

As discussed earlier in this chapter, imbalanced cost models in the child care sector and low levels of compensation of the early education workforce are barriers to reliable care. [Pay parity](#)<sup>20</sup> is the practice of paying workers comparable amounts for similar skills, competency, and qualifications. To achieve pay parity, wages for early educators must be comparable across child age, race of educator, education setting, skill, competency, and qualifications. Utilizing standards-based role distinctions between educators will allow the early childhood field to set baseline compensation levels for each category. While this section highlights the connection between low compensation and staffing challenges in child care settings, Chapter IV is dedicated to workforce initiatives including compensation, qualifications, and career development of early educators. Graph VIII shows that while child care administrators are better compensated, child care professionals, including preschool teachers and early educators of children aged 0-3, [earn less](#)<sup>21</sup> than the [living wage](#) (individual)<sup>22</sup> of \$19.58 for the state.



## Stakeholder Perspectives

Survey results from two studies conducted in South Dakota shed light on concerns of child care administrators and parents/caregivers on access to child care. Child care administrators expressed concerns about turning families away due to lack of spaces and staffing. Parents and caregivers reported a scarcity of care in their local communities.

### CHILD CARE ADMINISTRATORS ON BARRIERS TO CHILD CARE ACCESS

The DSS Child Care Workforce Study of 2024 summarized responses from 1,528 child care administrators.<sup>23</sup> Statewide Provider and Parent/Caregiver surveys conducted by South Dakota State University Extension (SDSU Extension) in 2024 includes responses from 59 administrators caring for 4,725 children.<sup>24</sup> Administrators raised concerns regarding capacity and compensation across the surveys as barriers to child care access.



01. **Capacity:** The SDSU Extension Provider Survey reports that most respondents represented small child care settings. Over 40 percent of centers enrolled between 10 and 20 children, and 17 percent enrolled less than 10 children.
  - a. **Waitlists:** Eighty one (81) percent of respondents on the SDSU Extension survey reported that they had waitlists. The Workforce Study similarly reports that 58 percent of center directors surveyed stated that they turned families away due to space and staffing constraints.
  - b. **Reductions in capacity:** Thirty eight (38) percent of Workforce Study respondents also reported reducing the number of classrooms due to staffing challenges.
02. **Compensation:** The Workforce Study report shows that low compensation posed challenges for staffing in child care settings.
  - a. **Attrition:** Eighty three (83) percent of respondents were concerned about staff attrition due to low compensation.
  - b. **Hiring:** More than 52 percent of respondents reported challenges with filling staff vacancies.

## PARENTS AND CAREGIVERS ON BARRIERS TO CHILD CARE ACCESS

SDSU Extension also received 428 responses on the parent/caregiver portion of the survey. Responses pertinent to access include:

01. Need for care: Ninety seven (97) percent of respondents stated that there is a child care shortage in their area.
02. Distance: Fifty six (56) percent of respondents report driving less than 10 miles to their child care setting, while 44 percent drove over 10 miles. Of these, 22 percent drove over 20 miles.

## Summary

Access to child care is impacted by both the cost models underlying the child care sector and the state of early educator compensation. The imbalance between costs and revenues is a threat to the survival and growth of child care settings across the nation. In South Dakota, there is a shortfall of 35 percent in access to licensed spaces, although over 2,000 unregulated child care programs may meet some of this shortfall. Cost models from various sources show that child care centers typically incurred annual deficits. Perspectives from administrators revealed that they experienced space and staffing constraints that limited the number of children they could care for. Further complicating access is the struggle to recruit and retain early educators, given the low pay, which is well below the individual living wage for the state. Parents and caregivers reported a need for additional care in their communities, with many driving over 10 miles for care. Overall, this chapter shows that initiatives to increase access to child care must address the true cost of providing care to support the viability of child care businesses and elevate compensation and working conditions for early educators.



# GREGORY RURAL CHILD CARE COLLABORATION

Challenges with finding child care in rural Gregory County led three mothers to independently establish nonprofit child care centers in their respective towns – Gregory Community Day Care Center in Gregory (1976), Burke Busy Bees in Burke (2017), and Cougar Cubs in Bonesteel (2018). These small business owners consistently found that the cost of providing care was higher than the tuition that working families in the region could afford. For years, they were forced to pay low wages to keep operating and constantly struggled to fill staff positions. Prior to the pandemic, the center in Gregory was serving about 34 children (0-7 years), in Burke, 30 children (0-7 years), and in Bonesteel, 20 children (0-10 years). They were barely breaking even when the pandemic hit, and all three knew they needed to come up with innovative ways to keep their centers afloat.

In 2023, the Governor’s Office of Economic Development (GOED) offered a planning grant to help stabilize small businesses including child care programs. The three nonprofits decided to apply for a joint grant to explore how to leverage the cost benefits of offering different types of care. The Burke Business Promotion Corporation served as the fiscal hub and facilitated grant writing, coordination, and reporting. The trio of child care owners won the county-wide grant of \$50,000 which they partially used to commission a study of Gregory County’s child care landscape and identify opportunities that could strengthen the sustainability of their centers. Klein Visioneering Group and the South Dakota After School Network jointly conducted the county wide study to analyze the demand and supply of infant and toddler care and school-aged care. The study showed that the opportunity for innovation lay in partnerships with school districts to provide school-aged care in district spaces, freeing up center-based spaces for new infant and toddler slots. When a new round of GOED implementation grants became available, the collaborators were armed with enough data to apply as a unit to refine and implement this potential solution.

Again, the trio was successful in securing an implementation grant of \$211,187, which aimed to apply the savings of transitioning school-aged care to district spaces to increase infant and toddler slots in centers, improve existing center facilities, and increase early educators’ salaries. The collaborators, through mutual sharing, sought to improve business practices and through outreach county-wide, engage local employers in discussions about partnering in child care. Over time, implementation grants have helped them to jointly offer 30 new infant and toddler slots. With technical assistance from the South Dakota After-School Network, they added 90 school-aged care slots in partnerships with the three districts throughout the County. Increased revenues from these measures helped increase salaries of lead staff and provide bonuses and raises for full time teaching staff. The centers are also educating eligible parents on accessing child care assistance and finding supplemental funding for non-eligible families who cannot afford care. Partnering on grant applications and standardizing operations across the three centers is a first step in the centers developing a shared services approach that could potentially reduce administrative costs in the long term.



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### III. IMPROVING AFFORDABILITY OF CHILD CARE IN SOUTH DAKOTA

## RAPID CITY TRISHARE PILOT

The [John T. Vucurevich Foundation \(JTVF\)](#)<sup>1</sup> launched Starting Strong, a preschool scholarship program for Rapid City residents, in 2013. Starting Strong provides preschool scholarships for three and four-year-old children from low and middle income families who are not eligible for Head Start. It provides annual scholarships ranging from \$85–\$130 per week for 100 children. Seven child care programs participate in Starting Strong and can apply for grants supporting quality improvements.

After the pandemic, JTVF's Early Education team thought it imperative to invest in a strategy to fix the broken business model in care for children from birth to five. Nationally, [Michigan's TriShare program](#)<sup>2</sup> was already emerging as a strong model for partnership-based solutions to child care bottlenecks affecting families, employers, and child care programs. Through TriShare, public, business, and family partners each share a third of child care expenses. This ensures that families can afford full time care, and child care owners have a steady revenue stream to pay their staff and provide continuous care for children.

JTVF conducted outreach to employers in Rapid City to gauge interest, assess the number of eligible families, and ensure that families already had secure access to care. Due to long waitlists the program could not promise to secure child care for parents who were still looking for a seat. JTVF's TriShare program currently partners with three employers: a plumbing company, a YMCA, and a child care center. The program serves 13 children whose families meet the eligibility income of 209–325 percent of the Federal Poverty Level (FPL - [approximately](#)<sup>3</sup> \$75,000 to \$100,000 for a family of four), who do not qualify for child care assistance but who do not earn enough to afford child care. JTVF, the employer, and the parent pay a third of child care costs each for every enrolled child. Given the prevalence of unlicensed care in South Dakota, JTVF works with licensed and unlicensed programs. In addition to contributing to fees, the foundation has contracted with the South Dakota Association for the Education of Young Children to support child care programs in improving quality. Participating programs can also apply for grants to improve facilities, purchasing materials, professional development, and salary and bonuses.

Early feedback shows that parents participating in the pilot can better afford child care and find it easier to maintain employment. Advantages for parents who are also early educators employed by the participating child care center are that they can afford to have their children in care and continue working in their chosen field. JTVF highlights the dual benefits of participating in TriShare with child care programs. It helps ensure steady revenues for the child care center, while reducing child care payments of early educators. JTVF has an outlay of \$475,000, and aims to fund the pilot for three years, after which it will seek public, philanthropic, and business partners to help scale the program. The foundation aims to refine and share a template for implementing TriShare with other partnerships across the state.



## Improving Access to Affordable Care for Working Families

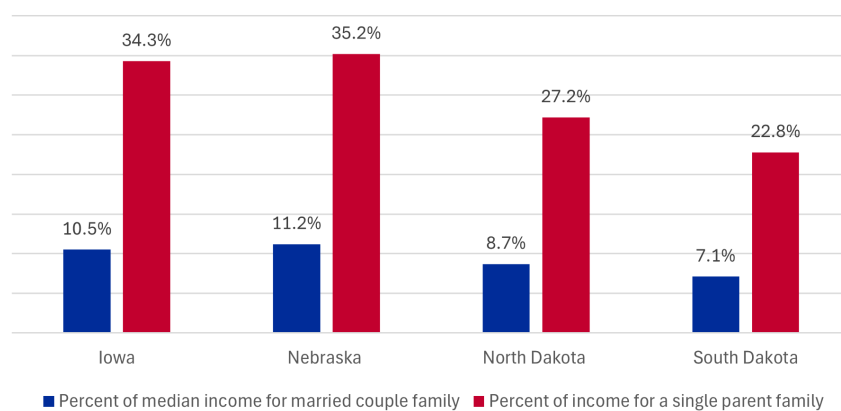
Chapter II provided an in-depth look into barriers to reliable child care access. This chapter highlights the importance of affordable child care, as even with access, families may opt to stay out of the workforce to take care of their children if the price of care is too high. Research shows that the cost of care leads many parents, especially [women](#)<sup>4</sup> to reduce their work hours or leave the workforce to care for young children. The US Department of Health and Human Services (HHS) defines [affordability](#)<sup>5</sup> as child care that costs no more than 7 percent of a household’s income. Although this metric is used widely when discussing child care, it technically applies to [co-payments](#)<sup>6</sup> of low-income families that receive child care subsidies. This chapter draws on a variety of national and state-level sources to construct a picture of the affordability of care in South Dakota. What emerges is the need for a solution for families that fall into the 209 – 325 percent income range who do not qualify for child care assistance but do not earn enough to afford child care. The tenuous cost-revenue equation underlying the child care sector rules out reductions in the price of care. Cost-sharing approaches, as demonstrated by the JTVF pilot, and scholarship programs aimed at this income range are potential solutions that support access to affordable care.

National data show that child care is expensive across the country. Table X shows that on average, the price of care for an infant is [costly](#)<sup>7</sup> in South Dakota, especially for single income families and families at or below the state median income. Graph IX shows that, on average, the price of care for an infant is high for single parent families and married couples across comparison states.<sup>8</sup>

**Table X: Affordability of Infant Care in South Dakota**

| Type of Care      | Annual Price of Infant Care | Ratio of Median Income - Single Parent (\$35,417) | Ratio of Median Income - Married Couple (\$109,987) | Ratio of Median Household Income - All Families (\$71,810) |
|-------------------|-----------------------------|---|---|--|
| Center-Based Care | \$7,862                     | 23%   | 7%  | 11%  |
| FCC-Based Care    | \$5,824                     | 17%   | 5%  | 8%   |

**IX: Affordability of Child Care**



## Findings from the 2024 Cost of Care Study

Table XI summarizes current data on the price of care from the 2024 South Dakota [DSS Cost of Care Study](#).<sup>9</sup> Prices of center-based infant care, the most common type of licensed care, across rural, suburban, and urban regions of South Dakota range from \$150-\$260 per week, and FCC rates range from \$125 to \$160 per week. In annual terms, the price of center-based infant care in an urban area is \$13,520; in a suburban area, \$10,712; and in a rural area, \$7,800 (these figures are much higher than the price of care figures in Table X, which are drawn from a national database). The estimated state median family income is [\\$71,810](#)<sup>10</sup> and at current rates, center-based infant accounts for 10-20 percent of median family income across different geographies.

**Table XI: Price of Care by Region and Age (Cost of Care Study)**

| Region   | Price of Center-Based Care |         |           | Price of Family Child Care |         |           |
|----------|----------------------------|---------|-----------|----------------------------|---------|-----------|
|          | Infant                     | Toddler | Preschool | Infant                     | Toddler | Preschool |
| Urban    | \$260                      | \$245   | \$219     | \$160                      | \$160   | \$155     |
| Suburban | \$206                      | \$209   | \$182     | \$140                      | \$135   | \$135     |
| Rural    | \$150                      | \$150   | \$145     | \$125                      | \$135   | \$130     |

## REIMBURSEMENT FOR ELIGIBLE FAMILIES THROUGH THE CHILD CARE ASSISTANCE PROGRAM

Table XII summarizes current data in the Cost of Care Study on Child Care Assistance Program (CCAP) [reimbursement rates](#).<sup>11</sup> According to the study, families in South Dakota are eligible for child care assistance if they earn less than 209 percent of FPL, or less than about \$52,000 per year for a family of three; work at least 80 hours per month or attend an education or training program; and have a child, age 12 or younger; or an older child with special needs.

The Cost of Care Study assumes reimbursement rates for center-based programs with 13 percent of families eligible for subsidies, and FCC homes with 14 percent of families eligible for subsidies. Rates are for 48.5 hours of care for the three types of regions, and for infant, toddler, and preschool care. The analysis indicates that, for CCAP-eligible families, reimbursement rates for all child care program types cover the price of care (see Table X).

**Table XII: Weekly CAA Reimbursement for Full Time Care**

| Region   | Price of Center-Based Care |         |           | Price of Family Child Care |          |           |
|----------|----------------------------|---------|-----------|----------------------------|----------|-----------|
|          | Infant                     | Toddler | Preschool | Infant                     | Toddler  | Preschool |
| Urban    | \$300                      | \$300   | \$283     | \$190                      | \$190    | \$185     |
| Suburban | \$238                      | \$238   | \$228     | \$157                      | \$157    | \$150     |
| Rural    | \$195                      | \$195   | \$193     | \$157.50                   | \$157.50 | \$150     |
























The Task Force highlights the importance of meeting the needs of families who do not qualify for child care assistance due to their income being above the eligibility limit but who still struggle to afford care. This group typically includes families earning between 209 and 325 percent of FPL.

## Findings on Affordability from the EPI Calculator

The Economic Policy Institute (EPI) developed the [Family Budget Calculator](#)<sup>12</sup> to break down the main recurring costs for a county or metropolitan region in the United States. This tool calculates the cost of living for families ranging from one or two adults with zero to four children. Child care costs are one of the main costs identified in the calculator for families with young children. Two-parent families are assumed to have both partners employed and living together with their children. For calculating child care, EPI uses the cost of care for a four-year-old plus the cost of care for one school-age child. Infant/Toddler care is not included. The calculator utilizes center-based rates in urban counties and FCC rates in rural and suburban counties. Table XIII highlights cost of living estimates for a two-parent, two-child household in three sample counties in South Dakota which show that child care accounts for 17 percent of the estimated budget in urban Minnehaha County, 11 percent in rural Harding County, and 10 percent in frontier Jones County. Child care is thus a core expense across different types of geographies and rivals housing costs and food costs across the examples.

**Table XIII: Findings from the EPI Calculator**

| Minnehaha County (Urban)   | Harding County (Rural)   | Jones County (Frontier)  |
|--|--|--|
| <p>The cost of living for a two-parent, two-child family in <b>Minnehaha County, SD</b> is:</p> <p><b>\$89,291</b><br/>per year</p> <hr/> <p><b>\$7,441</b><br/>per month</p> <hr/> <ul style="list-style-type: none"> <li> <b>Housing:</b> \$899/month</li> <li> <b>Food:</b> \$1,054/month</li> <li> <b>Child Care:</b> \$1,261/month</li> <li> <b>Transportation:</b> \$1,441/month</li> <li> <b>Health Care:</b> \$1,441/month</li> <li> <b>Other Necessities:</b> \$691/month</li> <li> <b>Taxes:</b> \$653/month</li> </ul> | <p>The cost of living for a two-parent, two-child family in <b>Harding County, SD</b> is:</p> <p><b>\$94,903</b><br/>per year</p> <hr/> <p><b>\$7,909</b><br/>per month</p> <hr/> <ul style="list-style-type: none"> <li> <b>Housing:</b> \$834/month</li> <li> <b>Food:</b> \$998/month</li> <li> <b>Child Care:</b> \$883/month</li> <li> <b>Transportation:</b> \$1,796/month</li> <li> <b>Health Care:</b> \$2,015/month</li> <li> <b>Other Necessities:</b> \$649/month</li> <li> <b>Taxes:</b> \$734/month</li> </ul> | <p>The cost of living for a two-parent, two-child family in <b>Jones County, SD</b> is:</p> <p><b>\$96,233</b><br/>per year</p> <hr/> <p><b>\$8,019</b><br/>per month</p> <hr/> <ul style="list-style-type: none"> <li> <b>Housing:</b> \$834/month</li> <li> <b>Food:</b> \$1,049/month</li> <li> <b>Child Care:</b> \$883/month</li> <li> <b>Transportation:</b> \$1,819/month</li> <li> <b>Health Care:</b> \$2,015/month</li> <li> <b>Other Necessities:</b> \$667/month</li> <li> <b>Taxes:</b> \$753/month</li> </ul> |



## Stakeholder Perspectives

SDSU Extension's recent survey received responses from 200 parents and caregivers across South Dakota on questions pertaining to employment, family income, and child care affordability, including:<sup>13</sup>

- **Employment:** About 80 percent of respondents work full time and 79 percent of respondents have a spouse who works full time. These figures mirror the data from national databases (discussed in Chapter I) that showing that the state average is 71 percent of children aged five and under have all parents working.
- **Income:** The median family income for South Dakota is \$71,810. Around 58 percent of respondents report earning less than \$100,000 a year. One third of respondents report earning less than \$75,000 annually, showing that most respondents may fall into the 209–325 percent of FPL range.
- **Price of care:** The price of care reported by respondents varies, with 38 percent paying between \$101–\$200 per week and 30 percent paying \$201–\$300 per week. This range closely reflects price data from the DSS Cost of Care study.
- **Portion of monthly budget:** Only 35 percent of respondents report spending less than 10 percent of their monthly budget on child care. While 45 percent of respondents report spending 11–20 percent of their income on child care, 20 percent spend more than 20 percent a month. National data mirror this finding, especially for center-based care, which on average costs about 11 percent of median family income.

Of the 46 administrators representing licensed and unlicensed child care programs who responded to a question on acceptance of child care assistance reimbursement, 57 percent reported accepting subsidies, and 43 percent reported not accepting subsidies. Responding to a question on barriers to care for families, 47 percent of 47 respondents stated that cost was the major barrier, followed by 34 percent who identified access as a barrier.

## Summary

Chapter II demonstrated that child care businesses operate on slim to no margins, given that the [true cost of care](#)<sup>14</sup> is higher than what families can afford to pay. National and state-level data demonstrate that most working families with young children need to spend 10-20 percent of their income on child care. The responsibility for making child care affordable for families cannot be borne by child care operators alone. Innovations, like the TriShare shared-cost model launched by JTVF in Rapid City, help make child care more affordable for families in the 209–325 percent of FPL that do not qualify for child care assistance. Cost-sharing provides a structure for employers, families, and public and philanthropic entities to share the cost of child care to reduce the burden on families and ensure a steady revenue stream for child care programs. Braided funding scholarship programs for low income families are also a viable solution. The EmBe Education program, discussed in the next chapter, developed a scholarship fund to supplement child care payments of families receiving child care assistance as well as families not eligible for assistance that could not afford full time care.



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## IV. STRENGTHENING SOUTH DAKOTA'S CHILD CARE WORKFORCE

### EMBE EDUCATION IN SIOUX FALLS

EmBe<sup>1</sup> currently employs 200 early educators and offers child care to 1,200 children from infant to 12 years of age across two locations and nine elementary schools. EmBe is planning to open a third location soon and is partnering with the Harrisburg school district to start a child care center in the local high school, while also integrating the EmBe model in a new child care center in Madison.

EmBe Education is EmBe's flagship model and was launched in 2023. EmBe Education prioritizes strong curriculum, systems for success, fair compensation and benefits, and professional development for early educators, all while working to eliminate financial barriers for families.

Highlights include the following:

- One in five children enrolled at EmBe receive scholarships. Families qualifying for child care assistance are supported in accessing the service, and households earning between 210–250 percent of FPL annually who do not qualify for child care assistance receive scholarships.
- The EmBe approach integrates love, generosity, autonomy, and curiosity and honors the innate intelligence that children are born with. These intellectual and social skills imbue the culture and curriculum and support children's holistic development.
- EmBe exceeds South Dakota's annual early educator training requirement of 10 hours, requiring 20 hours of training annually for assistant teachers, 56 hours for lead teachers, and 72 hours for center directors.
- To address widespread attrition of the early educator workforce, EmBe increased starting wages from \$10.75 to \$15 per hour, which supported a reduction in staff turnover. EmBe's attrition rate reduced from 75 percent in 2022 to 36 percent in the first half of 2024.

EmBe is focused on developing strong community partnerships to further develop and scale its high quality approach. A workforce development program begun with the Harrisburg School District encourages high school students working in child care to gain a credential and continue in the profession. Enrolled students can receive their CDA while completing high school. EmBe also partners with the Lake Area Improvement Corporation in Madison to scale EmBe Education in this area.

### Trends in Early Childhood Workforce Development

A national taskforce, [Power to the Profession](#), was convened to establish a framework for professionalizing the early childhood education (ECE) field. Their authoritative report, launched in 2020, outlines “career pathways, preparation, competencies, responsibilities, and compensation” that ensure fairness and job satisfaction for early educators and optimal learning conditions for young children. Table XIV illustrates essential roles and qualifications within the ECE profession that the report recommends become the standard<sup>2</sup>:



**Table XIV: Recommended Roles and Qualifications of Early Childhood Professionals**

| Designation    | Definition  | Qualifications   |
|----------------|---|--|
| <b>ECE I</b>   | In birth through grade 3 settings, ECE I is a member of the early childhood education teaching team in a supportive role.   | Professional preparation program that meets a minimum of 120 hours |
| <b>ECE II</b>  | Can be responsible for developing and sustaining the learning environment, play a lead role in birth through age 5 settings, and play a supportive rather than a lead role in K-grade 3 settings. Guides practice of ECE I. | ECE Associate degree   |
| <b>ECE III</b> | In birth through grade 3 settings, can be responsible for developing and sustaining the learning environment, plays a lead role, and guides practice of ECE I and II.   | ECE Bachelor's degree or Master's degree                           |

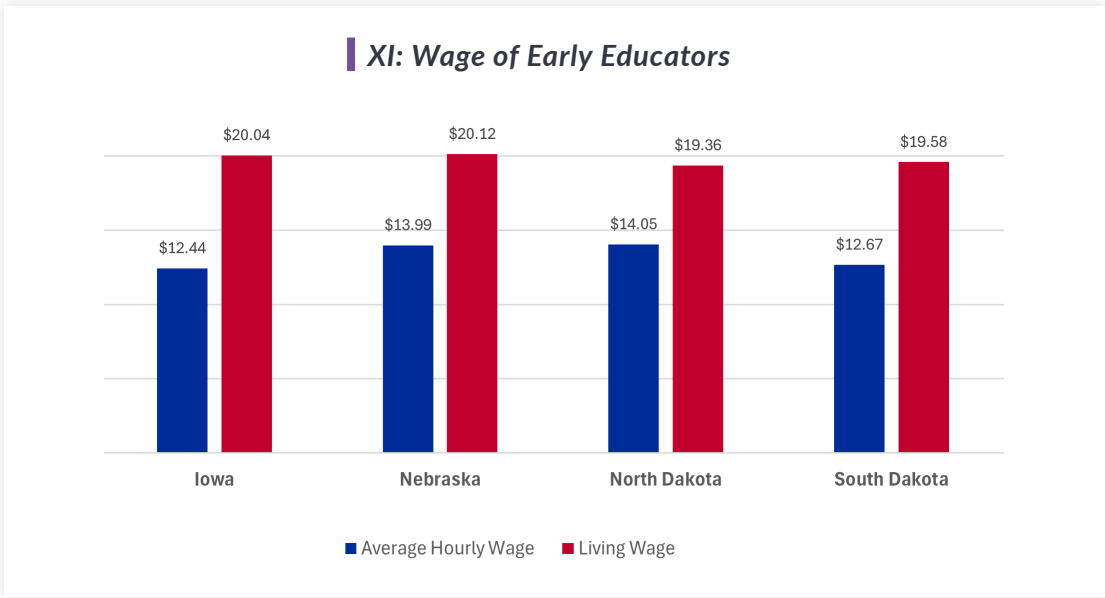
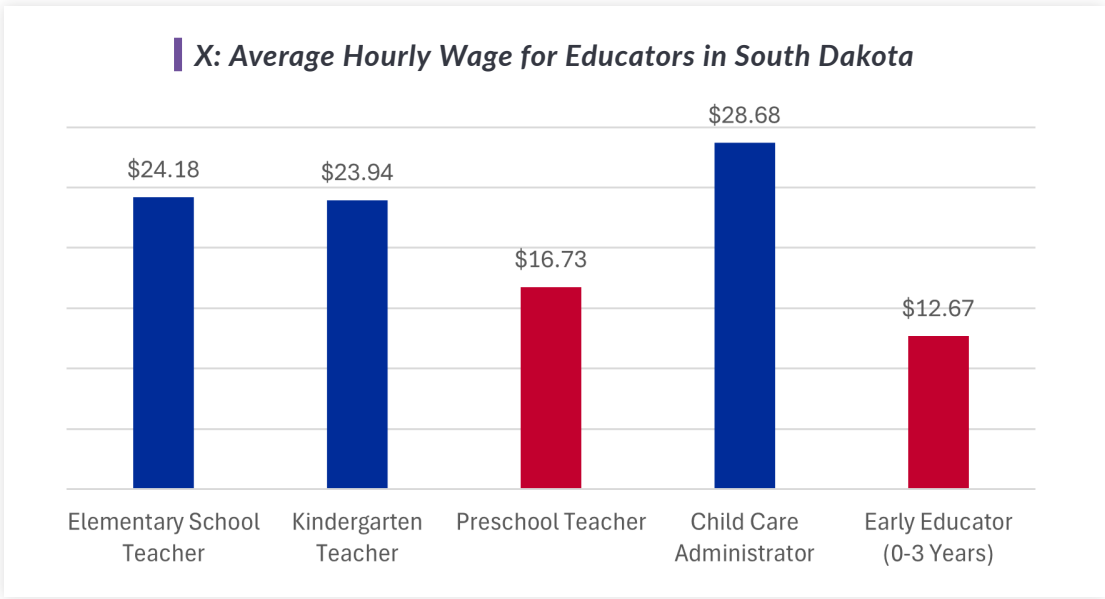
**Compensation:** Power to the Profession recommends that early childhood educators with similar qualifications, experience, and job responsibilities are compensated comparably regardless of the setting they work in. [Pay parity](#)<sup>3</sup> is the practice of paying educators comparable amounts for similar skills, competency, and qualifications. To achieve full pay parity, compensation must be comparable across child age, race of educator, education setting, skill, competency, and qualifications. Compensation should also not be differentiated based on the age of children the educators serve. Compensation should increase as educators gain competency and experience, moving up levels (ECE I, ECE II, ECE III). Further, compensation should include an adequate benefits package. Power to the Profession recommends that the early childhood field should adopt the minimum standards of public education. States can address achieving pay parity through [transparent compensation data](#)<sup>4</sup>, the collection of which can help establish a baseline wage range per category.

**Qualifications:** Power to the Profession established a [core set of professional standards and competencies](#)<sup>5</sup> for the profession, including: 1) Child Development and Learning in Context; 2) Family Partnerships and Community Connections; 3) Child Observation, Documentation, and Assessment; 4) Developmentally, Culturally, and Linguistically Appropriate Teaching; 5) Knowledge, Application, and Integration of Academic Discipline Content in the Early Childhood Curriculum; and 6) Professionalism as an Early Childhood Educator. Power to the Profession recommends that each educator become licensed through a state board. To support preparation pathways of early educators, states should consider facilitating access to approved programs and providing scholarships and/or stipends to cover the costs and time spent on education.

## Strengthening South Dakota’s Early Education Workforce

This section compiles indicators on compensation and qualifications to show that the child care sector needs support in elevating its workforce. Compensation is low across the board for early educators, and since the vast majority of South Dakota’s child care settings are unregulated, the minimum qualifications for early educators required in licensed settings are not the norm.

**Compensation:** Early educators are dubbed the “workforce behind the workforce,”<sup>6</sup> as they enable parents to fully participate in the workforce. However, South Dakota’s early educators are paid about \$12.67<sup>7</sup> per hour on average, which makes them one of the lowest paid professions in the state. The average living wage for an individual in South Dakota is \$19.58<sup>8</sup>. As discussed in Chapter II, pay parity is the practice of paying workers comparable amounts for similar skills, competencies, and qualifications. To achieve pay parity, wages for early educators must be comparable across child age, race of educator, education setting, skill, competency, and qualifications. Utilizing standards-based role distinctions will allow the early childhood field to set baseline compensation levels for each role. Graph X shows that while child care administrators are better compensated, early educators earn less<sup>9</sup> than other educators and are paid well below South Dakota’s individual living wage<sup>10</sup>. Graph XI shows that the average hourly wage<sup>11</sup> for an early educator falls between \$12.44 and \$14.05 across South Dakota and comparison states, and in all cases is below the state’s living wage.



Attracting quality early educators to the field and helping them stay engaged requires supplementing wages and providing benefits to address widespread burnout and attrition in the sector. While the national child care workforce attrition rate is around 30%, South Dakota lost about 4 out of 10<sup>12</sup> early educators in 2021, the most recent year for which reliable attrition data is available. The cumulative effect of a lack of adequate child care spaces and early educator workforce attrition widens the child care gap, which costs the state economy [\\$329](#)<sup>13</sup> million annually. Table XV summarizes key workforce indicators, including the hourly wage for the state’s early educators, the living wage for South Dakota, early educator workforce attrition, and the annual loss to the economy as a result of child care deficits.

**Table XV. Early Educator Workforce Indicators in South Dakota**

| Average hourly wage | Living wage | Early educator workforce attrition | Annual loss to the economy due to the child care deficit |
|---------------------|-------------|------------------------------------|--|
| \$12.67             | \$19.58     | 41%                                | \$329 million  |

**Qualifications:** Approximately 800 of South Dakota’s estimated 2,800 child care settings are [regulated](#).<sup>14</sup> Child care owners are not required to register with the state if they care for [fewer than 13](#)<sup>15</sup> children. Only Aberdeen and Sioux Falls municipalities [require](#)<sup>16</sup> that all settings in these regions are registered. Seven counties in South Dakota have no licensing requirements. Table XVI shows the [minimum qualifications](#)<sup>17</sup> required for Directors, Lead Teachers, and Assistant Teachers in licensed child care settings. [Research](#)<sup>18</sup> shows that the qualifications and experience of early educators determine the quality of care in a setting, and that access to professional development and higher education opportunities are factors that support motivation and retention of early educators.

**Table XVI: Minimum Qualifications for Early Educators in South Dakota**

| Roles             | Qualifications                               | Annual Training Hours | Requirement |
|-------------------|--|-----------------------|-------------|
| Director          | 4 years of experience in licensed child care | 10                    | Yes         |
| Lead Teacher      | Over age 18; Orientation                     | 10                    | Yes         |
| Assistant Teacher | Orientation                                  | 10                    | Yes         |

South Dakota has robust opportunities for qualifications and advanced education in the ECE field. Table XVII shows a [range of programs](#)<sup>19</sup> curated by the South Dakota Head Start Association that are offered by community colleges, colleges, and state universities in various regions of the state.



**Table XVII: Early Childhood Education Opportunities in South Dakota**

| College/University<br>(Location)                     | ECE Course   |
|--|--|
| <b>Augustana University</b><br>Sioux Falls           | Children and Youth Minor   |
| <b>Black Hills State University</b><br>Spearfish     | Early Childhood Special Education (Major/Minor)  |
| <b>Dakota State University</b><br>Madison            | Elementary Education (BSE/Minor)   |
| <b>Lake Area Technical College</b><br>Watertown      | Human Services Technician - Child Development Option   |
| <b>Lower Brule Community College</b><br>Lower Brule  | Elementary Education (AA)  |
| <b>Northern State University</b><br>Aberdeen         | Elementary Education (Major)<br>Early Childhood through Grade 3 (Endorsement)<br>Early Childhood through Grade 3 Special Education (Endorsement) |
| <b>Oglala Lakota College</b><br>Kyle                 | Early Childhood Education (Major/ AA)  |
| <b>Sinte Gleska</b><br>Mission                       | Elementary Education/ Early Childhood (BS/AA)  |
| <b>Sisseton Wahpeton College</b><br>Agency Village   | Early Childhood Development (AA)   |
| <b>Sitting Bull College</b><br>McLaughlin & Mobridge | Early Childhood Education (BS)<br>Early Childhood Education (AS)<br>M. Ed Curriculum and Instruction   |
| <b>South Dakota State University</b><br>Brookings    | Early Childhood Education B-8 (Major/Minor)<br>Elementary Education (Major)<br>M. Ed. In Curriculum and Instruction with an ECE concentration    |
| <b>Southeast Technical College</b><br>Sioux Falls    | Early Childhood Specialist (AA)  |
| <b>University of South Dakota</b><br>Yankton         | Elementary and Early Childhood Education (B.S.E)<br>Child/Adolescent Development (Minor)   |

## Findings from the 2024 Workforce Study

The DSS [Child Care Workforce Study](#)<sup>20</sup> provides current data on several important indicators pertinent to the early educator workforce in South Dakota drawn from surveys with 1,528 child care owners/administrators and interviews and focus groups with a small sample of stakeholders from this sector. According to this study, there are more than 6,000 workers, mostly women, employed in the child care sector in South Dakota. More than 90 percent of this workforce is White. The study also details the professional qualifications of center directors (n=126), center staff (n=357), and registered and unregistered FCC providers (n=15/24), as illustrated by Table XVIII below. Overall, almost 55% of center directors had a bachelor’s degree or higher, and over half of center staff had a diploma/GED or some college but no degree. Over 60 percent of FCC providers had an A.A./A.S. or diploma/GED but no degree.

**Table XVIII: Highest Level of Education Completed**

| Level of education completed     | Center Director | Center Staff | State-Registered FCC Provider | Non-State-Registered FCC Provider |
|----------------------------------|-----------------|--------------|-------------------------------|-----------------------------------|
| Less than high school/ No GED    | 0%              | 9.8%         | 3.9%                          | 0%                                |
| High school diploma/ GED         | 13.5%           | 29.1%        | 25%                           | 8.3%                              |
| Some college but no degree       | 18.3%           | 22.1%        | 32.2%                         | 37.5%                             |
| A.A. or A.S. degree in ECE       | 6.3%            | 9%           | 5.3%                          | 4.2%                              |
| A.A. or A.S. outside ECE field   | 6.3%            | 7.8%         | 13.8%                         | 12.5%                             |
| B.A. or B.S. in ECE              | 24.6%           | 10.1%        | 7.9%                          | 25%                               |
| B.A. or B.S. outside ECE field   | 16.7%           | 6.7%         | 7.9%                          | 4.2%                              |
| Some graduate work but no degree | 3.2%            | 1.1%         | .7%                           | 4.2%                              |
| M.A. or M.S. degree              | 10.3%           | 3.4%         | 3.3%                          | 4.2%                              |
| Ph.D. or Ed.D. Degree            | .8%             | .8%          | 0%                            | 0%                                |

Table XIX displays data from the study on compensation bands by role for child care centers. For reference, in 2023, the [per capita income](#)<sup>21</sup> in South Dakota was \$72,446. As shown in the table, the median maximum wage for the highest early educator position is well under this benchmark.





**Table XIX: Early Educator Compensation in South Dakota**

| Position             | Median starting wage | Median maximum wage |
|----------------------|----------------------|---------------------|
| Director             | \$33,446             | \$50,003            |
| Assistant Director   | \$37,440             | \$41,600            |
| Lead Teacher         | \$29,120             | \$35,152            |
| Site Coordinator     | \$33,280             | \$39,520            |
| Administrative Staff | \$32,240             | \$41,600            |

## Stakeholder Perspectives

**Parents and caregivers:** The SDSU Extension survey<sup>22</sup> provides information on the satisfaction of families with the child care options available to them, as well as their preferences for licensed versus unlicensed care. Of 201 respondents, 47 percent of parents and caregivers disagreed or strongly disagreed that they were satisfied with the quality of care in their area. Sixty eight (68) percent of parents and caregivers stated that they did not have a preference between licensed and unlicensed care. On open-ended questions, some parents and caregivers noted that child care was especially hard to find for infants and in rural areas and that they were not satisfied with the quality of staff engagement at the child care setting they utilized.

**Child care administrators:** About 56 percent of 59 administrators who responded to the SDSU Extension survey stated that they had registered their child care program with the state. The [Child Care Workforce Study](#)<sup>23</sup> found that of 1,528 respondents, over 70 percent reported engaging in professional development on children’s behavioral issues, working with young children, and pre-academic skills. Over 75 percent of child care administrators reported feeling equipped to address business needs of their centers and FCC homes.

## Summary

This chapter addressed compensation and qualifications of early educators as two core aims of initiatives for strengthening the early educator workforce. Power to the Profession recommends three distinct roles for ECE professionals that standardize responsibilities, proficiencies, and compensation ranges for the profession. Data show that early educators are one of the lowest paid professions in South Dakota and are paid well below the living wage for the state. Pay parity comparisons show that, on average, early educators are paid less than elementary teachers. Findings from the DSS Workforce Study show that median maximum income across child care roles are lower than the state per capita income. South Dakota has clear guidelines for minimum qualifications and annual training hours for licensed child care settings, although less than a third of settings are licensed. While most center directors have a bachelor’s degree or higher, the majority of staff did not have a degree. High quality opportunities to gain a credential and enroll in higher education are available through community colleges, colleges, and universities across the state. The profile of EmBe Education shows that compensation and qualifications, combined with rich curriculum and materials, are central to enhancing quality in child care settings. Examples from neighboring states like Iowa and Nebraska show that established programs like T.E.A.C.H.<sup>®</sup> and WAGE\$<sup>®</sup> are making inroads in strengthening qualifications and compensation in early education. The next chapter offers concrete policy recommendations in support of improved child care access and affordability for families, and a stronger child care sector.



## EXAMPLES FROM NEIGHBORING STATES

**Iowa:** T.E.A.C.H. Early Childhood® (T.E.A.C.H.®), which stands for Teacher Education and Compensation Helps<sup>24</sup>, is an evidence-based initiative active in 23 total states that provides early educators with scholarships to advance in their education. T.E.A.C.H. has typically been funded<sup>25</sup> through a combination of public, philanthropic, and private funding.

T.E.A.C.H. Iowa was established in 2003 and is funded<sup>26</sup> through the Iowa Department of Health and Human Services through the Child Care Development Fund, Early Childhood Iowa professional development funds, Iowa Department of Public Health funds, and the child care programs who co-sponsor T.E.A.C.H. scholarship recipients. Through participating in T.E.A.C.H., Iowa aims to help early educators develop their capacity and grow in their profession. The scholarship requires that participants complete a specified number of hours of coursework in affiliated institutions and remain with the sponsoring child care setting for a specific period after completing their course. In fiscal year 2023, 487 early educators<sup>27</sup> in Iowa were enrolled in T.E.A.C.H.

Iowa also participates in the Child Care WAGE\$® Program (WAGE\$®)<sup>28</sup> operating nationally in five<sup>29</sup> states and is designed to provide salary supplements to early educators working with young children. WAGE\$ is funded through the same sources as T.E.A.C.H. Supplemental wages are designed to increase recruitment, compensation, and retention of educators. To qualify for this program, an applicant must have 12 semester hours of early childhood coursework or the Child Development Associate (CDA) credential. In FY2023, 1,565<sup>30</sup> early educators in Iowa received wage supplements through the WAGE\$ program.

**Nebraska:** Nebraska has engaged in T.E.A.C.H.<sup>31</sup> since 2002, and since 2020, has engaged in WAGE\$<sup>32</sup> to help recruit, retain, and increase the number of early educators in the state. In 2023, 122<sup>33</sup> early educators in Nebraska participated in T.E.A.C.H. and 17<sup>34</sup> early educators in Iowa received wage supplements through the WAGE\$ program. T.E.A.C.H. is funded through state general funds.<sup>35</sup> WAGE\$ is funded by the Nebraska Department of Education.<sup>36</sup>

In 2023, The Nebraska legislature introduced LR251<sup>37</sup>, a study on apprenticeship programs as a pathway to grow the early education workforce. The Responsive Equitable System for Preparing Early Childhood Teachers (RESPECT) Across Nebraska project is currently leading the apprenticeship initiative,<sup>38</sup> working with the Registered Apprenticeship Programs and Nebraska Association for the Education of Young Children. Apprenticeships provide mentoring, education, and scholarships that allow early educators to work towards their credential while employed. Nebraska has proposed increasing funding to scale these programs further.



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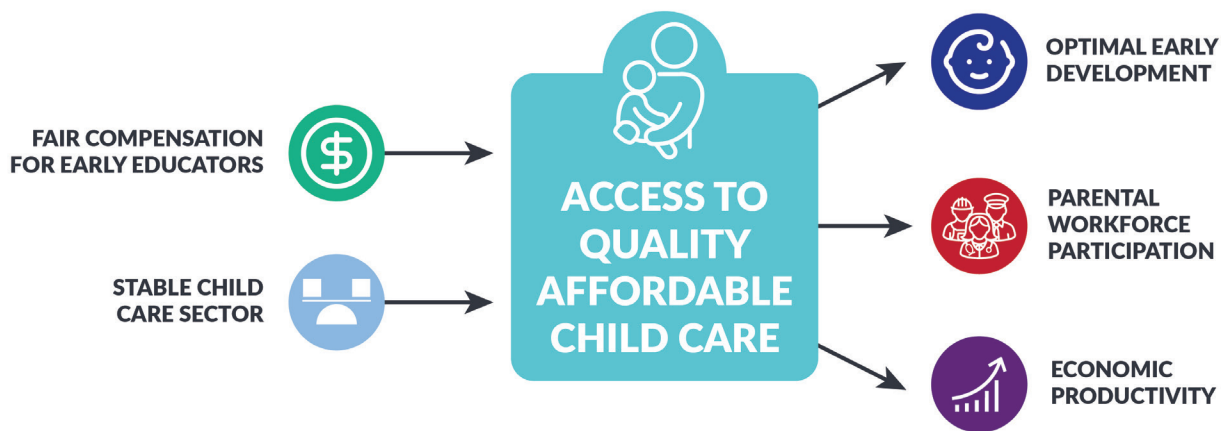


## V. POLICY PRIORITIES

South Dakota prides itself on being a family-friendly state and is home to over 72,000 children under the age of five. Chapter I showed that over 70 percent of young children in South Dakota, a significant majority, have all parents working. Over 40 percent of the population live in rural areas, and almost 20 percent of young children live in low income families. South Dakota must meet the challenge of increasing access to high quality, affordable child care across the state to support healthy development of young children, employment and stability of their families, and a thriving state economy. Positive early development yields long term gains in children’s school readiness, academic achievement, graduation rates, future employment, and contributions to families and communities. It reduces the need for public investment in supplemental and corrective programs. Access to quality, affordable child care supports parental workforce participation and productivity. The child care gap is detrimental to the state economy and has an annual economic impact of \$329 million.

A strong child care system is an engine powering the success of children and families and the economic growth of the state. Sustainable access to reliable, quality, affordable child care supports a) optimal early development in children, b) continuous parental workforce participation, and c) state economic productivity and growth (Figure 5). However, the imbalanced cost models of child care businesses and the low compensation of early educators reduce access to child care. The high price of care poses challenges to families with young children, as child care expenses currently compare with monthly housing and food costs. Strengthening the child care sector through improved compensation for early educators and investments that stabilize child care businesses are critical to ensure that families with young children have access to reliable and affordable child care.

**Figure 5: Transforming Child Care in South Dakota**



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## POLICY RECOMMENDATIONS

This chapter provides concrete recommendations for policymakers as they explore efficient ways to invest scarce resources in mitigating pressing child care deficits. Findings of each chapter are summarized and connected to policy recommendations focused on improving access and affordability of child care and strengthening the early educator workforce.

## Improving Access to Child Care

Chapter II discussed the imbalance between costs and revenues that pose a threat to the survival and growth of child care settings across the nation. In South Dakota, there is a shortfall of 35 percent in access to licensed spaces, although over 2000 unregulated child care providers may meet some of this shortfall. Cost models from center-based and FCC settings show that they experience annual revenue deficits. Perspectives from child care owners and administrators reveal that they experienced space and staffing constraints that limited the number of children they can care for. Further complicating access is the struggle to recruit and retain early educators, whose compensation compares unfavorably with that of preschool teachers and is well below the individual living wage for the state. Profiles of the collaboratives in Brookings and Gregory show that private support and state grant programs have helped local collaboratives reduce child care deficits.

To improve access to child care across South Dakota, policymakers could consider the following:

- Establishing partnerships with philanthropic and business organizations to create braided funding streams that supplement child care revenue, enabling child care owners to offer competitive wages that reduce employee attrition and increase the number of child care spaces.
- Developing grant programs that help child care operators cover funding gaps, provide incentives and pay increases to early educators, and undertake improvements that increase access to care for families.
- Continuing to improve rates of reimbursement within the CCAP, so that they closely reflect the true cost of care, ensuring that quality child care is more accessible for families qualifying for child care assistance.

## Improving the Affordability of Child Care

Chapter III demonstrated that most working families with young children in South Dakota need to spend 10-20 percent of their income on child care. Infant and toddler care is the most expensive type of care, due to low staff-child ratios. The responsibility for making child care affordable for low and middle income working families cannot be borne by child care owners alone. Innovations, like the TriShare program, help make child care more affordable for low- to middle-income families earning between 209-325 percent of the FPL that do not qualify for child care assistance. Cost-sharing provides a structure for employers, families, and public and philanthropic entities to share the cost of child care to reduce the burden on families and ensure a steady revenue stream for child care settings. Scholarship programs for low and middle income families are also a viable solution. Such programs already have a foothold in South Dakota, as illustrated by the JTVF Rapid City pilot.

To sustainably improve the affordability of child care across South Dakota, policymakers could consider the following:

- Ensuring that the true cost of child care is factored into models to improve affordability, so that efforts to create sustainable solutions address the real costs of staffing, facilities, and educational materials.
- Developing partnerships with business and philanthropic partners to expand and scale cost-sharing programs that include contributions from parents, employers, and state entities ensuring access to affordable child care for low- and middle-income families who do not qualify for child care assistance.
- Developing partnerships to establish scholarship funds that subsidize costs of child care for low- and middle-income families who do not qualify for child care assistance.

## Strengthening the Child Care Workforce

Chapter IV addressed initiatives to improve the compensation and qualifications of early educators as two solutions for strengthening the early educator workforce. Data show that early educators are one of the lowest paid professions in South Dakota and are paid well below the state living wage. Pay parity comparisons show that, on average, early educators are paid less than elementary teachers. The Workforce Study shows that median maximum income across child care roles is lower than the state per capita income. Power to the Profession, the national task force on early childhood education (ECE), recommends three distinct roles for ECE professionals to standardize responsibilities, proficiencies, and compensation ranges for the profession.

The Workforce Study found that while most center directors have a bachelor's degree or higher, most non-administrative staff did not have a degree. There is a higher education infrastructure to support career development of early educators through a network of community colleges, colleges, and universities across the state. The profile of EmBe Education shows that compensation and qualifications, combined with rich curriculum and materials, are central to enhancing quality in child care settings. Examples from neighboring states like Iowa and Nebraska show that established national programs like T.E.A.C.H.<sup>®</sup> and WAGE\$<sup>®</sup> are making inroads in strengthening qualifications and compensation of early educators.

To further strengthen the early educator workforce, policymakers could consider the following:

- Ensuring current staff-child ratios are maintained, and standards-based class sizes are adopted in licensed child care settings, to support optimal growth and development of young children.
- Building partnerships with philanthropic and business entities to develop braided funding to augment early educators' salaries and provide benefits to mitigate attrition of this critical workforce.
- Partnering with institutions of higher education to implement career lattice programs that further engage and develop the early education workforce, as well as attract new entrants into this sector.

The South Dakota Early Child Task Force has completed the first phase of its work, focusing on understanding barriers to child care access and affordability, as well as identifying approaches to strengthen the early education workforce. This phase concludes with concrete recommendations to the state for addressing the child care deficit, laying the foundation for stronger economic and social outcomes for children, families, employers, and the state. Additionally, the Task Force has initiated preliminary investigations into improving child care quality and expanding out-of-school-time care, as summarized in Appendix II. In the next phase, the Task Force aims to refine these and other priorities while overseeing the implementation of Phase I recommendations.





## APPENDIX I: GLOSSARY

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| <b>Accessibility</b>                      | Parents can enroll their child in an arrangement that supports the child's development and meets the parents' needs for care in a reasonable and affordable manner. <a href="#">Source<sup>1</sup></a>   |
| <b>Accreditation</b>                      | A process through which child care programs demonstrate their commitment to meeting and maintaining professional standards. These include safety and quality standards. It can be used to identify high-quality programs. <a href="#">Source<sup>2</sup></a>   |
| <b>Affordability</b>                      | Child care that costs no more than 7% of a family's income. <a href="#">Source<sup>3</sup></a>   |
| <b>American Rescue Plan Act (ARPA)</b>    | A \$1.9 trillion COVID-relief package. This bill provided a \$24 billion stabilization grant and an additional \$15 billion to the Child Care and Development Block Grant. States were able to use these funds to help provide stabilization to the child care sector amid the Covid-19 crisis. <a href="#">Source<sup>4</sup></a> |
| <b>Annual Training Hours</b>              | Training hours for early childhood educators to ensure enhancement of knowledge and skills. These training hours are typically met through professional development provided by state-endorsed providers. <a href="#">Source<sup>5</sup></a>   |
| <b>Blended Funding</b>                    | Combining multiple funding streams with a purpose and no longer differentiating them or tracking them individually. <a href="#">Source<sup>6</sup></a>   |
| <b>Braided Funding</b>                    | Combining multiple funding streams with a purpose and continuing to differentiate them/track them individually. <a href="#">Source<sup>7</sup></a>   |
| <b>Center-Based Child Care</b>            | Child care in a non-residential, commercial facility. Must be licensed (or licensed exempt) and abide by a capacity/attendance mandate and minimum ratio requirements. Typically operates in a classroom like environment. <a href="#">Source<sup>8</sup></a>  |
| <b>Child Care</b>                         | The supply of protective care and developmental education to children. Can operate as center-based child care, home-based child care, or license-exempt child care. Within those distinctions, there is school-aged care, toddler care, infant care, and preschool. <a href="#">Source<sup>9</sup></a>                             |
| <b>Child Care Development Block Grant</b> | Grant that provides federal funding to states for child care subsidies for low-income families with children under the age of 13. States are allowed to match funding to help improve the overall child care system. <a href="#">Source<sup>10</sup></a>   |
| <b>Child Care Gap (%)</b>                 | The difference between the demand for care, determined by the number of children with all parents working, and the supply of care or the number of licensed child care spaces in the state. The difference divided by the demand, as a percentage, is the estimated child care gap. <a href="#">Source<sup>11</sup></a>            |



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| <b>Children Living in Poverty (%)</b>                | Children aged 5 years and under in families whose incomes are lower than the poverty level. The Federal Poverty Level is a measure of income by the Department of Health and Human Services (HHS) used to determine whether a family is considered to be living in poverty, and eligibility for federal and state welfare programs. <a href="#">Source<sup>12</sup></a> , <a href="#">Source<sup>13</sup></a> |
| <b>Children 5 and Under With All Parents Working</b> | Children aged 0-5 years with all parents working, which provides the basis for calculating the need for child care. In South Dakota, 72% of children aged 0-5 have all available parents in the workforce. <a href="#">Source<sup>14</sup></a>  |
| <b>Cognitive Development</b>                         | The growth of a child's cognitive abilities such as speech, literacy, and numeracy. This also includes the ability to communicate with others. Ninety percent of a child's brain development happens before the age of five. <a href="#">Source<sup>15</sup></a>  |
| <b>Early Childhood Education</b>                     | Formal and informal education for children ages 0-8. Provides a safe environment while promoting the development of children, including cognitive, physical, and social/emotional development/growth. <a href="#">Source<sup>16</sup></a>   |
| <b>Early Educator</b>                                | An individual who cares for/helps promote development of children aged birth through age 8 in early childhood education settings. This includes center-based care, home-based care, and other forms of child care. Educators are expected to be knowledgeable and have skills in the profession and be accredited as able to care for children. <a href="#">Source<sup>17</sup></a>                           |
| <b>Early Head Start</b>                              | Programs from Head Start that provide family-centered services for low-income families with children aged zero to three years old or pregnant people. <a href="#">Source<sup>18</sup></a>   |
| <b>Early Intervention</b>                            | Public, free or reduced cost services and supports that are available to children with developmental (cognitive or physical) delays/disabilities and their families. Can include physical therapy, speech therapy, etc. <a href="#">Source<sup>19</sup></a>   |
| <b>Early Learning</b>                                | The learning children do prior to Kindergarten. This learning is influential in their development and is critical for later school years. <a href="#">Source<sup>20</sup></a>   |
| <b>Family Based Child Care</b>                       | A child care operation in a family residence. Must be licensed (or licensed exempt) and offers smaller group sizes and a more home-like setting. <a href="#">Source<sup>21</sup></a>  |
| <b>Group Size</b>                                    | The maximum number of children allowed to be in the child care area at one time. These are designed to make sure an early educator is always able to supervise/care for the children. <a href="#">Source<sup>22</sup></a>   |
| <b>Head Start</b>                                    | No cost, publicly funded programs that offer services designed to encourage early learning, development, health, and family well-being. Head Start offers preschool services for eligible children. <a href="#">Source<sup>23</sup></a>   |
| <b>Infant Care</b>                                   | The supply of protective care and developmental education to children, specifically aged 0-2. Requires a small staff-child ratio and a small group size. <a href="#">Source<sup>24</sup></a> , <a href="#">Source<sup>25</sup></a>  |



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| <b>License-Exempt Child Care</b>                    | Child care providers who are not required to have a state license, such as faith based programs and in-home care. <a href="#">Source<sup>26</sup></a>   |
| <b>Loss to the State Economy (in Billions - \$)</b> | The loss to the state economy due to child care deficits resulting in “lost earnings, productivity, and revenue,” as a percentage of the state GDP. <a href="#">Source<sup>27</sup></a>   |
| <b>Median Income (\$)</b>                           | Household income: Pretax cash income of the household (all those 15 and older in the house)<br><br>Median: The point that divides the household income into two halves, one with income above the median and the other with income below the median. <a href="#">Source<sup>28</sup></a>  |
| <b>Minimum Credentials</b>                          | Minimum proficiency and certification an early educator must have to teach and care for children. Experts recommend three credential levels for early educators. These are: Early Childhood Educator (ECE) I, ECE II, and ECE III with an “associated scope of practice, expected level of professional preparation, and expected level of mastery of the Professional Standards and Competencies.” At each of the three credential levels, early educators will get licensed through certificate and credential programs, associate degree programs, or bachelor’s and master’s degree programs. <a href="#">Source<sup>29</sup></a> |
| <b>Out of School Time (OST)</b>                     | Supervised programs that children regularly attend when out of school. They can function as before and after school programs, academic programs, or multipurpose programs such as arts or sports. Designed to provide safety, supervision, and development for children outside of school. <a href="#">Source<sup>30</sup></a>  |
| <b>Public Early Learning Programs</b>               | Publicly funded early learning programs such as Early Head Start, Head Start, and public preschool. <a href="#">Source<sup>31</sup></a>   |
| <b>Public Funding</b>                               | Funding that comes from the public treasury (taxpayer’s money) utilized for public welfare such as health and community programs. <a href="#">Source<sup>32</sup></a>   |
| <b>QRIS</b>   | A Quality Rating Improvement System (QRIS) is a system of assessing, evaluating, and enhancing quality in early education and care programs. States create their own systems and standards, and award ratings to participating programs. States may motivate participation by awarding quality bonuses or other financial incentives. <a href="#">Source<sup>33</sup></a>   |



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| <b>Quality</b>  | <p>A characteristic of child care and early education:</p> <ul style="list-style-type: none"> <li>■ Curriculum that promotes learning and development</li> <li>■ Program that promotes positive relationships</li> <li>■ Health and safety standards are met or exceeded</li> <li>■ Teachers are knowledgeable, skilled, and qualified</li> <li>■ Children are able to progress cognitively and physically</li> <li>■ Families and communities are served according to their needs</li> </ul> <p><a href="#">Source</a><sup>34</sup></p>  |
| <b>Regional Variation</b>                                 | <p>Frontier: Areas with a combination of remote geographical location and low population density.</p> <p>Rural: All population, territory, and housing that is not considered urban. Not densely populated.</p> <p>Urban: Urban areas are areas with 50,000 people or more. Densely populated.</p> <p><a href="#">Source</a><sup>35</sup>, <a href="#">Source</a><sup>36</sup></p>  |
| <b>Return on Investment of Early Childhood Investment</b> | <p>Professor James Heckman analyzed the Perry Preschool Program, which studied the effects of providing low income children and families early childhood education and discovered that providing ECE to children can create better outcomes for children, specifically educational, developmental, social, and economic outcomes. Therefore, investing in ECE can lower social costs. This was further analyzed, and it was discovered that by investing in ECE, money is expected to be returned to the economy given that parents will be able to work more with more stability. The <a href="#">National Forum on Early Childhood Policy and Programs</a> has found that high quality early childhood programs can yield a \$4 – \$9 dollar return per \$1 invested.</p> <p><a href="#">Source</a><sup>37</sup>, <a href="#">Source</a><sup>38</sup></p> |
| <b>Social-Emotional Development</b>                       | <p>The ability to regulate emotions, communicate, share, and follow instructions. These skills lay the foundation for future cognitive abilities. This development is nurtured in the first five years of life. <a href="#">Source</a><sup>39</sup></p>   |
| <b>Staff-Child Ratio</b>                                  | <p>Number of children each early educator or provider is responsible for. State staff-child ratios are compared with standards-based ratios recommended by the National Association for the Education of Young Children (NAEYC). NAEYC ratios are 1:4 ratio for infants, 1:6 ratio for toddlers, and 1:10 ratio for preschoolers.</p> <p><a href="#">Source</a><sup>40</sup>, <a href="#">Source</a><sup>41</sup></p>   |
| <b>Subsidy</b>  | <p>A sum of money provided through a government program that lowers the burden of child care payments through financing a portion of the costs. <a href="#">Source</a><sup>42</sup></p>   |



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| <b>Tax Credit</b>                                     | Allows taxpayers to decrease expenses for child care by claiming a credit on their annual income taxes, which is then deducted from the specific amount owed in taxes. <a href="#">Source</a> <sup>43</sup>   |
| <b>T.E.A.C.H.<sup>®</sup> Early Childhood Program</b> | Teacher Education and Compensation Helps, T.E.A.C.H., is a national, evidence-based initiative that provides scholarships to early educators so that they can afford extra coursework to earn accreditation and degrees. The scholarship is designed to provide funding for scholarships and allow educators to take the time to go back to school. The scholarship requires that a certain number of hours of coursework be completed, and that the educator remains with the sponsoring program for a specific period after receiving their education. <a href="#">Source</a> <sup>44</sup> |
| <b>Tri-Share</b>                                      | Tri-share creates a public/private partnership to share the cost of child care with employees. The typical model is for employers, eligible employees and the State to equally split the price of child care for working families. However, the model can be adapted to fit the needs and available resources of the community. Examples include programs in Michigan and North Carolina. <a href="#">Source</a> <sup>45</sup>  |
| <b>Toddler Care</b>                                   | The supply of protective care and developmental education to children aged two to three. Requires a smaller staff-child ratio and a smaller group size, but not as small as infant care. <a href="#">Source</a> <sup>46</sup> , <a href="#">Source</a> <sup>47</sup>  |
| <b>W.A.G.E.<sup>®</sup> Program</b>                   | A program that provides supplemental wages to educators and directors earning at or below the income cap (chosen by funders). This supplemental wage is designed to increase recruitment, compensation, and retention of educators. <a href="#">Source</a> <sup>48</sup>  |



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<sup>5</sup>NAEYC, Child Care Aware of America. (2023). *Early care and education professional development: Training and technical assistance glossary*. NAEYC, Child Care Aware of America. [https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/new\\_glossary.pdf](https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/new_glossary.pdf)

<sup>6</sup>Urban Institute. (2022). *Blended and braided funding*. Local Workforce System Guide. <https://workforce.urban.org/node/57.html#:~:text=Blended%20funding%20combines%2C%20or%20%E2%80%9Ccomingles%2C%E2%80%9D%20multiple%20funding%20streams%20for%20one%20purpose%20without%20continuing%20to%20differentiate%20or%20track%20individual%20sources>

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<sup>8</sup>Child Care Aware of America. (2024). *Types of child care*. Child Care Aware of America. <https://www.childcareaware.org/types-of-child-care/>

<sup>9</sup>NAEYC, Child Care Aware of America. (2023). *Early care and education professional development: Training and technical assistance glossary*. NAEYC, Child Care Aware of America. [https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/new\\_glossary.pdf](https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/new_glossary.pdf)

<sup>10</sup>First Five Years Fund. (2024, June 4). *Child care & development block grant*. First Five Years Fund. <https://www.ffyf.org/policy-priorities/ccdbg/>

<sup>11</sup>Child Care Aware of America. (2024, May 15). *Child care at a standstill: price and landscape analysis*. Child Care Aware of America. <https://www.childcareaware.org/thechildcarestandstill/#LandscapeAnalysis>

<sup>12</sup>Department of Health & Human Services. (n.d.). *Federal Poverty Level (FPL) - glossary*. HealthCare.gov. <https://www.healthcare.gov/glossary/federal-poverty-level-fpl/>

<sup>13</sup>First Five Years Fund. (2024, July 17). *Child care and early learning in your state*. First Five Years Fund. <https://www.ffyf.org/state-impact/>

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## APPENDIX II: OUT OF SCHOOL TIME PROGRAMS IN SOUTH DAKOTA

[Out of School Time](#)<sup>1</sup> (OST) programs refer to organized activities and learning opportunities outside the regular school day which can include before and after school care, weekend activities, and summer camps. Out of School Time programs are designed to provide children with a safe and enriching environment. OST programs often focus on various areas such as academic support, arts and culture, physical activity, and social development. They play a crucial role in supporting working families by offering reliable child care options and helping to bridge the gap between school and home. OST programs can contribute to closing achievement gaps by providing additional learning time and resources to students who need it most.

In [South Dakota](#),<sup>2</sup> OST programs have become an essential component of community support for children and families. These programs are available in various settings, including schools, community centers, and nonprofit organizations. South Dakota’s OST programs aim to offer a comprehensive range of activities that promote both educational and personal growth. For example, they provide tutoring, STEM (Science, Technology, Engineering, and Mathematics) enrichment, sports, and arts activities. The state has recognized the importance of these programs and has [expanded](#)<sup>3</sup> OST program grants. The Afterschool Alliance has also proposed an [increase of over 3.675 million](#)<sup>4</sup> in public federal funding for FY24. These efforts are part of a broader initiative to enhance child development, support academic achievement, and provide safe, supervised environments for children outside of regular school hours.

### Governance of Out-Of-School-Time Programs in South Dakota

[Governance](#)<sup>5</sup> refers to a state’s organizational structure and its placement of authority and accountability for program, policy, financing, and implementation decisions for publicly funded OST programs. In South Dakota, OST programs are mostly governed through the Department of Education and the Governor’s Office, who utilize federal funding.

**Table I: Governance of OST Programs In South Dakota**

| State Agency            | State Office   | Funding Amount  | Federal Agency                                  |
|-------------------------|--|---|---|
| Department of Education | <a href="#">Out</a> <sup>6</sup> of School Time Expansion Grants             | \$50,000–\$200,000 grants per program   | US DOE  |
|                         | <a href="#">21st</a> <sup>7</sup> Century Community Learning Centers Program | \$50,000–\$300,000 grants per program   | US DOE  |
|                         | <a href="#">Child</a> <sup>8</sup> and Adult Care Food Program               | <a href="#">Reimbursement rates</a> <sup>9</sup> based on child served/program operated | US Department of Agriculture                    |
| Governor’s Office       | <a href="#">Community</a> <sup>10</sup> Facilities Direct Loan and Grant     | Between 15%–75% of proposed project costs   | US Department of Agriculture: Rural Development |
|                         | <a href="#">Community</a> <sup>11</sup> Development Block Grant              | Amount determined using HUD formula   | US Department of Housing and Urban Development  |

## The Out of School Time Workforce

Out of School Time (OST) programs rely heavily on a resolute workforce to provide high-quality care and educational activities for children outside regular school hours. However, like early educators, OST staff face big challenges with compensation and working conditions. In 2022, the average OST program staff earned about [\\$11](#)<sup>12</sup> per hour, which is insufficient compared to the living wage in South Dakota, estimated at [\\$19.58](#)<sup>13</sup> per hour. This low pay contributes to high turnover rates, with many workers leaving the field due to financial instability. The state has seen an alarming rate of attrition in OST programs, with approximately [78 percent](#)<sup>14</sup> of the workforce turning over annually. This turnover disrupts the continuity of care and the ability of programs to build strong relationships with the children they serve.

In addition to low wages, OST staff often lack access to essential benefits such as [health insurance](#)<sup>15</sup>, retirement plans, and paid leave. Training requirements for OST workers can also be inconsistent, with some programs requiring minimal qualifications and others mandating extensive training in child development, safety, and program management.

**Table II: OST Workforce Indicators in South Dakota**

| Average Hourly Wage | Living Wage | Workforce Attrition |
|---------------------|-------------|---------------------|
| \$11                | \$19.58     | 78%                 |

## Affordability of Out of School Time Programs

According to the South Dakota Department of Social Services, an OST program is [affordable](#)<sup>16</sup> if it costs no more than five percent of a family's income. In South Dakota, the costs for before and after school programs can exceed this threshold. Center-based programs are particularly expensive. These costs force many parents, especially single parents, to leave the workforce or reduce their hours, which negatively impacts the state's economy. Child care remains unaffordable for many families, particularly single-parent households and those earning below the median income.

**Table III: Affordability of OST Programs in South Dakota**

| Type of care          | Before and After School Programs <sup>17</sup> | Ratio of median income-single parent (\$34,417) <sup>18</sup> | Ratio of median income-married couple (\$109,987) <sup>19</sup> | Ratio of median household income all families <sup>20</sup> (\$71,810) |
|-----------------------|--|---|---|--|
| Center-based programs | \$7,862  | 23%   | 7%  | 11%  |
| School-based programs | \$3,306  | 10%   | 3%  | 5%   |

## Access to Out of School Programs for Ages 6– 17 in South Dakota

There are about [151,664](#)<sup>21</sup> youth aged 6–17 years in South Dakota and roughly [81 percent](#)<sup>22</sup> of these children have all parents within the household working. To alleviate this need for care, South Dakota has [117](#) licensed<sup>23</sup> OST programs. However, this number of programs is not enough to provide for all the children in need of before-and-after school care and education. In fact, there is about an 85 percent gap in OST program capacity compared with the number of children who hypothetically need access to it.

**Table IV: OST Gap in South Dakota**

| Total Number of Before and After School Programs | Licensed Capacity <sup>24</sup> | Children 6–17 with all parents working |
|--|---------------------------------|--|
| 117  | 18,043                          | 122,848                                |
| <b>Estimated OST Gap: 85.3%</b>                  |                                 |  |

Currently in the state of South Dakota, before and after school care or Out-of-School time programs are required to become [licensed](#)<sup>25</sup> through the Department of Social Services, regardless of the funding source or location of the program. The only exemption to this licensure prior to operation is if the after-school program is providing educational or recreational activities for children who come and go in the program at their own discretion. In 2023, [five](#)<sup>26</sup> OST programs in South Dakota received federal funding through the 21st Century Community Learning Center [grant](#)<sup>27</sup>. The grant will provide funding for the programs through 2028.

### State Comparisons:

The following examples provide effective state-level initiatives from a variety of different populations and landscapes, including Tennessee, Alaska, and Missouri. All three of these states have enacted legislation and programs that utilize innovative funding sources for OST programs.

**Tennessee:** Tennessee Department of Education utilizes Lottery for Education Afterschool Programs (LEAPS). [LEAPS](#)<sup>28</sup> uses a portion of unclaimed state lottery winnings to fund high-quality programs for at-risk youths.

**Alaska:** In 2018, Alaska established the [Marijuana Education and Treatment \(MET\) Fund](#)<sup>29</sup> through the legislature. This bill allocated 25 percent of sales tax revenue on marijuana to be put into the MET Fund. Alaska then used this funding to create [the Positive Youth Development Afterschool Program \(PYDAP\)](#),<sup>30</sup> a program designed to teach drug prevention, increase protective factors, and reduce risk factors.

**Missouri:** Missouri utilized the Child Care and Development Fund (CCDF) stream to create the [School Age Community \(SAC\) program](#)<sup>31</sup>. This program consists of providing competitive grants to cohorts of OST programs that serve children ages 5-12. Missouri also passed a bill [authorizing 3 million](#)<sup>32</sup> of Temporary Assistance for Needy Families (TANF) funding to be used to fund OST programs in 2019. In 1993, the Missouri legislature established the [Community Children's Services Fund](#),<sup>33</sup> allowing counties to collect local taxes to fund mental and behavioral health programs for children and youth.

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