



# SB14-003 – Child Care Assistance Program

(This fact sheet reflects changes in proposed amendment L.005)

*Sponsors: Senator Nicholson and Representative Pettersen*

## Background on the cliff effect

This bill is recommended by the Economic Opportunity and Poverty Reduction Task Force to address the “cliff effect” in the Colorado Child Care Assistance Program (CCCAP). The cliff effect occurs when an increase in family income puts parents over the income eligibility limit and they lose all of their CCCAP benefits. Oftentimes, the value of the lost child-care benefits exceeds the increase in income. Research has found that a number of CCCAP families take counterproductive, but understandable, actions to remain eligible for CCCAP, such as turning down additional work hours, promotions or raises.

SB12-22 authorized up to 10 counties to create pilot programs where families whose income exceeds the eligibility limit could continue to receive CCCAP for up to two years as long as they paid an increasing share of their child-care costs. At the end of the two years, families would be required to pay the entire cost of child care. Under current law, the authority to create the pilot programs ends on July 1, 2016.

To date, no counties have proposed to implement a pilot program authorized under SB12-22, although several counties have considered doing so.

### The cliff effect

**Problem:** *When an increase in income thanks to a raise or promotion or more hours worked causes a parent to lose all of her child-care assistance. Often, the loss of child-care support is greater than the jump in income.*

**Solution:** *Create incentives for families to increase earnings but still retain CCCAP benefits as long as they pay more toward child-care costs. This will help them achieve self-sufficiency.*

**SB14-003 will encourage Colorado counties to establish pilot programs to implement this solution**

## Changes in SB14-003 to encourage counties to offer cliff effect pilot programs

SB14-003 will:

1. Give each county flexibility to design a program in a manner that best meets its needs.
2. Allow a county to limit participation in the pilot program to a reasonable percentage of its CCCAP caseload. In addition, counties may also limit participation to families that enter



- CCCAP with children who are 36 months of age or younger.
3. Direct the Colorado Department of Human Services to collect all data on the pilot program, evaluate the program and report on its outcomes to the applicable committees of the General Assembly by Oct. 1, 2019.
  4. Specify the data that must be included in the state report on the pilots.
  5. Provide state funding to counties that they can use at their discretion to cover the administrative costs of participating in the pilot and paying for the costs of providing additional benefits to the families in the pilot programs. These funds will not affect the county's block grant or its maintenance-of-effort requirements under CCCAP. In addition, counties will not have to provide local funds in order to receive reimbursements for these administrative costs.
  6. Extend the authority for counties to offer a pilot program to June 30, 2019. It would also extend the last date a county may apply to participate in the pilot to January 1, 2017. The authority to offer cliff effect pilot programs will sunset on July 1, 2020.

### **SB14-003 helps more Colorado families become self-sufficient**

1. The current structure of CCCAP provides perverse incentives for many low-income families to turn down opportunities to advance economically and move closer to self-sufficiency. While these decisions might make economic sense in the short term, over the long run they limit the likelihood that families will escape poverty and become self-sufficient. The cliff effect pilot programs will turn this around and give families incentives to earn more and still retain their CCCAP benefits as long as they pay an increasing portion of their child-care costs.
2. Focus groups with CCCAP parents found that they are interested in increasing their income and are willing to pay more toward their child-care costs, as proposed under SB12-22. What would help them is knowing that they will not lose ALL of their CCCAP benefits immediately after their income exceeds the eligibility limit.
3. The families that participate in the pilot projects will benefit from receiving continued CCCAP benefits. This makes it more likely that their children will remain in their current child-care setting and not have their learning disrupted. Parents will not face a disruption in their work schedules because they will not have to scramble to find new child-care arrangements.
4. These pilots will also provide real-life lessons and data on how this approach works in dealing with the cliff effect. The data collected during the pilots and the evaluation to be conducted by the Department of Human Services will provide policy-makers with more information so they can make changes to address the cliff effect permanently.

### **Groups Supporting SB14-003**

The Bell Policy Center, Clayton Early Learning, COLOR, Colorado Association for the Education of Young Children, Colorado Center on Law and Policy, Colorado Children's Campaign, Colorado Progressive Coalition, Early Childhood Education Association of Colorado, Early Childhood Summit, 9to5 National Organization of Working Women, Project WISE, Qualistar Colorado and The Women's Foundation of Colorado.

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