Child Care Cost of Care Analysis

South Dakota Department of Social Services Division of Economic Assistance Child Care Services (CCS)

Final Report
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South Dakota
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DSS

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1. INTRODUCTION

The Child Care and Development Fund (CCDF) provides resources to State, Territory, and Tribal grantees to enable low-income parents to work or pursue education and training so they may better support their families while simultaneously promoting the learning and development of their children. The CCDF also provides funding to enhance the quality of child care for all children. CCDF is administered at the state-level by the Department of Social Services, Division of Economic Assistance, Child Care Services Office.

All states must submit a comprehensive State Plan every three years to receive federal funding. In addition, all states must regularly conduct a market rate survey and a narrow cost analysis.

As further detailed by federal Administration for Children and Families (ACF) guidance, a narrow cost analysis should examine the estimated cost of care relating to:

- *"The cost of child care providers' implementation of health safety, quality, and staffing requirements (i.e., applicable licensing and regulatory requirements, health and safety standards, training and professional development standards, and appropriate child to staff ratio, group size limits, and caregiver qualification requirements as required in 45 CFR 98.45(b)(3), (f)(1)(ii)(A), and (f)(2)(ii)."*
- *"The cost of higher-quality care, as defined by the Lead Agency using a quality rating and improvement system or other system of quality indicators, at each level of quality as required in 45 CFR 98.45(b)(4), (f)(1)(ii)(B), and (f)(2)(iii))."*

The South Dakota Department of Social Services (DSS), Child Care Services (CCS) Office contracted with Public Consulting Group, LLC (PCG) to fulfill the requirements of the narrow cost analysis. A comprehensive cost study methodology was developed that blends the detailed revenues and expenditures of all types of child care programs to generate a cost model for providing care. A sample of model programs throughout the state provided information based on calendar year 2021 to create this analysis.

ACF provides multiple potential options for states to utilize to meet narrow cost analysis requirements. The cost study model utilized exceeds the basic requirements for a narrow cost analysis, covering multiple options available to states.

As is inherent in a narrow cost analysis, a high response rate does not factor into validity of the data, such as in a traditional survey. The emphasis instead is on capturing all provider perspectives and variances for the intended study analysis. With targeted data from across the state, this study used cost reports rather than surveys from hundreds of providers.

Although the results of this analysis do provide insight into the financial health of child care programs, it is important to recognize that this work is based on a modest sample of model child care programs and should be interpreted with that in mind when making decisions based strictly off the resulting data.

2. COST OF CARE ANALYSIS DESIGN AND METHODOLOGY

South Dakota utilized an established cost study methodology used in several human services programs such as child welfare, IDEA Part C early intervention, and child care. A total of 94 individual child care sites agreed to participate in the cost study accounting for approximately 12% of the entire child care population in the state. Of these 94, 67 (72%) individual sites were ultimately represented in this study. These 67 sites were controlled by 25 total parent organizations or independently operating sites.

TABLE 1: COST STUDY PARTICIPATION FIGURES

Figure	GFDC	DCC	OST	FDC	Total
Total Child Care Sites in South Dakota (As of December 2021)	47	230	137	364	778
Total Sites Confirmed Participation	9	29	48	8	94
Total Sites that Completed Study	4	20	39	4	67
Total Parent Organizations	3	12	6	4	25

Three cost collection tools were developed and distributed to child care providers participating in the study:

- A **Cost Report Tool** for Center, GFDC, and OST programs asked providers to provide detailed staffing, enrollment, capacity, revenue, and expense information about their program.
- A **Cost Report Tool** explicitly designed for FDC programs, removing line items or simplifying certain data collection items that would not be applicable to small, single-teacher programs.
- A **Personnel Roster** for Center, GFDC, and OST programs asked participants about individual staff employed throughout the year, including information about the tenure, certifications, education level, hours worked, and wage/benefits data.

Programs were asked to provide information for the entire calendar year 2021. In preparation for the release of the tools, live webinar trainings were held. Once tools were distributed, providers had access to an email inbox and regular office hours to receive technical assistance. Providers also received a written, detailed step-by-step guide for completing the tools, a comprehensive frequently asked questions (FAQ) document that was updated and distributed regularly, and recordings of live provider trainings for reference when completing the tools. If requested by a provider, one-on-one live technical assistance calls and webinars were provided.

Each cost report and personnel roster underwent a three-phase quality assurance (QA) review. Over the course of three detailed reviews, QA reviewers developed questions regarding inconsistencies in submissions and followed up with the provider to update their tools accordingly.

Once QA was complete, data was extracted and compiled into a master database for detailed analysis. Data were further cleaned, outliers were excluded, and results of the analysis were compiled for interpretation.

3. COST REPORT AND ROSTER ANALYSIS

A. GROUP FAMILY DAY CARE, DAY CARE CENTER, OUT OF SCHOOL TIME PROVIDERS

i. Submission Statistics

A broad sample of different types of child care providers in South Dakota were engaged. The table below shows the number of sites by program type, as well as their parent programs' area[1] in the state and for-profit or non-profit IRS tax status.

TABLE 2: PARTICIPATING PROGRAM DEMOGRAPHICS

Program Type	Number of Programs
Group Family Day Care	4
Day Care Center	20
Out of School Time	39
Urban	7
Suburban	9
Rural	5
For-Profit	7
Non-Profit	14

Below is a series of charts demonstrating the diverse pool of providers that participated, including area classification and the number of years of operation. Although the average is 12 years of service, the study is well represented with providers operating from 1-50 years.

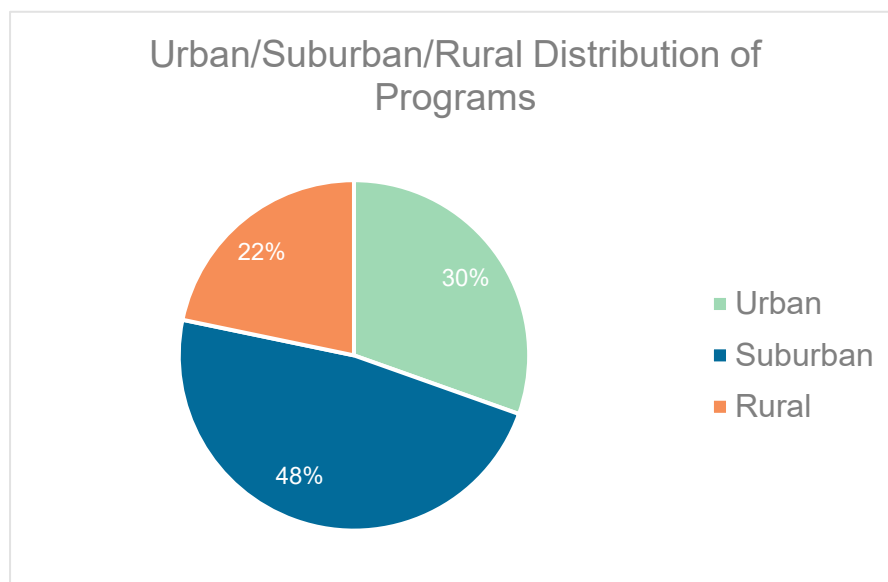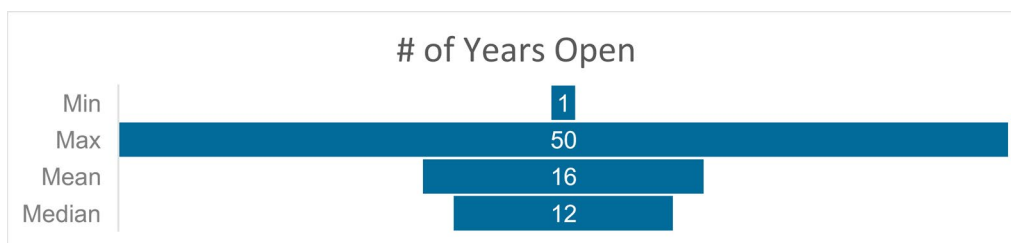FIGURE 1: GFDC, DCC, OST BY AREA CLASSIFICATION

Urban/Suburban/Rural Distribution of Programs

- Urban 30%
- Suburban 48%
- Rural 22%

FIGURE 2: NUMBER OF YEARS PROGRAM HAS BEEN OPEN

ii. Children Served and Teacher:Child Ratios

The following subsection reviews the total number of children served during the summer and school year for study participants. Using this information, the total number of teachers assigned for each age group for all programs was analyzed to determine the teacher-to-child ratios for all age groups and program types.

The following table illustrates the number of children served in summer 2021 by age group and the average teacher-to-child ratio for each program type as reported by programs. The columns "LIC Req" (Licensing Requirement) are for comparison, showing the maximum number of children considered to be in ratio per each staff member (meaning, for instance, one staff member can care for *no more* than five infants or toddlers at one time). These ratio requirements are defined in SDCL 67:42:10:07[2] (DCC and GFDC programs) and SDCL 67:42:14:17[3] (OST programs – only able to care for school-age children). As seen below for summer 2021, average ratios are below the statutory requirement for all program types.

TABLE 3: TOTAL CHILDREN AND TEACHER-CHILD RATIOS – SUMMER 2021

Age Group	Total System		GFDC			DCC			OST		
	Total Children	# Child/ Teacher	GFDC Total Children	GFDC Child/ Teacher	LIC Req Child/ Teacher	DCC Total Children	DCC # Child/ Teacher	LIC Req Child/ Teacher	OST Total Children	OST Child/ Teacher	LIC Req Child/ Teacher
Infant (0-12 mo)	199	2.92	8	2	5	191	3.14	5			
Toddler (1-3 yrs)	453	3.83	22	3.75	5	431	3.90	5			
Preschool (3-5 yrs)	627	5.93	16	5.17	10	611	6.27	10			
School-Age Full Time	1882	8.83	10	3	15	947	9.12	15	925	9.77	15
School-Age Before and After	*N/A – sample too low for school-age children outside of the school year.*										

Compared with summer 2021, school year 2021 ratios remain in compliance as required for licensures; however, for OST programs providingschool-age before and after school care, the

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[1] Geographic area (urban, suburban, and rural) was determined by using U.S. Census Bureau classification data for the program's listed main address. For programs that operate multiple sites, their main address was used for the designation. Complete definitions of these areas are in the glossary.
[2] https://sdlegislature.gov/Rules/Administrative/24727
[3] https://sdlegislature.gov/Rules/Administrative/24846

average ratio slightly exceeds the 15-child maximum. This is likely due to OST drop-in care enrollment variations, where the children are not present during the full time of operation.

TABLE 4: TOTAL CHILDREN AND TEACHER-CHILD RATIOS – SCHOOL YEAR 2021

Age Group	Total System		GFDC			DCC			OST		
	Total Children	# Child/ Teacher	GFDC Total Children	GFDC Child/ Teacher	LIC Req Child/ Teacher	DCC Total Children	DCC # Child/ Teacher	LIC Req Child/ Teacher	OST Total Children	OST Child/ Teacher	LIC Req Child/ Teacher
Infant (0-12 mo)	210	2.56	9	1.50	5	201	2.73	5			
Toddler (1-3 yrs)	475	3.89	23	3.75	5	452	3.97	5			
Preschool (3-5 yrs)	679	6.95	20	5.17	10	659	7.43	10			
School-Age Full Time	*N/A – sample too low for school age children during the school year.*										
School-Age Before and After	539	13.21	4	4.25	15	166	11.86	15	369	18.24	15

iii. Personnel

The number of staff employed throughout 2021 by study participants totaled 1,121, inclusive of all position types. The table below provides the number of staff by role for DCC, OST, and GFDC programs. For subsequent analyses, the results of the three types of programs are combined, due to sample size.

TABLE 5: NUMBER OF REPORTED STAFF BY PROGRAM TYPE

Role	GFDC #	GFDC %	DCC #	DCC %	OST #	OST %
Director	3	0%	9	1%	6	1%
Assistant Director	1	0%	12	1%	5	0%
Lead Teacher	9	1%	161	14%	13	1%
Assistant Teacher	30	3%	375	34%	97	9%
Floater (Teacher)	0	0%	236	21%	25	2%
Site Coordinator	0	0%	21	2%	20	2%
Administrative Staff	1	0%	87	8%	6	1%

Education Levels of Staff

301 (36%) of staff have their high school diploma or a GED. 344 (41%) of staff have some college education level. Thirteen percent have a bachelor's degree and two percent have a master's degree. The remaining staff who have an associate's degree or higher totaled 192 (23%).

TABLE 6: REPORTED STAFF EDUCATION LEVELS

Education Level	Total		GFDC		DCC		OST	
	#	%	#	%	#	%	#	%
Some high school	0	0%	0	0%	0	0%	0	0%
High school graduate/GED	301	36%	24	62%	234	37%	43	25%
Some college, no degree	344	41%	11	28%	247	39%	86	50%
Associate's degree, occupational	35	4%	1	3%	32	5%	2	1%
Associate's degree, academic	29	3%	0	0%	27	4%	2	1%

Education Level	Total		GFDC		DCC		OST	
	#	%	#	%	#	%	#	%
Bachelor's degree	108	13%	1	3%	74	12%	33	19%
Master's degree	16	2%	0	0%	12	2%	4	2%
Professional degree	3	0%	2	5%	0	0%	1	1%
Doctoral degree	0	0%	0	0%	0	0%	0	0%
Total	836	100%	39	100%	626	100%	171	100%

Salary and Benefits

According to the data collected from personnel rosters, the average wage of a child care direct service worker (lead and assistant teachers, floaters) ranges between approximately $10.50 - $14.00 per hour. The table below provides the number of reported staff by employee type, position title, education level, geography, and program type. The mean, minimum, and maximum wage is reported for each, as well as the percent of the employees who may receive benefits beyond mandatory costs, such as health insurance, paid time off, retirement, or employee discounts. Finally, the estimated annual wage is reported assuming 40 hours per week or 2,080 hours per year.

TABLE 7: OVERVIEW OF CHILD CARE INDUSTRY EMPLOYEE WAGES

Role/Title/Demographic	#	Mean	Min	Max	% Who Receive Additional Benefits	Equivalent Annual Salary (40 Hours per Week)
Total System	1121	$13	$9	$77	32%	$26,710
Employee Type						
Full-Time Employee	453	$15	$9	$77	67%	$30,576
Part-Time Employee	637	$11	$9	$30	9%	$23,670
Primary Title Category						
Director	18	$23	$14	$40	56%	$48,390
Assistant Director	18	$17	$10	$22	56%	$35,206
Lead Teacher	183	$14	$9	$34	52%	$29,155
Assistant Teacher	502	$12	$9	$25	32%	$25,168
Floater	261	$11	$9	$17	8%	$21,945
Site Coordinator	41	$13	$10	$17	29%	$27,447
Administrative Staff	94	$18	$10	$77	53%	$37,106
Education Level						
High school graduate/GED	301	$12	$9	$34	40%	$25,673
Some college, no degree	344	$11	$9	$28	13%	$23,289
Associate's degree, occupational	35	$13	$10	$19	29%	$26,591
Associate's degree, academic	29	$17	$11	$46	52%	$34,941
Bachelor's degree	108	$15	$9	$40	43%	$30,941
Master's degree	16	$26	$10	$77	69%	$54,603
Area						
Urban	665	$14	$9	$77	44%	$28,865
Suburban	386	$11	$9	$23	13%	$22,600
Rural	53	$11	$9	$17	8%	$23,030
Program Type						
Day Care Center	419	$13	$9	$77	17%	$27,196
OST	657	$11	$9	$21	42%	$23,662

Role/Title/Demographic	#	Mean	Min	Max	% Who Receive Additional Benefits	Equivalent Annual Salary (40 Hours per Week)
Group Family Day Care	44	$10	$9	$16	25%	$21,275

TABLE 8: COMPARISON OF DIRECT SERVICE WAGES, BY SOURCE

Role	Study Results	BLS Mean	Indeed Mean	BLS Mean (Kindergarten)[4]
Lead Teacher	$29,155	$32,040	$30,077	$46,520
Assistant Teacher	$25,168	$27,810	$28,517	$46,520
Floater (Teacher)	$21,945	$25,693	N/A	N/A

Turnover

By analyzing the start and end dates of employment for each staff member listed in the personnel rosters and comparing the number of staff who leave a program during the year to the number of staff who stay or join the program over the course of the year, the turnover rate can be calculated. The following figures detail the rates of turnover by program type, role, and by other demographic data. By program type, DCCs have the highest turnover at 83%, and GFDC programs the lowest at 60%.
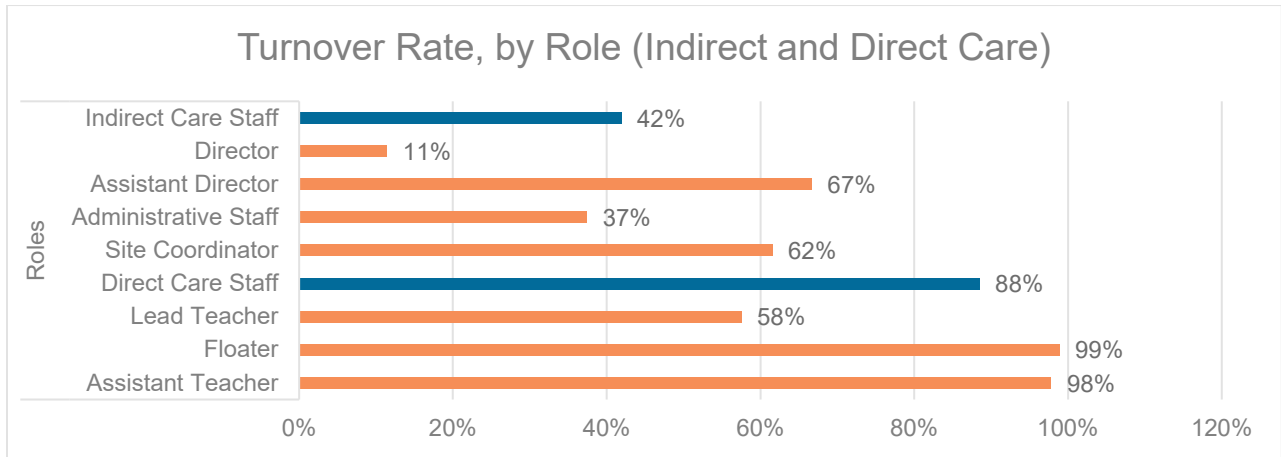
FIGURE 3: TURNOVER RATE, BY PROGRAM TYPE
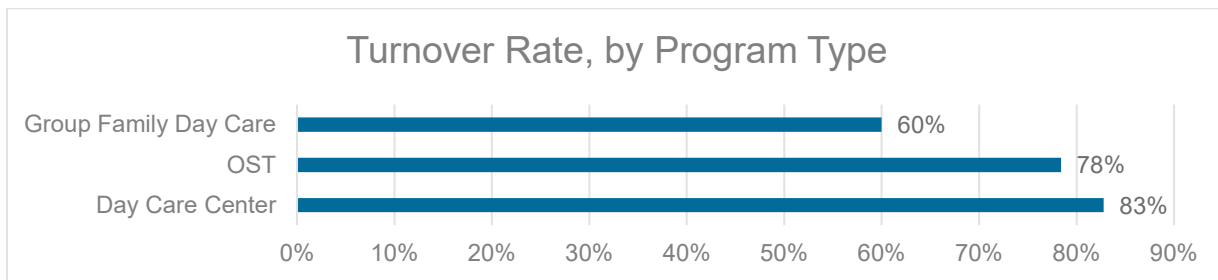
When primary job titles are clustered together by their indirect or direct care status, indirect care staff have a turnover rate which is half of the turnover rate for direct care staff. Indirect staff provide support to the program and are not directly working with children on a day-to-day basis, such as directors, administrators, accounting staff, or janitorial staff. Direct staff are teachers who spend the majority of their day engaging directly with a child's care. Under direct care staff, lead teachers have a significantly lower turnover rate than that of assistant teachers and floaters.
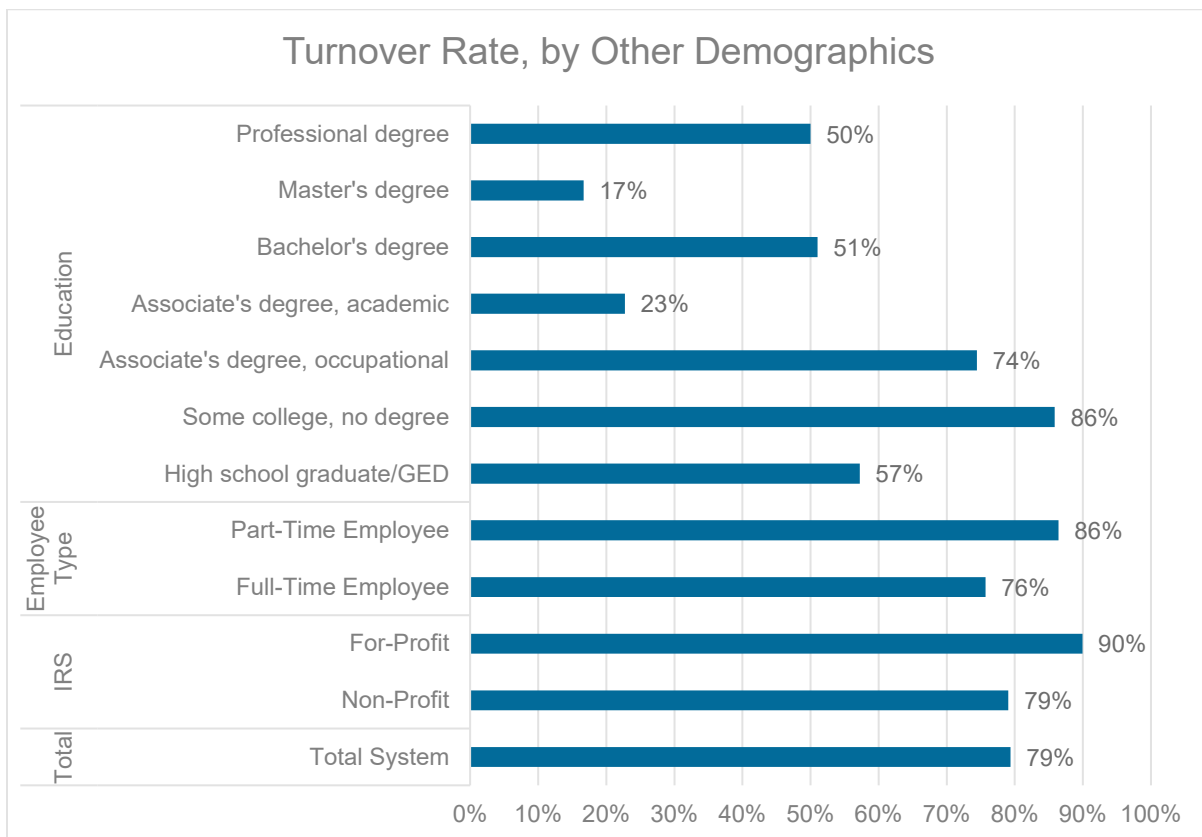
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[4] U.S. BLS mean wage for Kindergarten teachers in South Dakota are provided to illustrate the difference between the fields. Data retrieved from: https://www.bls.gov/oes/current/oes252012.htm#st

FIGURE 4: TURNOVER RATE, BY ROLE (INDIRECT AND DIRECT CARE)

Turnover Rate, by Role (Indirect and Direct Care)

- Indirect Care Staff: 42%
- Director: 11%
- Assistant Director: 67%
- Administrative Staff: 37%
- Site Coordinator: 62%
- Direct Care Staff: 88%
- Lead Teacher: 58%
- Floater: 99%
- Assistant Teacher: 98%

Turnover rates by education, employee type, IRS tax status, and the total system in South Dakota combined are expressed below.

FIGURE 5: TURNOVER RATE BY OTHER DEMOGRAPHICS

Turnover Rate, by Other Demographics

Education:
- Professional degree: 50%
- Master's degree: 17%
- Bachelor's degree: 51%
- Associate's degree, academic: 23%
- Associate's degree, occupational: 74%
- Some college, no degree: 86%
- High school graduate/GED: 57%

Employee Type:
- Part-Time Employee: 86%
- Full-Time Employee: 76%

IRS:
- For-Profit: 90%
- Non-Profit: 79%

Total:
- Total System: 79%

When turnover is examined on a month-to-month basis, the high rates are flattened, showing a strong seasonality in child care employment. This is likely driven by OST programs and school-age children transitioning from before-and-after-school care during the school year to full-time care during the summer and returning to school in the fall.

FIGURE 6: MONTHLY SYSTEM TURNOVER RATE, 2021

Monthly System Turnover Rate, 2021
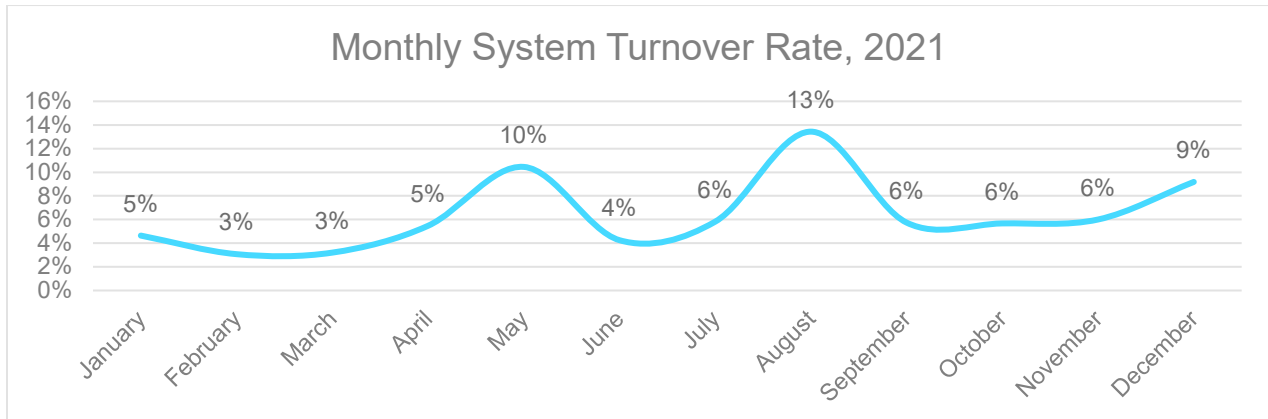
iv. Program Quality

Eight voluntary quality indicators were selected to indicate an elevated program experience for children and families. Below are the Day Care Center/Group Family Day Care-specific indicators in addition to the number and percent of programs that met the indicator.

TABLE 9: DCC/GFDC INDICATORS

Category	Full Wording	%	#
Health and Safety Checks	Staff inspect environment daily to prevent safety hazards (remove toys from fall zones, close child gates, wipe up spills, etc.).	100%	15
Space and Materials	Three or more pieces of furniture designed for a specific activity are used (Sensory Table, Art Easel, woodwork bench, etc.).	93%	14
Activities and Experiences	Planned activities are based on the Early Learning Guidelines in Literacy, Math, Science, Social Studies, Fine and Gross motor.	93%	14
Early Childhood Enrichment Center Participation	Program accesses the local Early Childhood enrichment program for program support/resources to further assist with care of kids.	87%	13
Health and Safety Guidelines	Program participates in the Child and Adult Care Food Program (CACFP) or follows the guidelines of the CACFP.	80%	12
Relationships and Interactions	Program schedules parent engagement activities at least once a year (Parent/Teachers Conferences, Holiday parties, Field trip).	80%	12
State Specific Organization Involvement	Program Leadership and/or staff members participate in one of the following organizations • *SDAEYC (South Dakota Association for the Education of Young Children)* • *SDACCD (South Dakota Association of Child Care Directors)* • *SACCD (Siouxland Association of Child Care Directors)* • *SoDakSACA (South Dakota School Age Care Alliance)* • *NSCACA (National School Age Care Alliance)*	67%	10
Program Evaluation	Parents are asked to evaluate the program.	47%	7

OST programs only serve school children and are subject to a different series of voluntary quality indicators. Below are the OST indicators and the number and percent of programs that met the indicator.

TABLE 10: OST INDICATORS

Item	Full Wording	%	#
Health and Safety Checks	Emergency drills are implemented and practiced including Tornado, Fire and Active Shooter.	100%	9
Activities and Experiences	Staff sit with children and talk to children about words, concepts, problem solving, reasoning during learning activities and meal times.	100%	9
State Specific Organization Involvement	Program Leadership and/or staff members participate in one of the following organizations: • *SDAEYC (South Dakota Association for the Education of Young Children)* • *SDACCD (South Dakota Association of Child Care Directors)* • *SACCD (Siouxland Association of Child Care Directors)* • *SoDakSACA (South Dakota School Age Care Alliance)* • *NAA (National After School Association)*	89%	8
Health and Safety Guidelines	Program participates and follows guidelines for Nutrition and Physical activity for the HEPA/PATA.	89%	8
Materials	Program offers a planned "cozy, soft area" for children to relax, read, listen to music, draw.	89%	8
Space	Program offers 3 or more Interest Centers including a designated/quiet area for a "Homework Area" that are defined and conveniently equipped.	89%	8
Program Evaluation	Parents are asked to evaluate the program.	89%	8
Relationships and Interactions	Program schedules parent engagement activities at least once a year (Parent/Teachers Conferences, Holiday parties, Field trip).	67%	6
Program Management	Facility offers a minimum of 3 or more developmental "Clubs" for enhanced learning experiences (ex. Music, Technology, Science, Sports, etc.).	67%	6
Early Childhood Enrichment Center Participation	Program accesses the local Early Childhood enrichment program for program support/resources to further assist with care of kids.	44%	4

Based on program response, programs were categorized as: "enhanced," (having less than 65% of indicators); "more enhanced," (having between 65-85% of indicators); and "most enhanced" (having greater than 85% of indicators). Programs are grouped below by type and by percent that fall into each level of enhancement.

TABLE 11: LEVELS OF ENHANCEMENT

| Program Type	% Enhanced	% More Enhanced	% Most Enhanced
DCCs (n = 12)	17%	25%	58%
GFDCs (n=3)	67%	33%	0%
OSTs (n=8)	13%	13%	75%

v. Revenue

Based on reported revenues, the largest revenue source was private pay from full-pay non-subsidized families, as well as copay and additional payments owed beyond subsidy from subsidized families, making up 66% ($15.6M). It should be noted that some programs included copays and payments beyond subsidy and copay in the private pay (full pay) category because they do not track these revenues separately.

In reference to private pay (co-pay amount) revenue totals, COVID-19 state policies eliminated co-payments for families between April 1 and September 30, 2021. Also note that 24 out of 63 individual programs did not receive subsidy revenue from DSS. State and/or federal grants or loans, such as CARES, CRRSA, and the PPP which will decline in future years, made up 14% of revenues.

TABLE 12: GFDC, DCC, AND OST REVENUES

Revenue Line Item	# Responses	% of Responses with Revenue Type	Total Revenue	Mean Revenue	% of Overall Revenue
Total Program Revenue	*23*	*100%*	*$23,872,923*	*$1,037,953*	*100%*
Private Pay (Full Pay)	22	96%	$15,520,568	$705,480	65%
Private Pay (Co-Pay Amount)	7	30%	$116,835	$16,691	0.50%
Private Pay (Payments Beyond Subsidy and Co-Pay)	4	17%	$33,801	$8,450	0.10%
State/Federal Grants or Loans, Such as CARES, CRRSA, PPP	23	100%	$3,254,928	$141,519	14%
Other Revenue, i.e. Grants, Scholarships, Donations	17	74%	$1,974,516	$116,148	8%
Revenue from DSS (Subsidy)	19	83%	$1,750,524	$92,133	7%
Revenue from CACFP	15	65%	$774,539	$51,636	3%
In-Kind Contributions (Space, Phone, Internet, Etc.)	9	39%	$447,212	$49,690	2%

FIGURE 7: TOTAL REVENUES BY TYPE
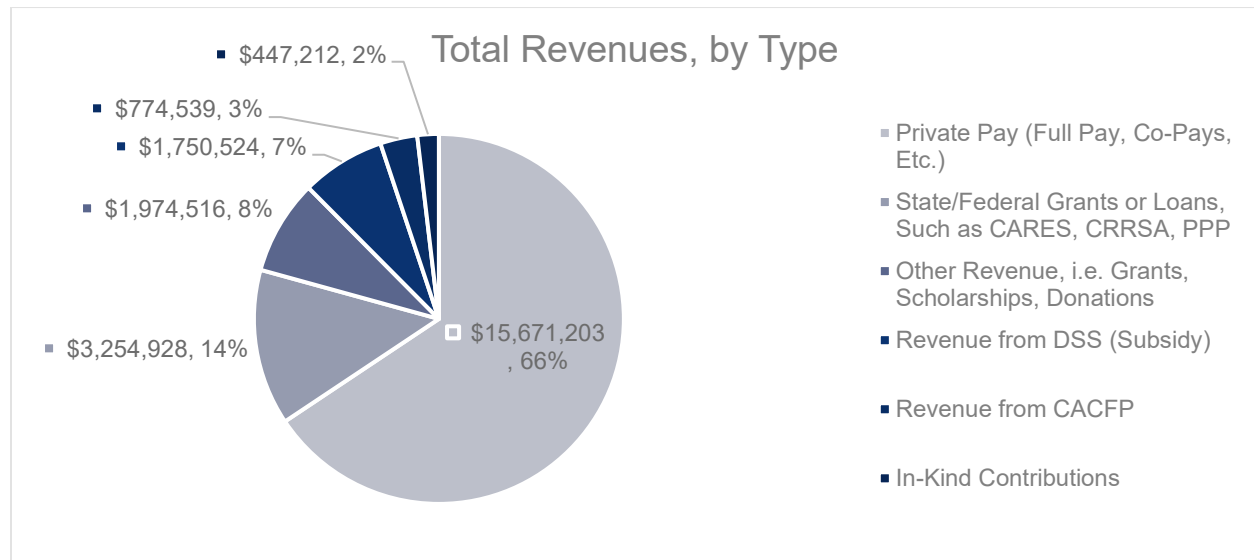
vi. Expenses

Total program expenses for GFDC, DCC, and OST programs participating in the study were $23.6 million for Calendar Year 2021. Of this total, 72% of expenses were related to staff wages and benefits, while all other non-personnel expenses accounted for 28%.

TABLE 13: GFDC, DCC, OST TOTAL EXPENSES

Expenses Line Item	Total Expenses	Mean Expenses	% of Expenses
Total Expenses	$23,676,663	$1,029,420	*100%*
Total Personnel Expenses	$17,104,136	$743,658	72%
Total Non-Personnel Expenses	$6,572,527	$285,762	28%

Direct service wages or salaries make up the largest line-item expense in programs' budgets, making up 48% of overall expenses and 66% of total personnel expenses. Administrative salaries made up 17% of personnel expenses, as did the combination of mandatory (e.g., taxes, insurance) and non-mandatory costs (e.g., health insurance and retirement).

TABLE 14: GFDC, DCC, OST PERSONNEL EXPENSES

Personnel Expense Line Item	# Responses	% of Responses with Expense Type	Total Personnel Expenses	Mean Personnel Expenses	% of Personnel Expenses	% of Overall Expenses
Total Personnel Expenses	*23*	*100%*	*$17,104,136*	*$743,658*	*100%*	*72%*
Direct Service Salaries	23	100%	$11,247,477	$489,021	66%	48%
Administrative Salaries	21	91%	$2,888,941	$137,569	17%	12%
Mandatory Personnel Costs (Taxes, Insurance, Worker's Comp)	21	91%	$1,925,046	$91,669	11%	8%

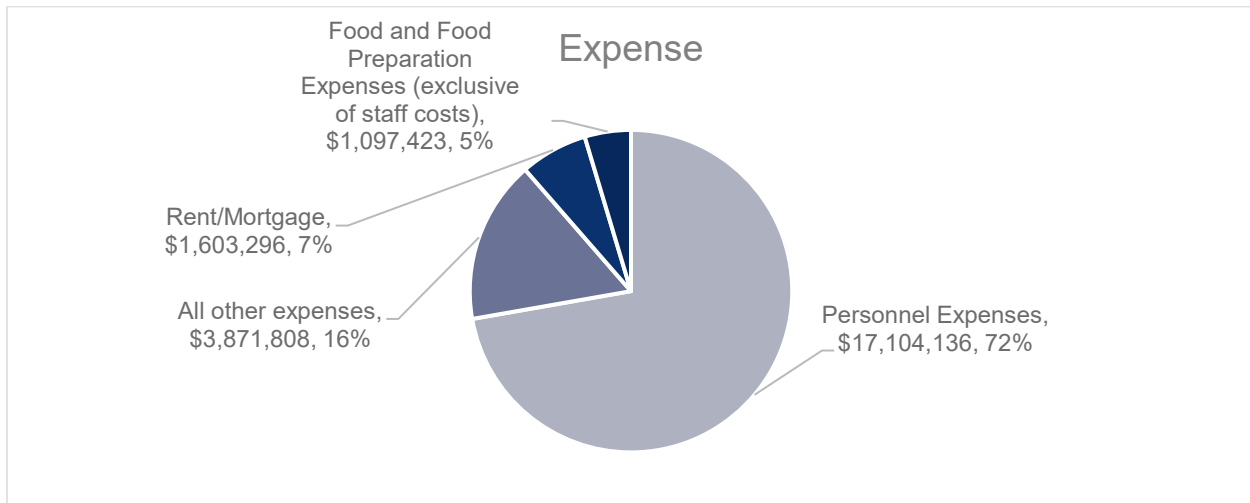| Personnel Expense Line Item	# Responses	% of Responses with Expense Type	Total Personnel Expenses	Mean Personnel Expenses	% of Personnel Expenses	% of Overall Expenses
Non-Mandatory Benefits (Health Insurance, Retirement, PTO, Discounts, etc.)	20	87%	$954,725	$47,736	6%	4%
Per Diem/Contractual Personnel	4	17%	$87,947	$21,987	1%	0.40%

When examining all personnel and non-personnel expenses, personnel expenses make up approximately 72% of all program expenses, while rent/mortgage make up the second largest expenditure at 7%. Food and food preparation expenses are the next largest expenditure, making up 5% of all program expenses.

TABLE 15: GFDC, DCC, OST NON-PERSONNEL EXPENSES

Non-Personnel Expense Line Item	# Responses	% of Responses with Expense Type	Total Non-Personnel Expenses	Mean Non-Personnel Expenses	% of Non-Personnel Expenses	% of Overall Expenses
Total Non-Personnel Expenses	*23*	*100%*	*$6,572,527*	*$285,762*	*100%*	*28%*
Rent/Mortgage	14	61%	$1,603,296	$114,521	24%	7%
Food and Food Preparation Expenses (exclusive of staff costs)	22	96%	$1,097,423	$49,883	17%	5%
Depreciation/Capital Expense	11	48%	$602,321	$54,756	9%	3%
Educational & Program Supplies (toys, craft materials, etc.)	21	91%	$472,640	$22,507	7%	2%
Other Expenses	17	74%	$373,848	$21,991	6%	2%
Administrative Cost Allocation (if applicable)	5	22%	$366,508	$73,302	6%	2%
Utilities (power, water)	15	65%	$299,544	$19,970	5%	1%
Accounting & Legal Services, Bank & Credit Card Fees	16	70%	$279,398	$17,462	4%	1%
Insurance	20	87%	$267,816	$13,391	4%	1%
Mileage, Transportation, and Other Travel	20	87%	$241,854	$12,093	4%	1%
Building Maintenance and Repairs	13	57%	$226,380	$16,170	3%	1%
Special Events	15	65%	$127,458	$8,497	2%	1%
Telephone/Internet	20	87%	$98,323	$4,916	1%	0.4%
Equipment/Furniture	11	48%	$81,376	$6,781	1%	0.3%

Non-Personnel Expense Line Item	# Responses	% of Responses with Expense Type	Total Non-Personnel Expenses	Mean Non-Personnel Expenses	% of Non-Personnel Expenses	% of Overall Expenses
Assistive Technology Equipment	9	39%	$76,028	$8,448	1%	0.3%
Equipment Maintenance and Repairs	11	48%	$70,380	$6,398	1%	0.3%
Office Supplies (printing, mailing, etc)	20	87%	$66,283	$3,314	1%	0.3%
Expenses Related to COVID-19 (incl. PPE, virtual subscriptions, etc.)	9	39%	$65,043	$7,227	1%	0.3%
Training and Professional Development	21	91%	$55,479	$2,642	1%	0.2%
Membership Dues and Subscriptions	12	52%	$51,150	$4,263	1%	0.2%
Advertising/Marketing (Child Find, Public Awareness Materials, PR)	11	48%	$36,867	$3,352	1%	0.2%
Missing Payments Written Off	8	35%	$13,111	$1,639	0%	0.1%
Interpreter/Translation Services	0	0%	$0	$0	0%	0.0%

FIGURE 8: GFDC, DCC, OST MAJOR EXPENSE CATEGORIES

Expense

Food and Food Preparation Expenses (exclusive of staff costs), $1,097,423, 5%

Rent/Mortgage, $1,603,296, 7%

All other expenses, $3,871,808, 16%

Personnel Expenses, $17,104,136, 72%

vii. Solvency Analysis

When examining the difference between revenues and expenses, the level of solvency was calculated for programs' operational statuses. Solvency ratio was calculated by dividing a program's net income by its total expenses. Overall, most programs provided data showing that they were solvent, or had surplus revenues after expenses. There was little difference in this trend when examining programs by program type or IRS tax status (non-profit or for-profit). For programs that showed insolvency, continued operation is likely due to supports from a parent organization or operation in conjunction with another entity (such as a school district) with one OST program showing expenses exceed revenues by 94%.

TABLE 16: GFDC, DCC, OST SOLVENCY ANALYSIS

Type	IRS Status	Net Income	Solvency Ratio
OST	Non-profit	$218,264	39%
Day Care Center	Non-profit	$710,501	38%
OST	Non-profit	$45,793	31%
Group Family Day Care	For-Profit	$32,608	27%
OST	Non-profit	$564,610	22%
Day Care Center	For-Profit	$119,093	16%
Day Care Center	Non-profit	$39,811	14%
OST	Non-profit	$21,508	13%
OST	Non-profit	$16,935	12%
Day Care Center	Non-profit	$168,479	12%
Day Care Center	For-Profit	$35,267	8%
OST	Non-profit	$8,261	7%
Day Care Center	Non-profit	$39,781	6%
Day Care Center	Non-profit	$7,593	4%
OST	Non-profit	$15,524	4%
Day Care Center	For-Profit	$3,692	3%
Day Care Center	For-Profit	-$32,418	-3%
Day Care Center	Non-profit	-$263,866	-5%
Group Family Day Care	For-Profit	-$14,187	-8%
Group Family Day Care	For-Profit	-$20,556	-13%
Day Care Center	Non-profit	-$100,845	-19%
Day Care Center	Non-profit	-$1,307,382	-20%
OST	Non-profit	-$112,205	-94%

TABLE 17: SOLVENCY/INSOLVENCY BY PROGRAM TYPE COUNT

Program Type	# Solvent	# Insolvent	Avg Solvency Ratio
Group Family Day Care	1	2	2%
Day Care Center	8	4	4%
OST	7	1	4%
For-Profit	4	3	4%
Non-Profit	12	4	4%

Competitive Wages

Study participants were asked what they would pay, if able, as a competitive wage to their employees to improve retention in the program and address any staffing shortages. Overall, programs estimated an increase in wages of 9-23% above the current mean wages. The table below illustrates the current mean wages on an hourly and annualized basis, programs' estimated wage needed to be competitive in the current job market, and the percent increase needed in wages to meet the estimated competitive wage.

TABLE 18: WAGES NEEDED TO BE COMPETITIVE

Wage Item	Director	Asst Dir.	Lead Teacher	Teacher/ Asst Teacher/ Floater
Current Mean Wage	$23.26	$16.93	$14.02	$11.51
Current Annualized Wage	$48,390	$35,206	$29,155	$23,941
Competitive Wage	$25.45	$20.82	$16.00	$13.65
Competitive Annualized Wage	$52,929	$43,304	$33,280	$28,401
% Increase	9%	23%	14%	19%

B. FAMILY DAY CARE PROVIDERS

i. Children Served

Four Registered Family Day Care (FDC) programs participated in the cost study, all located in different areas of the state. They all carried similar enrollment figures, which are expressed below with the total amount of children served combined; the mean number of children a program served; and the related maximum number of children by age group an FDC may serve without a helper, per licensing requirements (LIC Req child/teacher).

TABLE 19: FDC CHILD ENROLLMENTS

Age Group	Summer Total	Summer Mean	School Year Total	School Year Mean	LIC Required Child/ Teacher
Infant (0-12 mo)	3	1.00	3	1.50	2
Toddler (1-3 yrs)	15	3.75	9	3.00	4
Preschool (3-5 yrs)	26	6.50	18	6.00	12
School Age Full-Time	3	1.50	2	N/A	12
School-Age Before and After	N/A	N/A	3	1.50	12

ii. Personnel

The personnel analysis for FDCs is limited due to the limited number of providers in the analysis. For all four of the programs, the owners were the sole staff. They did not report having any helpers. The participating FDCs collectively have extensive experience operating as their own childcare business ranging from four to 22 years and averaging 14 years.

iii. Program Quality

Eight specific voluntary indicators of quality were selected that could indicate an elevated program experience for children and families. All four programs reported that 65 - 85% of these indicators applied to their programs, so all are classified as "more enhanced."

TABLE 20: FDC INDICATORS

| Category	Description	% of Programs
Space and Materials	Age-appropriate play material at child's level and rotated to maintain children's interest.	100%
Activities	Provider offers daily at least 3 age-appropriate materials in art supplies, music materials, blocks, or dramatic play.	100%
Relationships and Interactions	Provider helps children be aware of how their actions affect others and uses communication to solve problems.	100%
Health and Safety Guidelines	Program participates in the Child and Adult Care Food Program (CACFP) or follows the guidelines of the CACFP.	75%
Program Management	Provider has implemented a minimum of 2 written policies in the following areas: nutrition, physical activity, safe sleep practices, suspensions, and expulsion.	75%
Early Childhood Enrichment Center Participation	Program accesses the local Early Childhood enrichment program for program support/resources to further assist with care of kids.	50%
Experiences	Provider limits screen time to no more to 1 hour a day.	50%

iv. Revenue

The revenue for the FDCs participating in this study totaled $277,746, averaging $69,436 per provider in calendar year 2021. The most significant source of revenue among the FDC providers was from private pay, co-pays, and revenue directly from families receiving services. The lowest portion of the revenue came from the state received funds; three of the four FDC providers reported receiving funding from the state (child care subsidy).

TABLE 21: TOTAL FDC REVENUES

Revenue Line Item	# Responses	% of Programs with Revenue Type	Total Revenue	Mean Revenue	% of Overall Revenue
Total Revenue	*4*	*100%*	$277,746	$69,436	*100%*
Private Pay, Co-Pays, and Other Revenue Directly from Families	4	100%	$223,791	$55,948	81%
State/Federal Grants or Loans, such as CARES, CRRSA, PPP	4	100%	$24,920	$6,230	9%
Revenue from CACFP	3	75%	$22,859	$7,620	8%
Revenue from DSS (Subsidy)	3	75%	$6,175	$2,058	2%

FIGURE 9: TOTAL FDC REVENUES BY SOURCE

Total FDC Revenues, By Source

- Private Pay, Co-Pays, and Other Revenue Directly from Families
- State/Federal Grants or Loans, such as CARES, CRRSA, PPP
- CACFP
- Pay from The State (e.g. Subsidy)
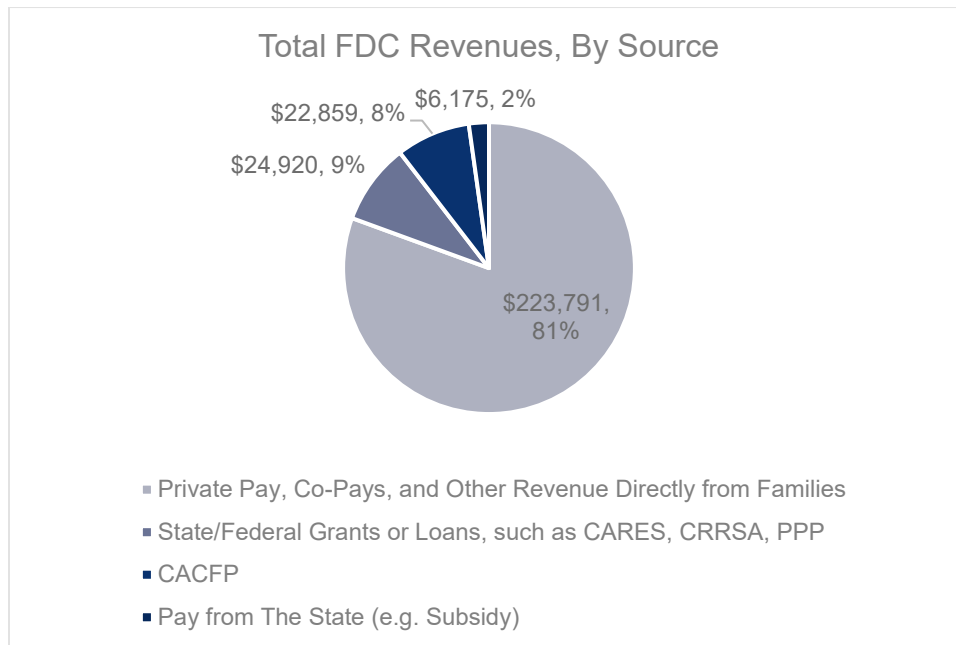
v. Expenses

Total expenses reported by the participating FDCs equaled $268,297 and averaged $67,074 per program. Three of the four participants reported paying themselves a salary, wages or having net income, averaging $32,246 per program, the largest expense category surveyed. The subsequent highest expenses were food and food preparation expenses, educational and program supplies, and rent and mortgage.

TABLE 22: FDC TOTAL EXPENSES

Expense Line Item	# Responses	Total Expenses	Mean Expenses	% of Total
Total Expenses	*4*	*$268,297*	*$67,074*	*100%*
Total Non-Personnel Expenses	4	$171,560	$42,890	64%
Total Personnel Expenses	3	$96,737	$32,246	36%

TABLE 23: FDC NON-PERSONNEL EXPENSES

Non-Personnel Expense Line Item	# Responses	% of Responses	Total Non-Personnel Expenses	Mean Non-Personnel Expenses	% of Non-Personnel Expenses	% of Overall Expenses
Total Non-Personnel Expenses	*4*	*100%*	*$171,560*	*$42,890*	*100%*	*64%*
Food and Food Preparation Expenses	4	100%	$43,158	$10,790	25%	16%
Educational & Program Supplies (toys, craft materials, etc.)	4	100%	$33,681	$8,420	20%	13%
Rent/Mortgage (Specifically the portion your program pays for)	4	100%	$22,696	$5,674	13%	8%
Utilities (power, water)	4	100%	$17,776	$4,444	10%	7%
Other Expenses	2	50%	$14,033	$7,016	8%	5%

Non-Personnel Expense Line Item	# Responses	% of Responses	Total Non-Personnel Expenses	Mean Non-Personnel Expenses	% of Non-Personnel Expenses	% of Overall Expenses
Home Maintenance and Repairs (includes cleaning)	4	100%	$13,214	$3,303	8%	5%
Insurance (Liability or similar)	3	75%	$5,245	$1,311	3%	2%
Program Equipment Maintenance and Repairs	3	75%	$4,979	$1,660	3%	2%
Program Equipment/Furniture	4	100%	$4,668	$1,167	3%	2%
Telephone/ Internet	3	75%	$4,473	$1,491	3%	2%
Office Supplies (printing, mailing, etc.)	4	100%	$3,096	$774	2%	1%
Expenses Related to COVID-19 (incl. PPE, virtual subscriptions, etc.)	3	75%	$2,989	$996	2%	1%
Accounting & Legal Services, Bank & Credit Card Fees	3	75%	$834	$208	0.50%	0.3%
Other Personnel Expenses (Benefits, taxes, worker's comp. etc.)	1	25%	$415	$138	0.20%	0.2%
Training and Professional Development	4	100%	$305	$76	0.20%	0.1%

FIGURE 10: FDC NON-PERSONNEL EXPENSES, BY LINE ITEM


FDC Total Expenses, by Line Item
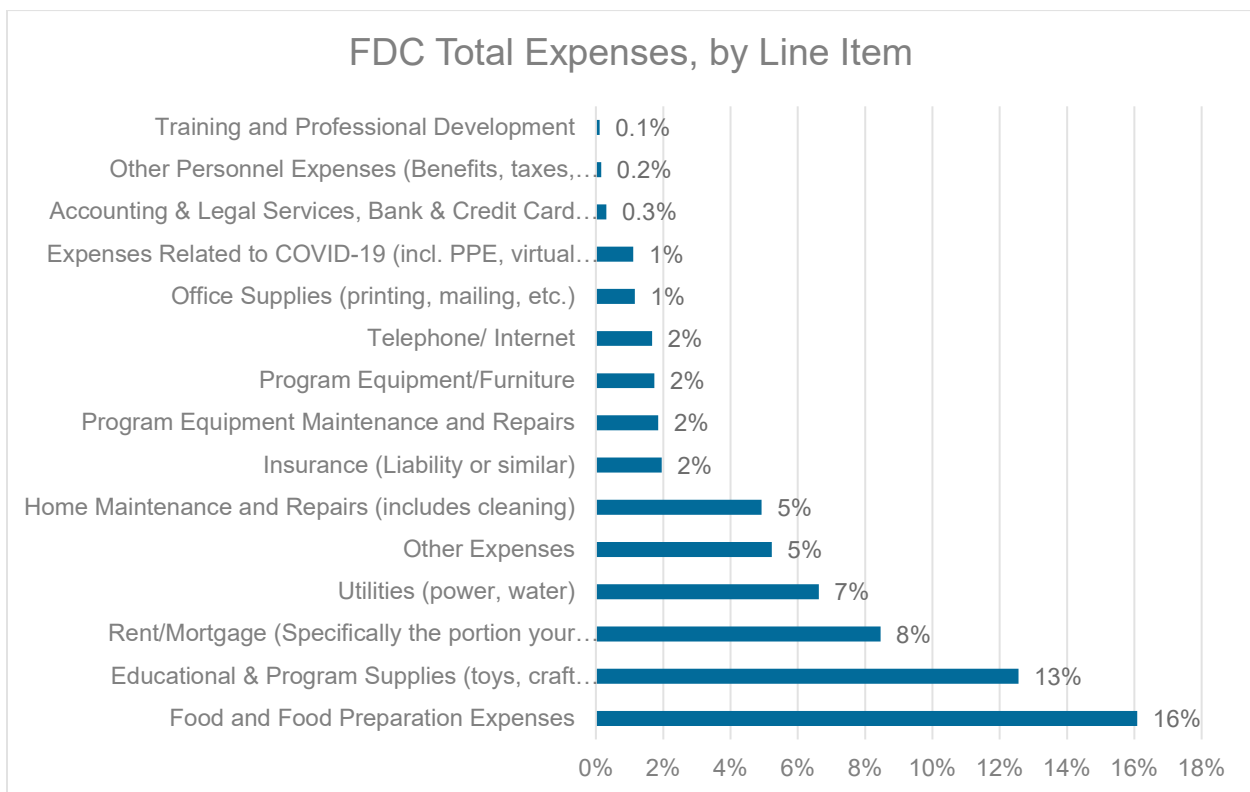
vi. Solvency Analysis

When examining the difference between revenues and expenses, the level of solvency was calculated for programs' operational statuses. Solvency ratio was calculated by dividing a program's net income by its total expenses and reflects the ability to operate within parameters of the funding received. Of the four FDC providers, two were operating at a deficit, one broke even, and one achieved profit.

FIGURE 11: FDC SOLVENCY ANALYSIS, 2021
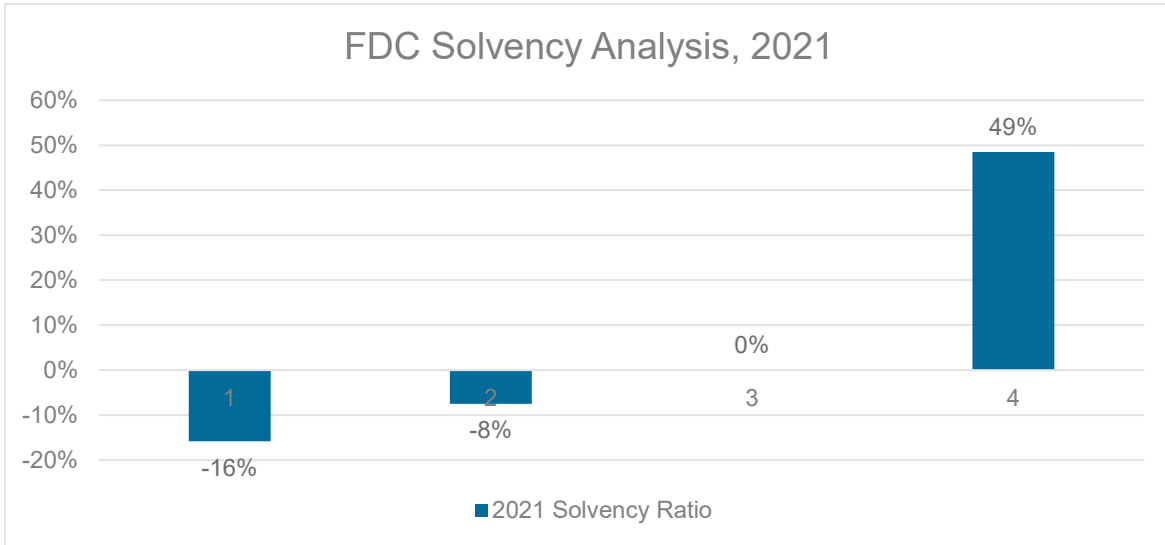
4. COST OF CARE DATA

The following tables offer a comprehensive review of the cost of care for children in South Dakota. Data are divided by area, IRS status, enhancement level, program type, and age group. Data was collected for Calendar Year 2021, and total cost for children are represented on an annualized basis. Total enrollment was examined by different strata and compared to total program expenses to calculate an estimated cost per child. Because the bulk of GFDC, DCC, and OST programs' cost drivers are attributed to staffing, average teacher to child ratios by age group were utilized to determine the burden of cost by each grouping. For instance, when comparing infants, which require no more than five infants per teacher, to school age children, which have a 15 to one child-to-teacher ratio, the burden of costs for younger children outweigh costs for older children.

FDC programs did not have a teacher-to-child ratio weight applied in their per child calculations because they only have one staff member. In this case, when average total expenses per program was examined against average enrollments, a total per child annual cost was calculated at $6,544.

It is important to note that these cost-per-child calculations are estimations based on a modest sample of model programs throughout South Dakota. As estimations, they should be used only as illustrative examples of what a hypothetical childcare program in South Dakota requires to provide care.

TABLE 24: COST PER CHILD CALCULATIONS (GFDC, DCC, AND OST ONLY)

Category	Subcategory	Avg. Cost Per Child
	All Programs	$6,235
Area	Urban	$7,010
	Suburban	$4,512
	Rural	$4,903
IRS Tax Status	For-Profit	$8,063
	Non-Profit	$6,056
Enhancement Level	Most Enhanced	$6,532
	More Enhanced/Enhanced	$5,599
Program Type	Group Family Day Care	$6,976
	Day Care Centers	$7,862
	Out of School Time	$3,306

TABLE 25: PERCENT OF PROGRAM COSTS, BY AGE GROUP (GFDC, DCC, AND OST ONLY)

Age Group[5]	Percent of Program Costs
Infant	39%
Toddler	24%
Preschool	17%
Full Time School Age	8%
Before/After School Age	11%

[5] Assumes program cares for all age groups in a given year.

APPENDIX A: GLOSSARY OF TERMS AND ACRONYMS

The following table includes terms and acronyms that are commonly used in this report.

TABLE 26. GLOSSARY OF TERMS AND ACRONYMS

Term (Acronym):	Definition:
Advisory Group	A group of child care providers assembled from across the state, including FDC, GFDC, Centers, and OST programs, to assist and advise PCG and CCS in reviewing cost study materials and methods.
Child and Adult Care Food Program (CACFP)	The Child and Adult Care Food Program provides cash reimbursements for meals served in child day care centers, family and group day care homes, and adult day care centers. Programs are reimbursed according to the number of meals they serve to children. Child and adult care centers receive reimbursement based on family size and income. Day care homes and group family day care homes receive reimbursement based on income level of the area or of the family.[i]
Child Care and Development Block Grant (CCDBG)	The federal law that authorizes the Child Care and Development Fund (CCDF) child care subsidy program[ii].
Child Care and Development Fund (CCDF)	A federal program administered by states, territories, and tribes that outlines how federal funds are used to provide low-income families with financial assistance to access child care[iii].
Child Care Assistance Program (CCA)	South Dakota's child care subsidy program, utilizing CCDBG funds and administering the CCDF program.
Child Care Resource and Referral (CCR&R) Agency	Child Care Resource and Referral agencies assist parents in finding child care; provide support and resources to child care providers; and help inform families and communities on the importance of child development and early education.[iv]
Child Care Services (CCS)	Within the South Dakota Department of Social Services' Division of Economic Assistance, CCS administers child care subsidy in the state, in addition to providing licensing, registration, training, and technical assistance to child care and afterschool programs.
Coronavirus disease (COVID-19)	Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus[v]. COVID-19 is caused by a virus called SARS-CoV-2. It is part of the coronavirus family, which include common viruses that cause a variety of diseases from head or chest colds to more severe (but more rare) diseases like severe acute respiratory syndrome (SARS) and Middle East respiratory syndrome (MERS)[vi].
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)	The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act provided $10 billion in supplemental Child Care and Development Fund (CCDF) funding to prevent, prepare for, and respond to coronavirus. States, territories, and tribes have until September 30, 2022, to obligate, or legally commit, the funds and may choose to revise or change how they actually spend their allocations.[vii]
Department of Education (DOE)	South Dakota's education department, managing programs such as accreditation, certification, and content standards for the state's

Term (Acronym):	Definition:
	Kindergarten through 12th grade schools. DOE also manages the CACFP program, which some child care providers access.
Department of Social Services (DSS)	South Dakota's social services agency, managing human services-related programs such as economic assistance programs, child support, behavioral health, child care, and Medicaid.
Early Childhood	The period of development, beginning at birth. Although developmental periods do not rigidly correspond to chronological age, early childhood is generally defined as including all children from birth through age 8[viii].
Helpers	Licensed Family Day Care programs may employ, in some instances, one additional staff member other than the owner, known as a "helper."
Licensed Before and After School Care (also known as Out-of-School Time care, or OST)	South Dakota law defines a Before & After School Care program as the providing of care and supervision of children on a regular basis before and after regular school day hours.[ix]
Licensed Day Care Centers (Centers, or DCC)	South Dakota law defines a Day Care Center as the providing of group care and supervision of children on a regular basis for part of a day as a supplement to regular parental care, with or without compensation, for 21 or more children, including children under the age of six living in the home and children from more than one unrelated family received for care in any facility, including a family home. [x]
Licensed Group Family Day Care (GFDC)	South Dakota Codified Law (SDCL) 26-6-14 defines a Group Family Day Care Home as the providing of group care and supervision of children on a regular basis for part of a day as a supplement to regular parental care, with or without compensation, for 13 to 20 children, including children under the age of six living in the home and children from more than one unrelated family received for day care, in any facility, including a family home. [xi]
Public Consulting Group LLC (PCG)	The contractor hired by the Department of Social Services to conduct the state's child care cost of care analysis. Founded in 1986 and headquartered in Boston, Massachusetts, PCG helps primarily public sector health, education, and human services organizations make measurable improvements to their performance and processes. More about PCG can be found at www.publicconsultinggroup.com.
Registered Family Day Care Homes (FDC)	South Dakota law defines a Family Day Care Home as providing care and supervision of children from more than one unrelated family, in a family home, on a regular basis for part of a day as a supplement to regular parental care, without transfer of legal custody or placement for adoption. A family day care home may not be registered for care and supervision of more than 12 children at any one time including children under the age of six who are living in the home.[xii]
Rural	Territory, population, and housing units that the Census Bureau does not classify as urban are classified as rural. For instance, a rural place is any incorporated place or census-designated place with fewer than 2,500 inhabitants that is located outside of a urban area. A place is either entirely urban or entirely rural, except for those designated as an extended city (or Suburban).

Term (Acronym):	Definition:
Suburban	An extended city (suburban area) is an incorporated place that contains large expanses of sparsely populated territory for which the Census Bureau provides separate urban and rural population counts and land area figures.
Urban	According the U.S. Census Bureau, an urbanized area is a continuously built-up area with a population of 50,000 or more. It comprises one or more places—central place(s)—and the adjacent densely settled surrounding area—urban fringe—consisting of other places and nonplace territory.

APPENDIX B. ENDNOTES

[i] South Dakota Department of Education (n.d.) *Child and Adult Care Food Program.*
https://doe.sd.gov/cans/cacfp.aspx

[ii] Child Care Aware. (n.d.). *Child care and development block grant (CCDBG) & child care and development fund (CCDF) overview.* https://www.childcareaware.org/our-issues/public-policy/child-care-and-development-block-grant-ccdbg/ccdbg-overview/

[iii] Child Care Aware. (n.d.). *Child care and development block grant (CCDBG) & child care and development fund (CCDF) overview.* https://www.childcareaware.org/our-issues/public-policy/child-care-and-development-block-grant-ccdbg/ccdbg-overview/

[iv] Child Care Resource and Referral. (n.d.) *Child Care Aware of America.*
https://www.childcareaware.org/about/child-care-resource-referral/

[v] World Health Organization. (n.d.). Coronavirus. World Health Organization. Retrieved from
https://www.who.int/health-topics/coronavirus#tab=tab_1

[vi] Centers for Disease Control and Prevention. (2021, November 4). Basics of covid-19. Centers for Disease Control and Prevention. Retrieved from https://www.cdc.gov/coronavirus/2019-ncov/your-health/about-covid-19/basics-covid-19.html

[vii] Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. Retrieved from
https://www.acf.hhs.gov/occ/data/2021-crrsa-60-day-reports-states-and-territories

[viii] National Association for the Education of Young Children (NAEYC). (2016). *Developmentally appropriate practice (DAP) position statement: Appendix B: Glossary*. https://www.naeyc.org/resources/position-statements/dap/glossary

[ix] South Dakota Department of Social Services (n.d.) *Before & After School Programs.*
https://dss.sd.gov/childcare/licensing/licensed.aspx#school

[x] South Dakota Department of Social Services (n.d.) *Licensed Day Care Center.*
https://dss.sd.gov/childcare/licensing/licensed.aspx#dcc

[xi] South Dakota Department of Social Services (n.d.). *Group Family Day Care Home*.
https://dss.sd.gov/childcare/licensing/licensed.aspx#groupfamily

[xii] South Dakota Department of Social Services (n.d.). *Registered Family Day Care.*
https://dss.sd.gov/childcare/licensing/registered.aspx