



RAPID CITY TRI-SHARE

Program Overview

www.rctrishare.org



Updated April 14, 2025

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Background

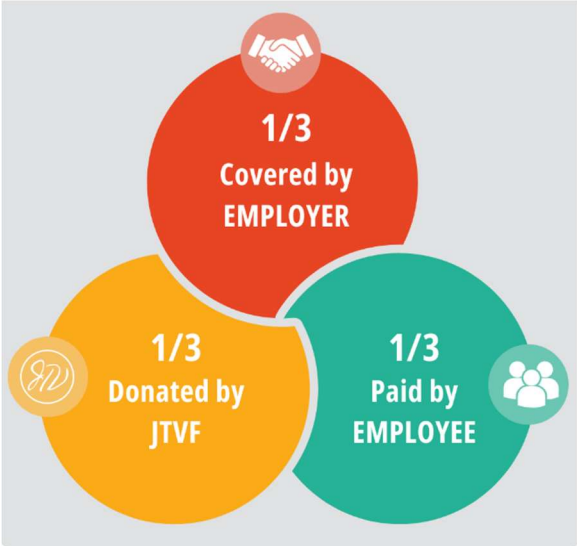
At the John T. Vucurevich Foundation (JTVF), we help low-income families meet their needs through grantmaking and collaboration. We envision a community where working families and thriving children reach their full potential. Our efforts focus on breaking systemic barriers, particularly improving access to high-quality, affordable child care.

In December 2022, JTVF launched the Rapid City Child Care Innovation Fund at the Black Hills Area Community Foundation with an initial \$475,000 investment. This fund created infrastructure for innovative child care funding solutions and enabled collaboration with other stakeholders.

In September 2023, we commissioned a report from the Low Income Investment Fund, which confirmed what child care providers already knew: the current business model forces providers to subsidize infant and toddler care with preschool-age tuition. Recognizing our foundation alone couldn't solve this issue, we explored a public-private solution—Tri-Share.

Inspired by Michigan's successful Tri-Share program, we saw an opportunity to pilot a model in Rapid City where child care costs are split between employers, employees, and philanthropic funds. In August 2023, we committed to a three-year pilot, partnering with the South Dakota Association for the Education of Young Children (SDAAYC) as the program's hub. Using our initial \$475,000 investment, we aim to support 30 children at a time through 2026.

The long-term success of this initiative depends on securing \$500,000 in additional funding and evaluating its impact. With strong employer participation and continued investment, we can build a sustainable child care solution for our community.



Our Goals: Building a Sustainable Child Care Solution

The Rapid City Tri-Share pilot program is designed to make high-quality child care more affordable and accessible for working families earning a low income. Through a shared-cost model, employers, employee families, and the John T. Vucurevich Child Care Innovation Fund each contribute one-third of the total child care cost. This approach eases the financial burden on families while benefiting businesses by improving employee retention and recruitment. Child care providers also gain financial stability through reliable, full payments.

This pilot specifically supports families caught in the "**cliff effect**"—those who earn too much to qualify for government assistance but still struggle to afford child care. By bridging this gap, we aim to create lasting benefits for families, employers, and child care providers alike.

Expected Outcomes

For Families:

- ✓ Lower child care costs for those ineligible for government aid
- ✓ Reduced financial stress and increased stability
- ✓ Freedom to choose their preferred child care provider
- ✓ Access to higher-quality care when available
- ✓ Improved family well-being and mental health

For Employers:

- ✓ Stronger employee retention and job satisfaction
- ✓ Improved ability to attract new talent
- ✓ Simplified administration with minimal employer burden

For Child Care Providers:

- ✓ Predictable, consistent payments for financial stability
- ✓ Support for quality improvements from child care sector experts

By working together, we can create a sustainable, long-term solution that strengthens families, businesses, and the child care system as a whole.

How It Works

John T. Vucurevich Foundation

In leading this pilot, we meet with interested employers and seek ongoing support for the program.

- Recruit Rapid City for-profit and non-profit business participants
- Supply and manage the Fund balance
- Provide ongoing implementation support
- Share lessons-learned with stakeholders and the larger community
- Pursue funding to continue the program beyond the current three-year commitment

The Hub (SDAEYC)

SDAEYC administers Rapid City Tri-Share under a contract with JTVF, providing the coordination needed for successful program implementation. With strong relationships across South Dakota's

early learning sector and firsthand experience as child care providers, SDAEYC is uniquely positioned to connect employers, families, and child care providers—ensuring a seamless and effective partnership.

- Determine employee eligibility
- Determine child care provider eligibility
- Provide support and resources to help providers improve child care quality
- Coordinate payments to child care providers from employers, families, and the Fund
- Provide monthly enrollment and financial reports to JTVF

Employers

Employers must have a physical location in Rapid City. This residency requirement does not apply to employees or child care providers. Child care providers are eligible to serve both an employer and a provider as long as they meet all other requirements.

- Sign a Memorandum of Understanding with SDAEYC to be eligible to participate in the Rapid City Tri-Share Program
- Create an employee benefit that covers at least 33.33% of the cost of child care for at least one child for an eligible employee
- Collect employee child care portion using payroll deduction
- Pay SDAEYC via ACH or check for two-thirds of the cost of child care (employer and employee portion)
- Share retention and recruitment data with JTVF's evaluation team

Families

Families must have at least one parent employed by a participating Tri-Share employer. Families are responsible for securing child care—Tri-Share pilot does not help families find child care providers.

- Complete 2-page *Family Eligibility Application* via paper or online form.
- Verify household income between 209% and 325% of the Federal Poverty Line with the Tri-Share Coordinator (see income eligibility on page 5 of this overview)
- Sign payroll deduction paperwork from employer
- Inform Hub of any child care or employment changes

Child Care Providers

Child care programs including but not limited to registered or unregistered, full or part-time, traditional care in a center, home, or preschool are eligible if they meet the SDAEYC Hub quality standards.

- Complete our quality standards checklist with the Tri-Share Coordinator which includes a 60–90-minute site visit. This checklist includes health, safety, and quality standards.
- Meet 85% of the quality criteria indicators to participate
- Complete a *Provider Letter of Agreement to Receive Payment on Behalf of Families* form, a *Vendor Set Up Form*, and a W9

Employer Onboarding

Step 1: Identify Rapid City Employers

Child care costs impact employees across all industries, regardless of business size or sector. With only 30 child care slots available, we carefully balance employer interest with potential employee reach. As a pilot, we seek businesses willing to collaborate, adapt, and provide honest feedback.

Our recruitment process begins with targeted outreach and education on Tri-Share program requirements. We outline employee eligibility criteria, employer contributions, and administrative expectations to help organizations assess their fitness. From there, we determine if participation aligns with the pilot's goals.

Step 2: Establish Eligibility Criteria

Employers decide how many child care slots they offer to their participating employees. They can offer one slot per family or multiple slots based on how many children need care. Because contribution amounts are determined based on employee child care costs, there is no minimum financial contribution if the employer's payment represents one-third of the employee's child care costs.

Step 3: Formalize Participation

After identifying eligible employees and confirming their contribution, employers sign a Memorandum of Understanding with SDAEYC (as the Hub) to join Tri-Share. A designated representative, usually an HR officer, manages enrollment and payments with the Tri-Share Coordinator. Once the MOU is signed, we facilitate a smooth transition to the coordinator.

Step 4: Set Up Payment Processes

Participating employers collaborate with the Tri-Share Coordinator to submit payments. Employers deduct the employee's share through payroll, combine it with their contribution, and send the total to the Hub via ACH or check. The Coordinator then adds the Fund's portion and processes provider payments. Alternative payment can be arranged if needed.

Step 5: Implement Employee Recruitment Strategies

Once leadership and designated staff are trained on the program, JTVF and the Tri-Share Coordinator assist with employee recruitment. Strategies may include on-site sessions, lunch and learns, individual meetings, customized email templates, and other targeted outreach efforts.

Family Onboarding

As eligible employees are identified, the Tri-Share Coordinator handles the screening process. To qualify, employees must work for a participating employer and have at least one child under six enrolled in child care, though expectant parents may also apply. Eligibility is determined on a case-by-case basis. The general process is as follows:

Step 1: Complete Tri-Share Family Eligibility Application

If an employee would like to participate in the program, they will need to review the *Family Overview* form and complete the *Tri-Share Family Eligibility Application*. This application collects information about the employee, employer, household income, and the children who would participate in the program. The application also includes a Family Agreement section which includes policies the family must agree to participate in the program.

Step 2: Determine Family Financial Eligibility

This pilot program aims to support low-income families who earn too much to qualify for Child Care Assistance through the South Dakota Department of Social Services but still struggle with child care costs. To be eligible, a family's household income must fall between 209% and 325% of the Federal Poverty Line, unless the Coordinator grants a waiver (see section 3c below).

Rapid City Tri-Share Program Eligibility		
Household Size	Minimum Income	Maximum Income
2	\$44,204	\$68,738
3	\$55,699	\$86,613
4	\$67,194	\$104,488
5	\$78,689	\$122,363
6	\$90,184	\$140,238
7	\$101,679	\$158,113
8	\$113,174	\$175,988

*Based on 2025 U.S. Federal Poverty Guidelines. Eligibility levels for new enrollees will be updated annually when new guidelines are released. Once verified, eligibility is valid for two years.

Household income is defined as the total income of all contributing adults living in the home. The Coordinator collaborates with the family to collect income verification documents, including pay stubs for all contributing adults and paperwork for any non-earned income. This information is kept confidential and used solely to determine financial eligibility.

If a family's household income falls between 209% and 325% of the Poverty Line, they continue the enrollment process.

We know that each family is unique. In some cases, it may be appropriate for our Coordinator to make exceptions for employee eligibility. JTVF and the Coordinator determine this on a case-by-case basis.

Step 3a: If the Family Financially Qualifies, Connect to Provider

If a family's household income falls **within** the eligibility range outlined above, they are likely eligible for the Tri-Share program. The employee will need to provide proof of income for all contributing adults in the household, which can be either the last two pay stubs for each adult or the previous year's tax return. Once eligibility is confirmed, the Coordinator will assist the family in connecting with their child care provider to complete the Quality Checklist.

Step 3b: If the Family Does Not Financially Qualify, Provide Referrals

If a family's household income falls below 209% of the federal poverty level, they likely qualify for Child Care Assistance through the South Dakota Department of Social Services (DSS). The Coordinator will assist the family in connecting with the SD Child Care Assistance program.

Step 3c: If Referrals are Ineffective, Seek Other Solutions

We recognize that some families may not qualify for child care assistance due to circumstances related to safety, child support, or other barriers. In these cases, our team is committed to working with the employee to explore a path to qualifying for Tri-Share or identifying other potential solutions. Our goal is to ensure that all families can access the care they need, regardless of their individual circumstances. Exceptions may be made on a case by case basis.

Step 4: Notification of Approval, Begin Participation

Once a family is approved to participate in the Tri-Share Pilot program, an approval letter is sent from the Coordinator via email to both the employee and the respective designee(s) from their participating employer. The letter encourages the employee to reach out to their HR contact to clarify any internal processes or questions.

Step 5: Reverification Process

A determination of eligibility for Tri-Share is valid for two years from the date of approval or until the program concludes (whichever comes sooner), after which employee's eligibility must be reverified. The coordinator will work with families to complete a new *Family Eligibility Application* to continue participation in the Tri-Share program. At the time of reverification, the family household income can be between 209% and 325% of the Federal Poverty Level. Within 60 days of the eligibility deadline, the coordinator will notify both the employer and the employee of the need to reverify. Employees will receive a reverification decision at least 30 days before the end of their two-year

eligibility term. The same waiver process and rules apply during the reverification phase. If a family no longer qualifies, their benefit will end at the end of their initial eligibility term.

Child Care Provider Onboarding

Once a family qualifies financially, they provide our Coordinator a hand-off to their child care provider. Whether it is in-home care, a child care center, or group in-home care, we support parent choice by accepting both regulated and unregulated providers that meet our quality and safety standards. Participating child care providers do not need to be state regulated. Nearly 60% of all child care providers serving Rapid City families are not regulated, primarily because many families rely on in-home providers which can have up to 12 children before they must comply with state regulation.

Step 1: Quality Assessment Process

Once we confirm an employee's eligibility, our Coordinator collaborates with the child care provider of their choosing to conduct a site quality assessment. To become an approved provider, they need to meet at least 85% of the quality criteria and comply with state regulations. These criteria include:

- Health and Nutrition
- Safety
- Supervision
- Emergency Plans
- First Aid
- Indoor Environment
- Outdoor Environment
- Caregiver-Child Interaction
- Program Structure
- Parent Partnerships
- Staff Qualifications
- Policies and Procedures

Step 2: Provider Support and Resources

If a provider does not meet the required standards, we collaborate to develop recommendations that help them improve. If the provider agrees to implement these suggestions, we assist in identifying resources such as training, materials, and additional support. Our Coordinator stays updated on available community and state resources to ensure providers have the necessary tools to succeed. We also encourage unlicensed providers to pursue licensing with the South Dakota Department of Social Services, as funding is available to support program quality improvements and state registration.

Step 3: Handling Non-Compliance

If a provider chooses not to implement the recommendations, we inform the employee that they can either select another provider that meets our quality standards or opt out of the program. We are committed to offering choices while upholding standards of care.

Step 4: Sign Provider Agreement

If approved, child care providers must complete a *Provider Letter of Agreement to Receive Payment on Behalf of Families*, a *Vendor Set-Up* form, and a *W9*.

Providers are informed that they cannot raise rates for participating families solely because of their involvement in the Rapid City Tri-Share Program. However, rate increases due to factors like annual tuition adjustments or cost-of-living increases are acceptable.

Enrollment in Tri-Share requires both successful eligibility screening and a quality review of the child care provider. An employee is officially enrolled when the first Tri-Share-supported payment is made to their child care provider.

Ongoing Hub Responsibilities

Beyond the employer, family, and child care provider enrollment processes, the Coordinator has ongoing responsibilities for our Tri-Share pilot.

Invoice Employers

Each month, the coordinator collects payments from employers, both the employer and family portions. At the beginning of each month, the Coordinator bills employers for the prior month's payments, giving them sufficient time to withhold the necessary Funds. The invoice outlines line items for each participating employee, specifying both the employee's portion and the employer's portion of the payment. If the employer is also the provider, an invoice may not be necessary.

Coordinate Fund Payment

To maintain accuracy and clarity, the Coordinator tracks the distribution of child care payment portions by employer, then by employee, notating the amount paid to each provider for each child. At the beginning of the month, the Coordinator compiles a monthly tracking report with the amount due from all current program participants. This report includes the total due from the Fund and coordinator works with JTVF to draw down the amount due to SDAEYC to cover the Fund's portion of the child care payments of participating families for the previous month.

Coordinate Payment to Child care Providers

Our Coordinator administers all payments to child care providers on behalf of the employers, families, and the Fund. Our Coordinator works closely with child care providers to establish a payment schedule that suits them—whether it's weekly, bi-weekly, or monthly. See the example below for how the division of cost is distributed.

Let's assume that the child care cost for one child is \$300 per week



Data Tracking

The Coordinator tracks data points essential to the pilot. This data includes family enrollment status, the total cost of child care, the child covered under the payment, the recipient of the payment, and the associated employer, as well as the quality assessment scores of the child care programs. This data is shared with JTVF monthly.

Administrative Fees

SDAECY is contracted by JTVF to administer the Rapid City Tri-Share program, including administration and support services to implement the program. We retain 10 percent of the total program budget to successfully administer the Tri-Share Program.

Tri-Share Touch Base Meetings

JTVF and the Tri-Share Coordinator hold weekly meetings to maintain ongoing communication. These sessions provide an opportunity to identify and address any potential barriers that families, child care providers, or employers may encounter while participating in the pilot.

Tax Implications

While individual employers are encouraged to seek professional advice during the enrollment process, we provide general information on common tax-related questions. JTVF staff recorded a webinar between Tri-Share partners and a local tax professional that resulted in the following advice. While this is not official tax advice, employers and their tax professionals should reach out to the Internal Revenue Service (IRS) for any additional information and/or clarification.

Employee Pre-tax or After-tax Withholding

Employers are responsible for withholding the employee's portion of the child care payment (one-third of the total monthly costs). Federal law and the employer plan's terms will determine whether the employee contributions may be made with pre-tax dollars. A plan that qualifies as a dependent care assistance program (DCAP) will allow for pre-tax contributions. The IRS views employer benefits like dependent care flexible spending accounts (FSAs) as DCAPs.

Child care Tax Credit Eligibility

A program established as a DCAP should not interfere with the federal child tax credit; however, employees cannot claim qualifying expenses excluded from income when computing the federal credit.

Employer Portion as Taxable Income

Under a DCAP, employees may exclude employer contributions from federal income equal to the smallest of any of the following three income sources: (1) the employee's earned income or the earned income of the lower-earning spouse if the employee is married, (2) dependent care benefits received, or (3) the statutory exclusion amount. Note that the state assistance amount is likely taxable unearned income for federal tax purposes.

There is no tax liability tied to the use of the Fund as it is a charitable gift.

FSA Applicability for Tri-Share

Applying FSA dollars to Tri-Share would follow the same process as that of other FSA expenditures where the employee requests reimbursement of paid qualifying expenses from the FSA administrator. Employee reimbursements below the IRC § 129 limitations are excluded from gross income while amounts paid reimbursed over this limit are taxable to the employee.

Data Collection and Management

We are committed to learning throughout the pilot, seeking input from all stakeholders on how the program is progressing, areas for improvement, and its impact on families and employers.

To support data-driven decision-making, the Coordinator will submit monthly reports to JTVF based on a timeline outlined in this manual. These reports will include data on recruitment and enrollment,

participant information, program performance (e.g., number of children served, referrals to the Child Care Assistance Program, child care type, contribution amounts), demographic data (e.g., name, race, ethnicity, gender, marital status, household size), and financial details (e.g., household income, number of children served by Tri-Share). JTVF will develop and maintain the data collection template, updating it, as necessary.

In addition to coordinator-tracked data, we will engage employers, families, and child care providers in data collection through focus groups, surveys, and interviews. This data will support program implementation and evaluation, helping JTVF assess Tri-Share's effectiveness, track progress toward program goals, and provide recommendations for increasing enrollment and improving performance.

Program Sustainability

We have been committed to this pilot program for three years, with a clear focus on planning for the future. By evaluating the data collected, we aim to gain insights that will help us sustain and improve the program. We are optimistic that the evaluation will highlight positive outcomes and valuable learning opportunities.

To ensure the continued success of this initiative, we have set a goal to secure \$500,000 in external funding by the end of 2026. This funding will demonstrate both community and national support. If additional funding is not secured, staff will assess the future of the Child Care Innovation Fund and any remaining resources.

Additionally, we have the potential for \$200,000 in matching funds for the required \$500,000 in community donations. These funds will only be moved to the Child Care Innovation Fund if the necessary matching sources are secured.