

Caring for Our Future

How 2018 CCDBG funding helped improve the Colorado child care assistance program



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Introduction

In June, the U.S. House will debate a number of 2020 funding bills, including one that would increase dollars for the Child Care Development Block Grant (CCDBG) by \$2.4 billion, or 45 percent, over the 2019 level. This increase follows on the heels of a \$2.4 billion child care investment made by Congress in 2018 to implement quality changes from a 2014 reauthorization. These funds, including \$28 million to Colorado, helped make child care more accessible and affordable for thousands of families, and when coupled with state and local dollars, provided child care assistance to roughly 30,000 Colorado children.¹

However, even with the increase, many Colorado families remain on waiting lists, some for more than a year, to access child care assistance. Many others are forced to forego help altogether. Today, Colorado only serves about a quarter of the eligible population.² If Congress appropriated additional CCDBG dollars in 2020, Colorado could build on the strong foundation it has developed over the past five years for a modern, equitable child care program; further reduce waitlists and increase high-quality child care opportunities for more Colorado families.

Background

The Child Care Development Block Grant provides child care subsidies to families with low incomes. When the Personal Opportunity and Budget Reconciliation Act (the “Act”) passed in 1996, three distinct child care assistance programs merged into one program, singularly focused on helping parents increase their economic stability and get back to work.

In 2014, Congress reauthorized the Act for the first time in more than 20 years. The reauthorization expanded the purposes of the program, creating a “two-generation” approach that focused on both the well-being of both parents and children. The CCDBG law now requires state programs to support economic self-sufficiency for parents *and* the healthy development and school readiness needs of children. This shift aligns with the evolving understanding of brain development science and the importance of the early learning years of children.³ It also drives a desire to enhance the *quality* of child care available through federally funded programs. This emerging emphasis on quality shapes Colorado’s thinking on child care and directs Colorado’s use of CCDBG dollars.

Unfortunately, Congress failed to provide additional federal funding that states would need to implement the new standards created by the Act in the 2014 reauthorization. Despite the challenges this presented for the Colorado state budget, state lawmakers proceeded to create a structure for a more streamlined county-run system that fostered better quality care for kids and greater continuity and service for parents. The 2018 increase in CCDBG funds provided Colorado the influx it needed to support those structural improvements.

The Colorado Story

Colorado is known for its unique geographic diversity and local-control policies that reflect the belief that local governments are best positioned to meet the unique needs of their residents. The belief in local control means Colorado runs human services programs, including child care assistance programs, through its 64 counties rather than through a centralized state department. Complicating the picture, Colorado treats federal dollars, such as CCDBG funds, as custodial funds, meaning they pass through the Governor's office and executive departments straight into local budgets. Most federal dollars in Colorado are not appropriated by the legislature or reported in state budget documents.⁴

Only a handful of states operate similarly to Colorado. While this system does allow local communities to tailor programs to particular local needs, it presents many challenges for tracking and evaluating the use of federal dollars across the state. However, even with these limitations, it is clear that county governments used the increased 2018 CCDBG dollars in important and innovative ways.

As the federal government moved toward an increased focus on quality child care programming, Colorado forged a parallel track, passing a key piece of legislation, House Bill 14-1317, in early 2014 that was widely viewed as the national model. HB14-1317 made sweeping changes to the Colorado Child Care Assistance Program (CCAP), Colorado's program to provide child care subsidies to low-income families (see break-out box below). The legislation grew out of an intensive stakeholder process convened by the Colorado Children's Campaign, Clayton Early Learning Center and EPIC (Executives Partnering to Invest in Children).⁵ The CCAP Collaborative, as the convening came to be called, originally sought to tackle the issues of access and affordability of child care in Colorado, but quickly recognized that both depended on boosting the quality of available child care.⁶ The 2014 legislation contained a number of measures designed to enhance quality as well as encourage more access and affordability. The legislature dedicated nearly \$10 million to initial implementation, \$8.5 million of which came from the state General Fund.⁷

Key provisions in the 2014 legislation⁸ include:

- Tiered reimbursement for providers tied to quality ratings.
- A market rate study to compare county rates to private pay rates.
- Limits on parent copayments, including reduced copayments for families choosing higher quality programs.
- Payment for child absences and holidays – programs with higher quality ratings are paid for a larger number of these days.
- The eligibility level floor was increased from 135% of the federal poverty level to 165% of the federal poverty level. Counties could choose to set these eligibility levels higher but could not go lower.
- Expanded eligibility for post-secondary education and workforce training for up to two years.
- Expanded the period of time an unemployed parent is eligible for the subsidy while actively engaged in job search activities.
- Direct enrollment for families transitioning off Temporary Assistance for Needy Families (TANF).
- Delinking the child care schedule from parents' work, training, or education schedule to allow access during non-traditional hours.
- A requirement that counties maintain accurate wait lists to help show the unmet need for services.
- Expansion of presumptive eligibility for services.

HB14-1317 re-shaped the foundation of the CCAP program and the child care community. With a combined focus on quality and access, the new program aligned perfectly with the federal reauthorization of the CCDBG that happened later that year, and streamlined Colorado's compliance with the 2014 reauthorization.

However, quality programming is more expensive, and the \$8.5 million state general fund allocated to pay for the new standards proved insufficient to meet the need. Keeping child care affordable while increasing quality required additional money, which the state was unable to provide on an ongoing basis. In fact, by FY 2016-17, the Colorado Department of Human Services (CDHS) was forecasting a budget shortfall in the CCAP program by FY 2020-21. CDHS stated that without an increase in allocation by the federal government, the CCAP program could face a deficit of up to \$8 million per year.⁹

House Bill 18-1335's main changes included:

- Required an annual market rate survey to ensure reimbursement rates are high enough to allow equal access to care. Prior to HB18-1335, this survey had been done every two years.
- Required counties to set county rates as determined by the market rate study. Prior to this, counties could opt out of market rates and most did.
- Required the funding allocation to take the market rate into account.
- Required counties to continue providing services to families who move into the county at the same eligibility level as the county the family moved from, until redetermination. A reserve fund was established to help mitigate the costs of this provision. Prior to this, a person could move across the street from one county to another and lose their eligibility for CCAP.
- Established a state eligibility floor of 185% of the federal poverty level. Prior to this, the state floor was set at 165% of the federal poverty level. Counties were also able to adjust eligibility levels based on funding levels and other county needs, which led to inconsistencies across the state.
- Required the state to set a statewide exit income level. This level was set at 85% of state median income.
- Established a new method for estimating need, based on the general population percentages rather than on unreliable waiting lists.
- Required an annual report from CDHS on the costs of inflation and quality.

Despite budget concerns, Colorado pressed forward, continuing to prioritize high-quality child care improvements. In 2015, the state implemented Colorado Shines, and became the fifth state to integrate a quality rating and improvement system with child care licensing.¹⁰ In 2017, the state passed legislation to further align Colorado statute with the 2014 CCDBG reauthorization and increase dollars available for quality initiatives.¹¹

Then, in 2018, the state passed House Bill 18-1335, which made major changes to how Colorado funded and evaluated the CCAP program (see break-out box above).¹² This bill was largely the result of an analysis by a budget committee staff person, who, newly assigned to the CCAP program, saw limitations in how the state was estimating unmet need for the program. The bill created better procedures to gauge unmet need, took aim at the county-level eligibility decisions which had historically created inconsistent access to the program for families, and attempted to quantify the cost of the quality initiatives the state had promoted over the past few years.

While there was no fiscal note attached to HB 18-1335, these forward strides in child care quality, equity, and sustainability came at a cost. For FY 2018-2019, the state allocated \$13 million to the CCAP program to implement these changes – over \$10 million from increased federal funding.¹³

In the most recent FY 2019-20 budget, Colorado allocated an additional \$10.5 million in federal funding to implement HB 18-1335, and to maintain elevated CCAP funding levels.¹⁴ And that isn't the only place where Colorado is spending CCDBG dollars to improve the quality of child care in the state. The state directed an additional \$2 million per year toward stabilizing CCAP dollars if a family moves between counties and dedicated \$20,000 per year toward a market rate study. Thanks to CCDBG funds, between 2017 and 2019, overall CCAP dollars grew by 44 percent.

The 2018 reauthorization dollars bridged Colorado's aspirations for its CCAP program to real, on-the-ground changes for Colorado kids and parents. With the 2018 legislation, the General Assembly will gain a more accurate picture of need each year and CCAP families should experience more consistency and stability across the state. Colorado will immediately see some of these benefits, like tangible increases in consistency of care, while others won't go into effect until July 2019. That means the full impact of the improvements funded by CCDBG may take longer to measure. Regardless, the increased federal funds helped Colorado realize foundational and ongoing improvements in its child care program, giving sure footing to a lot of big ideas. As one analyst described it, without that funding, Colorado was barreling toward a fiscal cliff for the CCAP program with nothing in sight to break the fall.

El Paso County's Story¹⁵

El Paso County serves one of the largest CCAP populations in the state. Facing a \$2.5 million budget shortfall in 2017, the county was forced to add families to a waiting list and tighten requirements for accessing child care assistance. 503 families, including 802 children, were stuck on a waiting list to receive child care assistance, and another 200 families were newly barred from accessing the program. That all changed when the state allocated \$3.1 million in additional funding to El Paso County in 2018 after a boost in CCDBG funds. With those dollars, El Paso cleared their waiting list, now allowing 1,701 families with 2,815 children to access child care assistance and again extend eligibility for the program to parents going to school. Julie Krow, the director of El Paso County Human Services, stated that "this is very significant for the citizens of El Paso County." She went on to say, "this really allows people struggling financially to go back to work. And at the same time, they know their children are in a safe place during the day while they're working."

Ongoing Need

A 2019 report from the Colorado Joint Budget Committee showed that maintaining services to the same number of families at current levels would require a funding increase of \$10.5 million.¹⁶ While the legislature approved this one time request for FY 2019-2020, it would not commit future funds for the program, and the amount of time families spend on waiting lists remains problematic.

In 2018, the CCAP program served 29,456 children. The state estimates that this reflects 28.6 percent of the target population (defined as the total population reflecting the percentage of general population

Grand Beginnings' Story²⁰

Serving the rural mountain communities in Grand and Jackson counties in Colorado, Grand Beginnings works with Grand County Department of Human Services to ensure families have access to child care assistance funding for every eligible child in their community. In 2017 and part of 2018, due to lack of funding, these counties were forced to create a CCAP waitlist of nearly 50 families.

In 2018, when increased funding from the CCDBG block grant resulted in additional CCAP dollars for Grand and Jackson County, the local department of human services completely eliminated its waitlist and now serves a total of 60 families. Additionally, Grand Beginnings provides tuition assistance to families who are above the CCAP eligibility threshold, but below the self-sufficiency standard for the area. Grand Beginnings and Grand County DHS also work to reimburse local providers at a high rate, so every provider in the network accepts CCAP, further ensuring equal access to high-quality child care for every family. The additional federal funding from 2018 allowed Grand and Jackson Counties to make targeted and meaningful investments in child care in their community.

served in an organized care facility or a family child care home) and 8.9 percent of the total eligible population. This means more than 90 percent of income-eligible kids are currently not served by the CCAP program.¹⁷ Another increase in CCDBG funds, as the US House is currently considering, would go a long way toward addressing Colorado's tremendous unmet need. CDHS estimates it would take \$11.2 million for every percentage increase in children served.¹⁸ If CCDBG funding was reauthorized and increased for fiscal year 2020 to \$5 billion, the Center for Law and Social Policy (CLASP) estimates that Colorado could serve 9,640 more children, increasing the total number of children served in Colorado by 33 percent.¹⁹

Conclusion

The influx of CCDBG funds that Colorado received in 2018 made a measurable impact in the state, but the number of Colorado children in need of assistance continues to grow, and the unreliability of state dollars has many counties and advocates concerned about the future of these improvements. Colorado is a state with onerous fiscal constraints that make raising new state dollars or replacing lost federal dollars nearly impossible. Colorado would put additional CCDBG dollars to immediate use – reducing waitlists, increasing participation and further advancing the state's vision for a modern, equitable child care system, one that is up to the task of caring for our future.

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