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The Colorado Child Care Assistance program, a critical two-generation poverty reduction system, is substantially underfunded.

Study highlights:

- Underfunding for CCCAP totals \$53.9 million.
- Program enrollment, provider reimbursement rates and general fund appropriations have fallen behind historical benchmarks.

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Child care funding in Colorado has fallen behind by \$54 million

One of the greatest barriers to employment for low-income families is the cost of child care. The Colorado Child Care Assistance Program (CCCAP) provides vital support for thousands of families across the state by making child care more affordable so low-income parents can work. Affordable child care is a critical two-generation poverty reduction strategy. Funding for CCCAP, however, has failed to keep pace with the growing need for affordable child care across the state. As a result, CCLP estimates that CCCAP is underfunded by **\$53.9 million**.

How the program works

The Colorado Child Care Assistance Program is a state program administered by the counties that subsidizes the cost of child care for low-income, working families. To be eligible for a CCCAP subsidy, parents must be either working or looking for work and are subject to county-determined income limits. The majority of children served by CCCAP live below the federal poverty level.¹ Parents must contribute a portion of the monthly child care cost as a co-payment paid directly to the child care provider. Using state funding, the county reimburses the child care provider for the remainder of a rate set by the county that is often less than the actual cost of care.

CCCAP is underfunded by millions of dollars

CCCAP is substantially underfunded—by millions of dollars—as a result of declining appropriations over time and increasing need. The FY2013-14 CCCAP appropriation of \$13.6 million lags behind inflation, the increased cost of child care and the dramatic growth in the population in need of child care assistance. Table 1 lays out each component of the CCCAP funding shortfall. Each element of the underfunding picture is discussed in more detail below.

Table 1. Restoring CCCAP Funding to Pre-Recession Levels

	Additional Cost*
(1) Return general fund appropriation to pre-recession level, adjusted for inflation	\$5.4 mill.
(2) Return to pre-recession coverage rate of 28 percent of eligible children	\$9.3 mill.
(3) Return provider reimbursement rates to 75th percentile	\$39.7 mill.
(4) Return CCCAP to previous coverage rate and return provider rates to 75th percentile	\$53.9 mill.

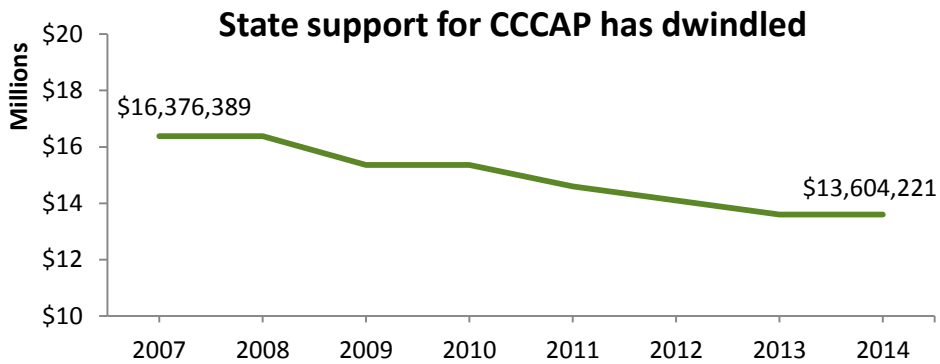
*The dollar amount needed in addition to the FY2013-14 CCCAP appropriation of \$13.6 million.

(1) General Fund appropriations have steadily declined

CCCAP is supported by a combination of federal, state and local dollars. The majority of funding (70 percent) comes from the federal Child Care Development Fund block grant. In FY2013-14, the total CCCAP appropriation is \$75.5 million, \$13.6 million of which is from the General Fund. The state’s General Fund contribution to CCCAP has declined since 2007. (See Figure 1.) Continued cuts in funding have forced some counties to lower their income eligibility limits and provider reimbursement rates thereby decreasing the amount of CCCAP assistance available to poor families. Since 2007, the state’s General Fund contribution has decreased by nearly 17 percent from \$16.4 million to \$13.6 million.

*Restoring General Fund support for CCCAP to the pre-recession level and adjusting for inflation without trying to serve more children would require an additional **\$5.4 million**.*

Figure 1.²

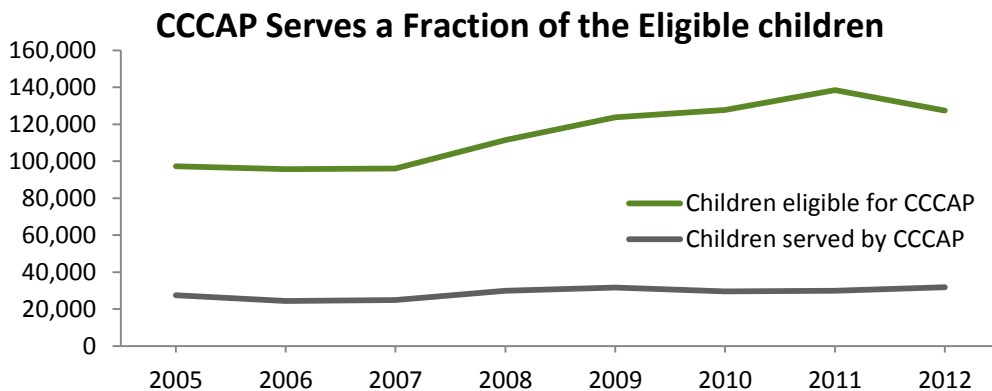


(2) As need for child care assistance rises, children served falls behind

The recession created economic hardship throughout the state. The unemployment rate jumped above 9 percent in Colorado in 2010.³ Child poverty rates followed suit, rising from 16.3 percent in 2007 to 18.5 percent in 2012.⁴ The cost of child care has become a significant financial burden for many more families since the economic downturn. From 2005-2012, the number of children eligible for CCCAP grew by about 30,000—a 30 percent increase over seven years.⁵ Meanwhile, the number of children being served by the program only increased by seven percent.⁶ As shown in Figure 2, the gap between the need for child care assistance and the children served by CCCAP is significant and growing. CCLP estimates that while 28 percent of all eligible children were served in 2005 only about 25 percent of eligible children were served in 2012.

*An investment of **\$9.3 million** in additional General Fund dollars would allow CCCAP to serve about 28 percent of children eligible for child care assistance.⁷*

Figure 2.⁸



(3) Provider reimbursement rates have not kept pace with costs

While funding has fallen behind the need for CCCAP, the cost of providing child care has increased substantially. Using Census Bureau data, CCLP estimates that the average cost of child care increased 18 percent over the last decade.⁹ CCCAP provider reimbursement rates, which are set at the county level, have decreased dramatically. The legislatively recommended reimbursement rate is the 75th percentile of local market rates.¹⁰ In 2001, CCCAP providers were paid at the legislatively recommended rate.¹¹ In most counties, that is no longer the case. Many counties reimburse child care providers at a much lower rate. For example, Denver County reimburses CCCAP providers at a rate that is about 40 percent lower than the 75th percentile market rate, totaling about a \$400/month difference.¹² Reimbursement rates that are significantly lower than market rates have a direct impact on the availability of CCCAP slots. For instance, in Larimer County over 100 child care providers have decided not to accept CCCAP children in the last six years.¹³

*An increase of **\$39.7 million** in additional General Fund dollars would allow provider reimbursement rates to be set at the 75th percentile of local market rates around the state.*

(4) Total underfunding tops \$50 million

The Colorado Child Care Assistance Program is a critical two-generation poverty reduction strategy that fosters participation in the labor force and facilitates movement toward self-sufficiency for low-income families. This program is substantially underfunded. CCCAP funding has declined in real value while the cost of child care and the need for subsidies have increased substantially. The result is less assistance for those who need it most creating a drag on Colorado's economy. Committing these additional resources to CCCAP would ensure the program serves more poor families seeking to become self-sufficient and pays providers a fair reimbursement rate so every community in Colorado has affordable child care options.

*An increase of **\$53.9 million** in additional General Fund dollars would ensure coverage of eligible children at a rate similar to pre-recession levels and reimburse providers at the 75th percentile.*

Notes

¹ Colorado Department of Human Services, CCCAP Annual Report, 2010.

² General Revenue fund appropriations come from the Long Bill.

³ Bureau of Labor Statistics Local Area Unemployment Statistics Survey.

⁴ Census Bureau American Community Survey, 2007 and 2012.

⁵ Census Bureau American Community Survey, 2007 and 2012. Estimates include age eligible children who are in households that are income and work eligible for CCCAP.

⁶ CCCAP enrollment data from Colorado Department of Human Services. Data excludes Colorado Works and Employment First participants. Eligible population estimates from Census Bureau American Community Survey. Data includes children under age 13, under 130% FPL with both parents in labor force, or only parent in labor force.

⁷ This number is calculated using the 2012 per child CCCAP allocation.

⁸ CCCAP enrollment data from Colorado Department of Human Services.

⁹ Census Bureau's Supplemental Income and Purchasing Survey.

¹⁰ The legislature recommends that CCCAP provider reimbursement rates be set at the 75th percentile of market rates to ensure that CCCAP families have access to a broad range of child care options. The 75th percentile of market rates is identified through a Market Rate Survey which is conducted by Qualistar. This survey identifies the reimbursement rate that would allow parents to enroll their children in 75 percent of the providers in each particular local market.

¹¹ Schulman, Karen and Blank, Helen. "Pivot point: State child care assistance policies 2013." National Women's Law Center.

¹² *Ibid.*

¹³ Larimer County Early Childhood Council. "Child Care Supply Report for Larimer County." http://www.ecclc.org/img/site_specific/uploads/Supply_2013.pdf.