COST OF CARE SUMMARY REPORT
DECEMBER 2014




CHILD CARE AFFORDABILITY IN COLORADO:

An investigation into child care costs and recommended strategies for improving affordability






THE WOMEN'S FOUNDATION OF COLORADO

Qualistar COLORADO

COLORADO CHILDREN'S CAMPAIGN
Every Chance for Every Child

ABOUT THIS REPORT

Qualistar Colorado and the Colorado Children's Campaign have produced this report through generous funding from The Women's Foundation of Colorado in an effort to investigate and address the barriers to affordable child care.

THE WOMEN'S FOUNDATION OF COLORADO

The Women's Foundation of Colorado's mission is to build resources and lead change so that every woman and girl in Colorado achieves her full potential. The Women's Foundation of Colorado is a leader in conducting research, bringing together resources, impacting policy and investing in community partners who share their goals and impact their ability to dramatically change lives of women and girls in our state. Extensive, strategic research guides their work and is combined with their dedication and approaches to education, advocacy and collaboration as they set the agenda and lead systemic change in Colorado.

QUALISTAR COLORADO

Qualistar Colorado is a statewide nonprofit dedicated to advancing quality early childhood education across Colorado. We believe that all children deserve a high-quality early childhood education experience. Qualistar works to improve early childhood education by helping families find child care through a free referral service, rating the quality of child care programs, providing college scholarships for child care teachers, managing grants to improve child care facilities and strengthening federal, state and local policy through the use of data and information.

THE COLORADO CHILDREN'S CAMPAIGN

The Colorado Children's Campaign is a nonpartisan, nonprofit research and advocacy organization focused on realizing every chance for every child. We use accurate, compelling data and research on child well-being to champion policies and programs that improve the lives of all Colorado children.

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EXECUTIVE SUMMARY

After decades of research, it is clear that access to high-quality child care promotes children's healthy development, supports working families and benefits society through positive economic impacts. Unfortunately, the high cost of child care throughout the United States and in Colorado forces many parents to settle for low-quality care or inhibits them from accessing licensed care altogether. The Women's Foundation of Colorado, Qualistar Colorado and the Colorado Children's Campaign have produced this report after a year of investigation into issues of child care affordability with the goal of outlining actionable next steps in improving affordability for Colorado families.

In order to determine how affordability might be improved, it is necessary to understand why the price of care appears so high in Colorado. To that end, this report identifies the primary factors that contribute to the high price of child care, examines the variation in family incomes, and applies the measure of affordability as the average price of child care compared to median income in each Colorado county.

High-quality child care is expensive to provide. Most child care programs cannot charge prices high enough to cover all their costs because families would not be able to afford it. That fact makes it difficult to set prices based on an actual budget that considers revenues and expenses. Providers risk sacrificing quality if they lower their prices and can no longer afford to invest in staff, facilities and equipment. The price of child care varies according to factors such as the ages of children, the type of care setting and geography.

A primary factor that contributes to the high price of child care is personnel costs. Child care is a labor-intensive industry and personnel costs are by far the largest expense category within child care programs' budgets even though child care professionals are not highly compensated. Because most child care centers are open 11 or 12 hours per day in order to serve working families, multiple shifts of qualified staff are needed. Requirements for staff-to-child ratios and group size also result in the need for large numbers of staff. In addition to personnel costs are the operational and facility costs associated with maintaining healthy and safe environments for young children. Facility costs are significant because child care programs must ensure that their environments adequately support children's developmental needs. Things such as flooring, equipment, and materials must be replaced at the first sign of wear and tear. Some child care business infrastructure costs are high relative to other industries, such as annual licensing fees and background checks on staff members.

Because families' incomes vary, child care prices have differing impacts on families. **Child care affordability is particularly out of reach for families headed by single mothers.** Married couples with children using center-based care pay anywhere between 7.5 percent (San Juan County) and 20.3 percent (Saguache County) of their income for infant care and between 5.5 percent (San Juan County) and 16.7 percent (Routt County) of their income for preschool-age care. Single mothers pay between 19.9 percent (Teller County) and 94.5 percent (Gunnison County) of their income for infant care and between 11.9 percent (Ouray County) and 85.6 percent (Gunnison County) of their income for preschool-age care.

Financial assistance from outside sources is limited, so child care programs must rely on families to cover the vast majority of their costs. The factors that tend to produce higher quality care, such as sound health and safety practices and high teacher qualifications, are also those that incur higher costs. Colorado is an established leader in some of these areas and is striving to improve in others, as evidenced by recent increases in the education requirements for both teachers and directors. **Any attempts to improve affordability by sacrificing quality would be counterproductive to the goals our state has for young children.** The fact that most families cannot pay more than they already do for care, however, means that solutions to the child care affordability issue must lie elsewhere.

In response to the financial challenges faced by both child care programs and families, many efforts are underway in Colorado and across the country to improve child care affordability. While some innovative strategies are in the design phase, others are being implemented with at least some success. The Women's Foundation of Colorado, Qualistar Colorado and the Colorado Children's Campaign have identified the following strategies as worthy of pursuing in an effort to help families access and afford the care they need.

PROMISING STRATEGIES FOR IMPROVING CHILD CARE AFFORDABILITY IN COLORADO

1. **Expand access to the Colorado Child Care Assistance Program (CCCAP).** There are three policy changes to CCCAP that policymakers must fund to help more families afford child care. The first is to raise income eligibility limits and fund those increases so they can be fully implemented. Second, recent policy changes to copayments for low-income families must be adequately funded in order to truly reduce families' copayments. Finally, reimbursement rates (the rates at which child care programs are compensated for caring for children participating in CCCAP) must be raised in order to improve access to affordable child care and enable providers to sustain their businesses and invest in quality.

2. **Invest in and expand other statewide and local initiatives that support families' child care needs.** Colorado has several state and local initiatives designed to support the early care and learning of young children, including the Colorado Preschool Program, the Denver Preschool Program and similar programs in Boulder County, Summit County and the City of Aspen. These programs provide tuition support for families and quality improvement resources to child care programs. Investing in these programs and replicating these in other communities can help extend families' access to child care and preschool.

3. **Expand federal investments in child care affordability.** Despite the increasing cost of child care, total federal funding for child care assistance has declined over the past decade. The federal Child Care and Development Block Grant (CCDBG), the primary source of funding for CCCAP and various quality improvement initiatives, must receive additional funding to meet increasing costs due to inflation and increased need. Congress' recent passage of the CCDBG Reauthorization bill is a huge first step in employing this affordability strategy.

4. **Provide incentives for businesses to adopt family-friendly practices that help employees address child care needs.** Family-friendly policies allow workers to maintain job stability while addressing their families' needs. By providing subsidized on-site child care facilities, employers can help families afford child care. Other family-friendly policies include allowing flexibility in employees' work schedules such as part-time positions, flex-time, and working from home. Executives Partnering to Invest in Children (EPIC) has developed an employer's tool kit to aid businesses in implementing these policies.

5. **Explore innovative practices to improve efficiency and help families afford child care costs.** Care for some children is supported by a variety of funds, such as CCCAP, Colorado Preschool Program, local initiative dollars, federal funds, and parent tuition. Child care programs are most often responsible for mixing these different funding streams, tracking the usage of funds, and completing the paperwork and reporting to the various funding entities. This results in higher administrative costs for child care programs. By having the funds "blended and braided" at a state or local agency level, such as is being considered in the state of Washington, child care programs can deliver the same full-day, quality services at a lower administrative cost.

6. **Provide families with accessible information on child care options and sources of assistance.** Families should know how to access information on finding child care and financial resources. Many resources exist, such as the statewide network of Child Care Resource & Referral (CCR&R) coordinated by Qualistar Colorado, 2-1-1 Colorado, and Colorado's Program Eligibility and Application Toolkit (PEAK). Organizations such as Qualistar Colorado and 2-1-1 Colorado can assist families with child care affordability by making their services known through outreach and consumer education efforts.

WHY CHILD CARE AND CHILD CARE AFFORDABILITY ARE VITAL TO COLORADO

There is no doubt that child care affordability is a significant challenge for families in Colorado and across the country. In 2013 The Women's Foundation of Colorado produced a comprehensive research report entitled *The Status of Women & Girls in Colorado*. Throughout the research phase for that report, many questions and concerns about child care access and affordability were raised. An annual report from Child Care Aware® of America consistently finds that Colorado ranks as one of the least affordable states for center-based child care.[1] Moreover, Qualistar Colorado and the Colorado Children's Campaign regularly hear through their networks that child care access and affordability are acute challenges. This report explores child care costs and provides recommended strategies for improving affordability.

Nearly 12.5 million (61 percent) of the 20.4 million children younger than age 5 are in some type of regular child care arrangement every week in the United States.[2] Approximately 61 percent of Colorado families with young children have all available adults in the workforce,[3] and nearly 200,000 young children spend time in licensed child care arrangements in Colorado.[4]

Child care is an influential setting with regard to young children's early learning and development and has long-lasting positive effects. Studies show that children in high-quality child care tend to have academic and social benefits lasting into high school and beyond.[5] High-quality child care leads to better cognitive outcomes for children, including better language, reading, vocabulary, math and problem solving skills.[6] The cognitive improvements are more pronounced for low-income children.[7] Quality child care is also linked to improved non-cognitive functions for children, including better executive function (ability to organize information, pay attention, remember details and make plans) and better skills in participating in a group (ability to take turns, wait before speaking and cooperate).[8]

Quality child care enables parents to be productive in the workforce. Availability of child care improves employee productivity and reduces absenteeism and turnover.[9] One estimate calculates that employee absenteeism due to child care disruptions cost U.S. businesses $3 billion annually.[10]

Child care plays an essential role in supporting not only the workforce but also the larger economy.[11] In fact, quality child care is a key ingredient in Colorado's recipe for economic growth. Many economists, including leaders at the Federal Reserve and Nobel Laureate James Heckman, have shown that investing in early childhood education provides significant economic benefits and an impressive return on public investments.[12]

The economic benefits accrue to communities because through investment in high-quality early childhood education they have a stronger labor force.[13] In addition, because early childhood education boosts children's academic and social skills, they are less likely to drop out of school, repeat grades and commit crimes.[14] Thus, early childhood education serves as a preventative system saving our schools, criminal justice system and social programs money in addressing these problems later.

Despite the significant amount of evidence that access to high-quality child care promotes children's healthy development, supports working families and benefits society through positive economic impacts, the high cost of child care throughout the United States forces many parents to settle for lower quality care or inhibits them from accessing it altogether. "Depending on the state, the average cost of full-time care for one infant in a center

ranges from 7 percent to about 19 percent of the state median income for a married couple with children and exceeds 25 percent of median income for single parents."[15] The average annual cost of full-time care for an infant in center-based care in the United States in 2013 was $9,711 (compared to $13,600 tuition, room and board at a public undergraduate institution[16]) and ranged from $4,863 in Mississippi to $16,430 in Massachusetts. Organizations such as Child Care Aware® of America have accounted for the different median household incomes (MHI) in each state by dividing a state's average child care price by its MHI to create a measurement of affordability. Using this measure in 2013, Child Care Aware® of America found that Louisiana was the most affordable state for center-based child care for both infants and 4-year-olds, Oregon the least and Colorado the fifth least.[17]

The high cost of child care throughout the United States forces many parents to settle for lower quality care or inhibits them from accessing it altogether.

In order to determine how affordability might be improved, it is necessary to understand why the price of care appears so high in Colorado. This requires an examination of (1) the landscape of Colorado child care, (2) the factors that contribute to the high price of child care, (3) the variation in family incomes, and (4) the methodology for measuring affordability.

THE CHILD CARE LANDSCAPE: TYPES, AVAILABILITY AND PRICE

Child care is a term that refers to a wide range of settings in which young children are cared for and educated. Licensed child care includes programs that have gone through the necessary steps to become licensed by the State of Colorado. Licensing ensures that the facility has complied with basic health and safety standards, and that it has met certain requirements for staff training and background checks. Colorado has ranked 35th among the states for the rigor of licensing requirements.[18] In addition, licensing regulations outline the staff-to-child ratios required in each type of child care setting, the age range of children that can be cared for, and the total number of children that can be cared for at one time. In Colorado, child care licenses are issued to child care centers, part-day preschools, family child care homes and school-age facilities.[19] The Colorado Department of Human Services, Division of Early Care and Learning regulates these facilities.

In a *child care center* or *preschool*, care is provided in a setting similar to school where there may be many classrooms and children are usually grouped by age. Preschools are specifically licensed to serve children for only part of the day. In a licensed *family child care home*, care is most often provided by one caregiver within a home setting. *School-age child care* is provided for children ages 5 and up before and after school, on holidays and during the summer. It is offered by many kinds of programs. Some programs serve only school-age children and some also serve younger children.

Colorado currently has approximately 5,500 licensed child care programs. In general, center-based programs are larger, serve more children and employ more caregivers than home-based programs. A standard family child care license allows for eight children to be cared for at a time. The capacity of child care centers, preschools and school-age facilities varies widely, with an average of 65 children. The numbers of home-based programs and center-based programs are similar, yet 90 percent of the licensed capacity is in center-based programs.

There is capacity within licensed child care programs for less than a quarter (23 percent) of the state's 413,949 children under age 6. Availability of child care varies across the state. For example, licensed capacity for full-time care in San Juan County is sufficient to serve 70 percent of children under 6 who live there; that figure is less than 10 percent in Jackson, Kiowa, Rio Blanco, Custer, Moffat, Park, Conejos and Morgan counties.

Figure 1: Number of Licensed Child Care Facilities by Type in Colorado

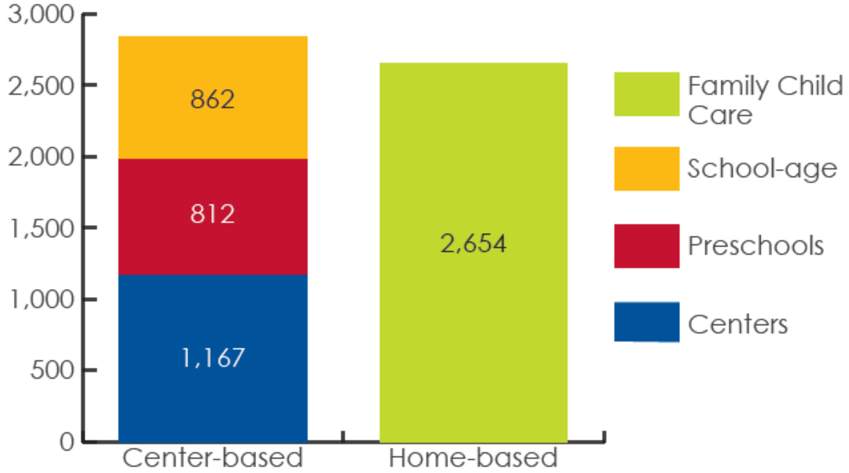
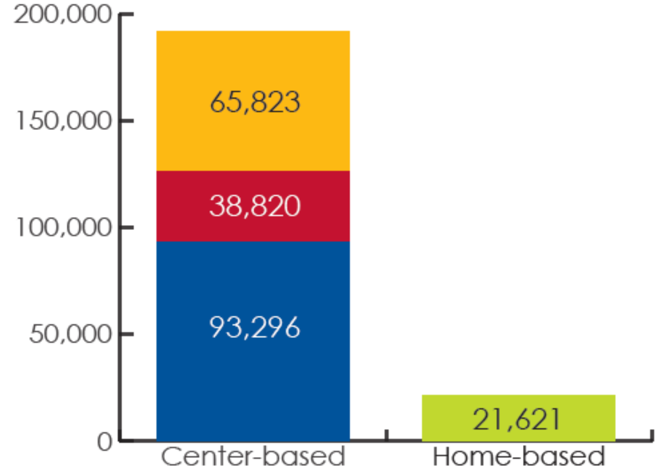


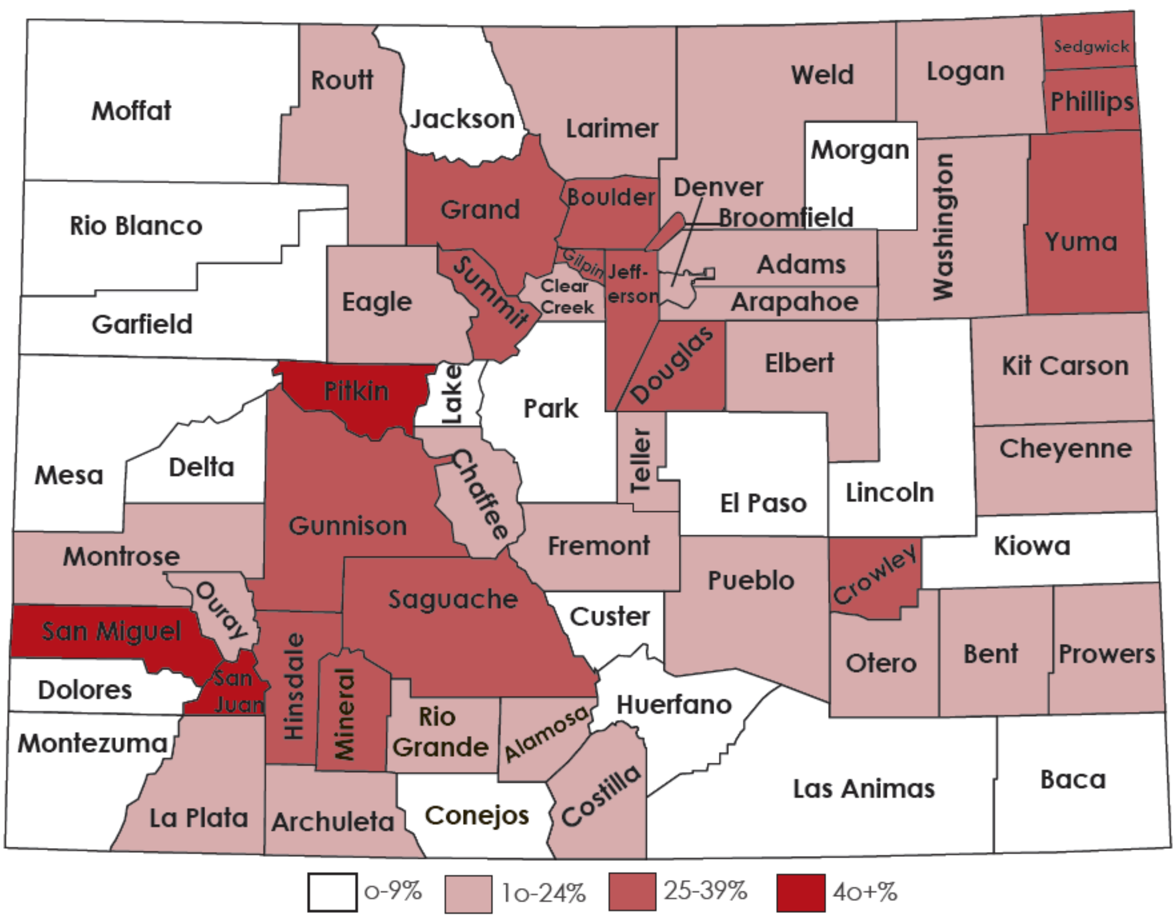
Figure 2: Licensed Capacity of Child Care Facilities by Type in Colorado



Note: Figures includes school-age capacity. Source: Qualistar Colorado and its network of Child Care Resource and Referral (CCR&R) partners

Care for infants and young toddlers is in the shortest supply, largely because it is the most expensive type of care to provide. Statewide, there is licensed capacity for 18 percent of Colorado children under age 2. Contrary to the common belief that babies tend to be in family child care, only 4 percent of the state's infants and young toddlers can be cared for in family child care. (Capacity for the other 14 percent is in child care centers.) Some Colorado communities are experiencing an infant care crisis, as illustrated in Figure 3.

Figure 3: Licensed Child Care Capacity Compared to Under 2 Population by County



Sources: Qualistar Colorado and its network of Child Care Resource and Referral (CCR&R) partners and U.S. Census Bureau

Licensed child care is a major expense for families who use it. It tends to be one of the largest expenses for families, particularly families with multiple young children and single-parent families.[20] Licensed child care in Colorado is more expensive than in-state tuition and fees at a public four-year college. The average cost for in-state tuition and fees in Colorado in the 2013-2014 school year was $9,096, which is lower than preschool-age child care in 21 Colorado counties and lower than infant care in 22 counties. [21] While child care comprises a significant part of virtually any family's budget, there is some variation in child care prices. The price of child care varies according to factors such as the ages of children, the type of care setting and geography.

Child Care Prices Vary According to Children's Ages

Infant care is particularly expensive to provide. Because infants' healthy development relies on frequent positive interactions with caregivers, infant care requires the highest staff-to-child ratios and the smallest group sizes. Infant care requires the most square footage per child, and centers must maintain separate spaces for play, sleeping and diaper changing. Specific equipment and furnishings are needed to care for infants and the teachers should have specialized training in caring for that age group. Due to the added costs, many child care programs find the expense of providing infant care prohibitive. Child care prices drop as children age (see Table 1). Typically, the price for a preschooler in a child care center is approximately 20 to 25 percent lower than for an infant. In Arapahoe County, for example, full-time infant care in a center averages $12,824 per year and full-time preschool-age care averages $10,375 per year, a difference of 23.6 percent.[22]

Child Care Prices Vary According to the Type of Care Setting

Center-based child care is more expensive than home-based care. Much of the difference can be attributed to personnel costs and facility costs. Most home-based child care providers do not have to pay salaries or employer-related taxes and fees.[23] Since home-based child care providers operate their businesses out of their homes, they do not have the extensive costs associated with operating a large facility. Less equipment and fewer materials are required in homes because there are relatively few children in attendance. As an example of the price differences, in Boulder County, centers charge an average of $13,210 per year for care for 4-year-olds, and family child care providers charge an average of $10,440, a difference of 26.5 percent.

Child Care Prices Vary According to Geography

Families living in cities and large towns can expect to pay significantly more for child care than families in rural areas, with the exception of rural resort communities. The price difference is largely due to the overall cost of living. Families in urban areas and rural resort areas also pay more for other living expenses such as housing and transportation than rural families.[24] The 2013 average annual price for full-time center-based infant care in non-resort rural counties in Colorado was $8,800; in urban counties it was 55 percent higher, at $13,662.[25] The resort areas in Colorado had the highest prices for child care, with an average annual infant care price of $14,100. High child care prices in resort areas are particularly difficult for the many low-wage workers that are employed there. Additionally, child care prices can vary significantly even within a large urban area. For example, child care prices in downtown Denver are 42 percent higher than in the Cherry Creek and Baker neighborhoods a few miles south of downtown.[26]

Table 1: Average Monthly Price for Full-time Child Care in Colorado 2013

	Infant		Toddler		Preschool	
	Child care center	Family child care home	Child care center	Family child care home	Child care center	Family child care home
Rural	$733	$595	$692	$590	$611	$544
Urban	$1,139	$749	$1,037	$736	$900	$693
Resort	$1,175	$892	$1,122	$871	$1,017	$864

Source: Qualistar Colorado and its network of Child Care Resource and Referral (CCR&R) partners

FACTORS THAT CONTRIBUTE TO THE HIGH PRICE OF CHILD CARE

High-quality child care is expensive to provide. Most child care programs cannot charge prices high enough to cover all their costs because families would not be able to afford it. That fact makes it difficult to set prices based on an actual budget that considers revenues and expenses. Child care administrators report using a variety of factors to help them set their prices, including matching neighboring child care programs' prices and considering the amount families are able to pay.[27] Child care providers often face difficult choices regarding the prices they charge and the ability to serve their communities. Providers risk sacrificing quality if they lower their prices and can no longer afford to invest in staff, facilities and equipment. In addition, the market for child care does not seem to follow any of the established rules of supply and demand. Care can be more expensive in places where there is a lot of availability and less expensive where there is little availability. This presents a complex market for providers to determine pricing.

Personnel Costs are the Largest Expense for Child Care Programs Because of the Number of Caregivers Required

Child care is a labor-intensive industry, and personnel costs are by far the largest expense category within child care programs' budgets. These costs (wages, payroll taxes and fees) are higher for child care programs than for many other types of businesses because of the sheer number of workers required.

Long Operating Hours Require Multiple Shifts of Qualified Staff

Full-time child care programs are generally open for 11 or 12 hours per day in order to accommodate the needs of working families. A parent working an eight-hour shift might need her children to be in care for 10 hours in order to give her time to get to and from work, and of course not all parents work the same schedules. In order for child care programs to operate for that many hours, they must be staffed with enough qualified teachers to cover all of the operating hours. A large child care center that serves 200 children can employ 40 teachers and an additional 10 non-classroom staff such as administrators and cooks.

Staff-to-Child Ratio Requirements Impact the Number of Caregivers Needed

There is considerable variance among the states in the staff-to-child ratios they require for child care centers. Ratio requirements determine the minimum number of workers needed, which in turn impacts staffing costs. For infants and young toddlers in Colorado's child care centers, there must be one teacher for every five children. For older toddlers that ratio is 1:7; for young preschoolers it is 1:8, and for 3-year-olds the ratio is 1:10. Consider those ratios (and the associated staffing costs) compared to an elementary school classroom in which there is one teacher for 20 children, or a college lecture class in which there is one professor teaching hundreds of students at one time.

The National Association for the Education of Young Children's (NAEYC)[28] standards are generally accepted as the national best practice standards in this area and are based on research that shows low ratios are an important predictor of caregiver interactions with children.[29] Colorado's requirements come close to, but do not meet, NAEYC's ratio standards for all seven age categories. Eight states and the District of Columbia meet NAEYC's standards in at least two of the seven age categories; only 13 states meet five or more of

NAEYC's standards.[30] Licensing regulations in 35 states outline minimum ratios that are further away from the NAEYC standard than Colorado's regulations in one or more age categories. For example, NAEYC recommends one teacher for every 10 4-year-olds in child care centers. Colorado's licensing regulations for that age group require a ratio of 1:12; in 13 states that ratio is 1:15 or more.[31]

Requirements for Group Size Also Result in the Need for Many Caregivers

The number of staff required is also impacted by regulations regarding group size. Again, it is NAEYC's standards that are generally regarded as the national best practice standards for group size. Group size is a term that refers to the number of children assigned to a classroom or other distinct space within a larger room.[32] NAEYC recommends that states set group size limits based on children's ages (with smaller groups for younger children) in order to ensure safe, nurturing care. Though Colorado's regulations for group size do not meet NAEYC's standard for any of the seven age categories, 17 states do not even have a group size requirement for some or all age groups.[33] NAEYC recommends a maximum group size of eight infants; in Colorado and four other states the maximum is 10. By limiting group sizes and ratios to levels at or near the national best practice standards, states show their commitment to children's safety. As a result, child care centers incur greater personnel costs, which impacts the prices they must charge to families.

THE COST OF QUALITY

To illustrate the impact of quality indicators such as ratios, group sizes and teacher requirements on operating costs, consider a child care center classroom for 4-year-olds in Colorado, Utah and Massachusetts that is staffed by two teachers.* When operating at the maximum group size allowable, the largest group of children is in the Utah classroom and the smallest group is in the Massachusetts classroom. The less rigorous teacher qualifications in Utah is a primary reason that teacher wages there are 20-30 percent lower than in the two other states.*

Table 2: A Comparison of 4-Year-Old Classrooms in Three States

	Colorado	Utah	Massachusetts
Minimum staff-to-child ratio	1:12	1:15	1:10
Maximum group size	24	30	20
Teacher education requirement	Some college coursework in Early Childhood Education	Less than a high school diploma	Some college coursework in Early Childhood Education
Average annual wage for a preschool teacher	$31,158	$24,253	$34,403
Annual price for full-time care for a 4-year-old	$9,619	$6,024	$12,176

The child care center in Utah is able to charge considerably less for tuition because its staffing costs are significantly lower than the other states' costs. Also, with 30 children as opposed to the 20 and 24 in the other states' classrooms, the Utah center has more sources of income to cover its costs. In each classroom in this scenario, the combined teachers' wages equal approximately 27 percent of the total income from tuition, yet the price for care is 37 percent lower in Utah than in Colorado and 50 percent lower than in Massachusetts.

* In all states some child care programs choose to operate at higher levels of quality than what is required by licensing regulations. This example assumes all three classrooms are operating at the minimum standards for ratios, group sizes and teacher education levels.

Ensuring the Health and Safety of Young Children Comes with High Costs

In addition to personnel costs are the operational and facility costs associated with maintaining environments that optimally promote children's health and development. Facility costs are significant because child care programs must ensure that their environments are safe for children and adequately support children's developmental needs. Things such as flooring, equipment, and materials must be replaced at the first sign of wear and tear. Whether facilities are rented or owned, the costs to occupy, maintain and improve them are substantial. Food costs are another major expense for most child care programs, as many children are in care for up to 10 hours per day and therefore require multiple well-balanced meals and snacks.

To different degrees, states' licensing regulations address a number of additional health and safety standards that also impact costs. Colorado's center licensing rules include more basic health and safety standards as defined by Child Care Aware® of America than do the rules in 33 other states.[34] Some of these health and safety requirements incur significant direct costs for child care programs. Playground safety provides one example. Because 200,000 children in the United States go to hospital emergency rooms each year due to falls from playground equipment,[35] many states have established requirements for the type and amount of resilient surfacing child care center playgrounds must have. The purchase and maintenance of appropriate and adequate playground surfacing is expensive. Colorado's regulations for playgrounds state that permanently installed equipment over three feet tall must be surrounded by at least six inches of resilient surfacing.[36] At a required depth of six inches, rubber mulch costs between $5.00 and $6.00 per square foot of playground space. In 2013, a child care center in a Colorado mountain community completed a $9,700 playground project that included the removal of dirt and grass surfaces and the installation of new surfacing. In 2011, a large child care center in Durango spent $33,000 to upgrade their playground surfacing from moldy wood fiber to new rubber mulch.[37] Centers in other states that do not have a surfacing requirement may choose not to maintain this high level of playground safety and therefore may not incur this expense.

While most states' regulations require that children be grouped by age for reasons of health and safety, few states require the separation of age groups to the degree that Colorado does. Colorado's child care center regulations require that toddler facilities, both indoor and outdoor, must be completely separate from facilities for other age groups. Child care centers that serve both toddlers and preschoolers must maintain separate outdoor play spaces. Younger groups of children cannot walk through the play or learning spaces of older children in order to reach their own space. Separate toddler and preschool toilet facilities are also required. These regulations that help to protect children from health and safety hazards result in additional costs for Colorado centers.

Operating Costs for Child Care Businesses are High and Vary Across the Country

Some business infrastructure expenses, such as licensing fees, vary greatly across states. Almost two-thirds of states have licensing fees that must be paid in order for a license to be issued or renewed,[38] and the fee structures and amounts vary greatly. Child care centers pay $12 per child per year in Delaware; in Arizona, centers are required to pay $7,800 for an initial license. In Colorado, centers are charged the same amount for initially obtaining a license and for continuing the license each year. As is the case in 21 other states, the amount of the fee in Colorado is based on the number of children that can be cared for at one time at the facility. Colorado centers that are licensed to serve up to 20 children pay $77 initially and annually; the largest centers (251 or more children) pay $528 each year for their license.

The hiring of staff is a business expense that differs among states. All states have background check requirements for child care center staff. Colorado is one of 13 states that require a comprehensive background check that includes fingerprints to check state and FBI records, the child abuse registry and the sex offender registry.[39] Criminal background checks are the most common element required by states; a check of the sex offender registry is the least common. In Colorado, the fees for comprehensive background checks total approximately $87 per staff member upon their hire.

Families' varying schedules also contribute to high operating costs. Some families need only part-time care, and unless a center can piece together multiple families' part-time schedules to equal a full-time enrollment, the program will not run at full capacity. The center's operating costs are not reduced significantly when it is not running at full capacity. For this reason, some centers do not provide part-time rates, charging the full-time fee to families that do not use full-time care.

Limited Sources of Child Care Business Revenue Mean that Child Care Programs Must Rely on Tuition to Cover their Costs

Tuition is the primary source of income for virtually all child care programs. Whether tuition is paid by families, by a subsidy program or by another initiative such as a state's public preschool program, the vast majority of money that comes into child care programs does so on a per-child tuition basis. General operating support is difficult for centers to find. Access to private funding sources such as foundations is limited to nonprofit child care programs and often is targeted for a specific initiative or improvement. Public funding for child care is a patchwork system that varies across states and across levels of government.

Lost Revenue Drives Up Prices

Operators of child care businesses recognize the importance of maintaining full enrollment and collecting tuition on time and in full in order to keep their businesses solvent. Lost revenue is a common cost for child care programs largely because of the transient nature of the population they serve. Most programs build uncollectible tuition into their budgets as an expected expense because of the likelihood that some families will leave their program on short notice, without having paid their child care bill. There is no evident indication that lost revenue from non-payment is any more marked in Colorado than in other states. However, one source of lost revenue for Colorado centers in particular is the state's child care subsidy program, the Colorado Child Care Assistance Program (CCCAP).

The Colorado Child Care Assistance Program is Substantially Underfunded

CCCAP is substantially underfunded, with an appropriation that lags behind inflation, the ever-increasing cost of child care and the growth in the number of families needing child care assistance.[40] The National Women's Law Center conducted an analysis that compared the market price for child care to the subsidy program's reimbursement rate in one metro area in each state.[41] Findings from the analysis were that CCCAP reimburses child care centers in Denver 39 percent less than the market rate for infant care and 41 percent less for preschool-age care,[42] and that only three other states reimbursed their child care centers at a lower percentage of the market rate.[43] Additionally, CCCAP does not pay providers for as many absences or holidays as private paying families are charged. A large center that serves a significant number of CCCAP families can lose tens of thousands of dollars of revenue each year.[44] Often child care programs that serve children of families participating in CCCAP have to charge private paying families more in an effort to offset the loss of income. Fortunately, a new bill passed in the 2014 legislative session spurred the creation and passage of new administrative rules that will bring about many improvements to CCCAP for Colorado families and child care providers[45] (see page 21).

Increased Federal Investments are Needed

One federal funding source, the Child Care and Development Block Grant (CCDBG), provides funds to states to support low-income families' access to quality child care. This is the source of funds for CCCAP. CCDBG requires that states spend at least 4 percent of their CCDBG allocation on quality activities in an effort to ensure that there is an adequate supply of high-quality care. Child care programs directly receive some of that funding. The most common quality activities funded through CCDBG include targeted technical assistance and one-time grants, awards or bonuses to achieve or sustain quality.[46] Increased federal spending on quality activities could help reduce the costs that are passed on to families.

Another federal funding source is the Race to the Top-Early Learning Challenge Fund. To date, 20 states including Colorado have received these competitive federal grants to implement integrated systems of high-quality early learning programs and services. Through this grant, Colorado child care programs will have access to incentives, quality ratings and quality improvement supports such as trainings and coaching. The impact of the Early Learning Challenge Fund on affordability is not yet known, because the four-year grant projects are still underway in all 20 recipient states.

FAMILY INCOME VARIES GREATLY WITHIN THE STATE AND ACROSS THE COUNTRY

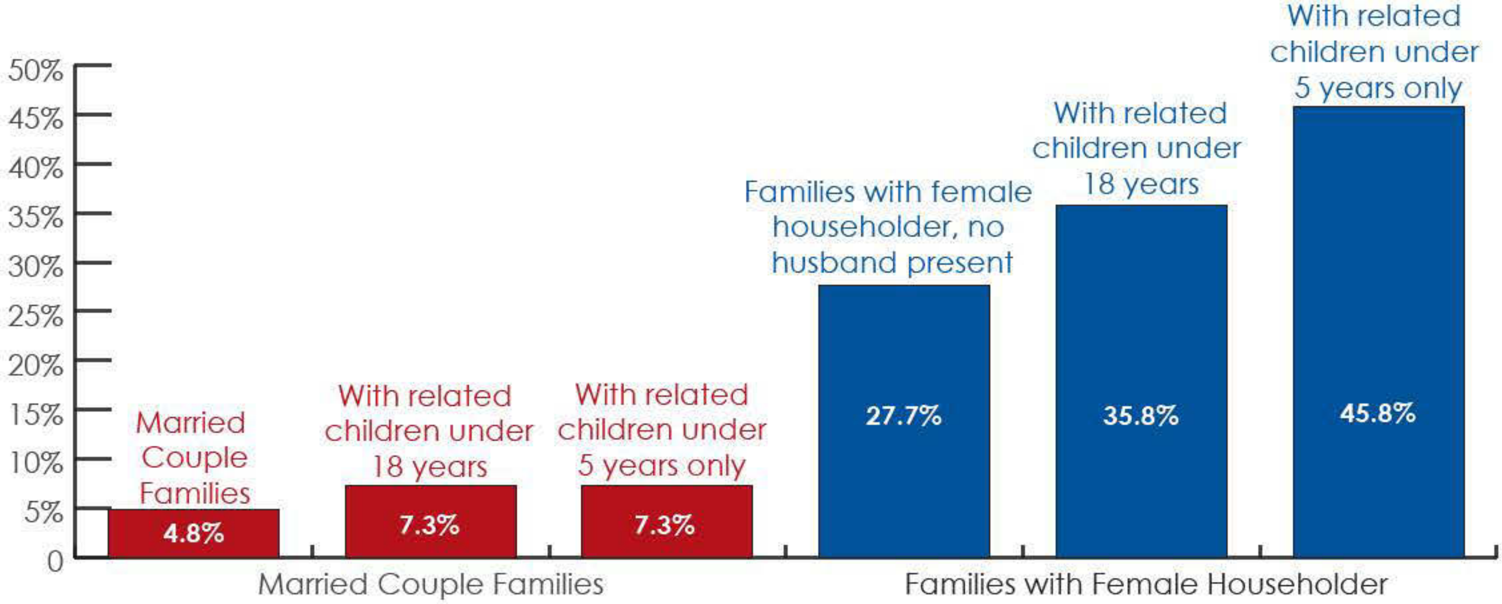
It does not appear that Colorado families' affordability challenges are more acute because families here are earning less. The median income (the measure used in the affordability calculation) among married couples with children in Colorado is 6 percent higher than the national average, and single mothers in Colorado earn almost 9 percent more than the national average.[47] In fact, the median income for married couples with children in Colorado exceeds that in 36 states; the median income for single-mother families exceeds that in 37 states and the District of Columbia.[48] Additionally, despite the fact that Colorado's child poverty rate has grown at one of the fastest paces in the country since 2000, 32 states still have a higher percentage of children living below the poverty line.[49]

Although Colorado's state median income is above the national average, it varies significantly across the state. The median annual income for married couples with children in Colorado ranges from $38,281 in Saguache County to $125,477 in Douglas County.[50] For households headed by single mothers, median incomes range from $12,401 in Fremont County to $55,938 in Pitkin County.[51]

Income inequality in Colorado is also above average.[52] One way to measure income inequality is by the ratio of the average incomes of those in the top one-fifth of households to the average income of those in the bottom fifth of households. Colorado ranks 14th highest in income inequality.[53] Colorado's ratio of the top to bottom income is 8.2, above the national average of 8.0.[54]

Families who live in poverty lack the means to meet many of their most basic needs. Multiple recent analyses find that in order to make ends meet a family needs to have income of at least twice the federal poverty level, or approximately $47,000 in annual income for a family of four.[55] In Colorado, 27 percent of households have income below twice the poverty line.[56] Female-headed households with small children are much more likely to live in poverty than married couple families (Figure 4). More than 45 percent of female-headed households in Colorado with children under age 5 live in poverty.[57] Because these families live in poverty or near poverty, it can be assumed that they do not have the resources to pay for child care on their own and need additional support if their children are to thrive.

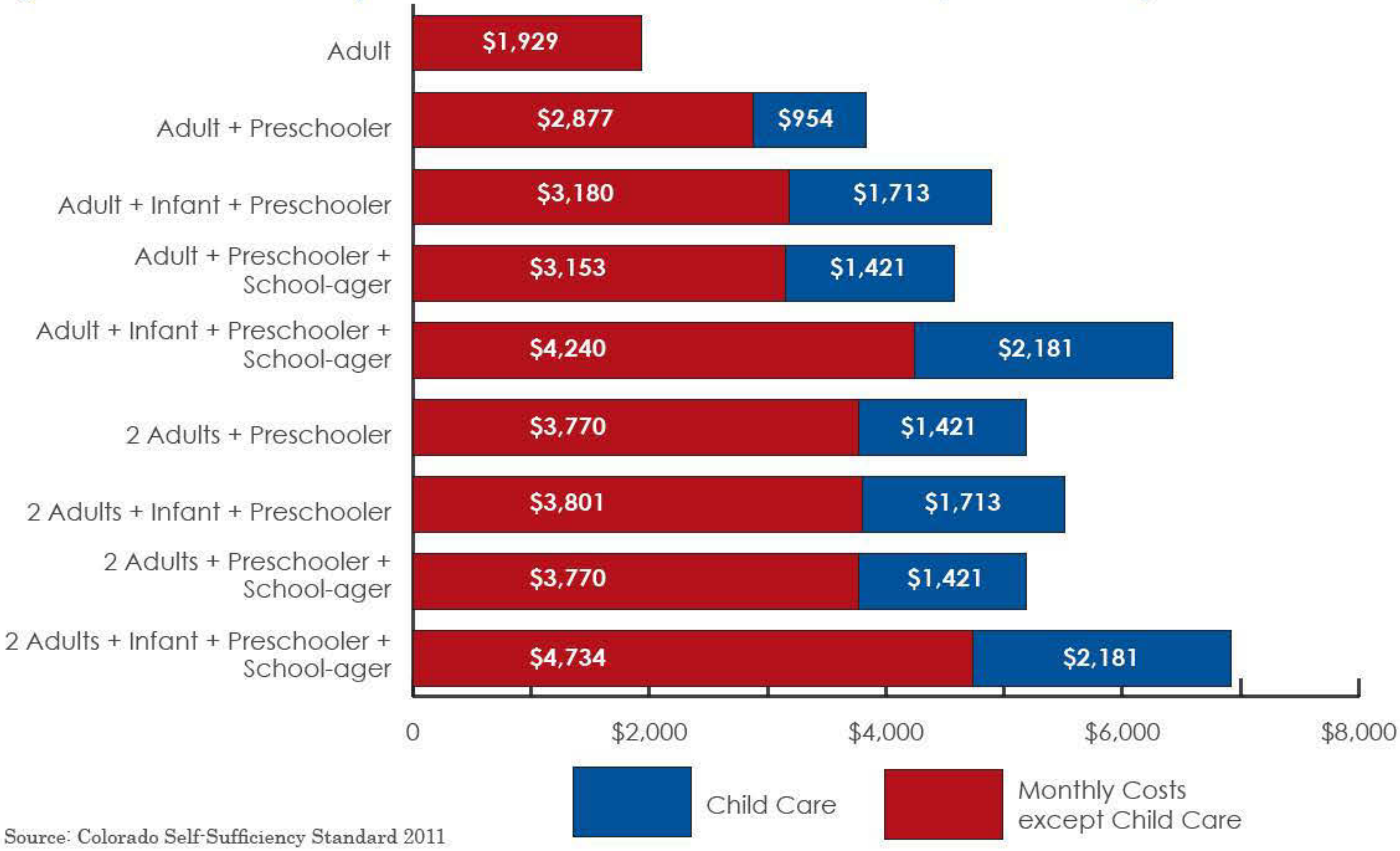
Figure 4: Percent of Households in Poverty in Colorado



Source: U.S. Census Bureau, 2010-2012 American Community Survey, Table DP03

The 2011 Colorado Self-Sufficiency Standard measures how much income a family of a certain composition in a given place must earn to meet their basic needs, without any public or private assistance.[58] Child care is one of six basic needs calculated into the Standard. According to the Self-Sufficiency Standard, families in every one of Colorado's 64 counties pay more for child care for two young children than they pay for housing. In over half of the counties in the state, child care for two young children costs more than a family's food and transportation combined. It should be noted that the Standard was calculated on the assumption that infants are cared for in family child care homes. However, since many Colorado infants are cared for in child care centers because there is such limited infant capacity in family child care homes, most families with infants actually need to earn more than what is reflected in the 2011 Colorado Self-Sufficiency Standard in order to make ends meet.

Figure 5: Child Care is a Key Driver in What it Takes to Meet Basic Needs, Adams County



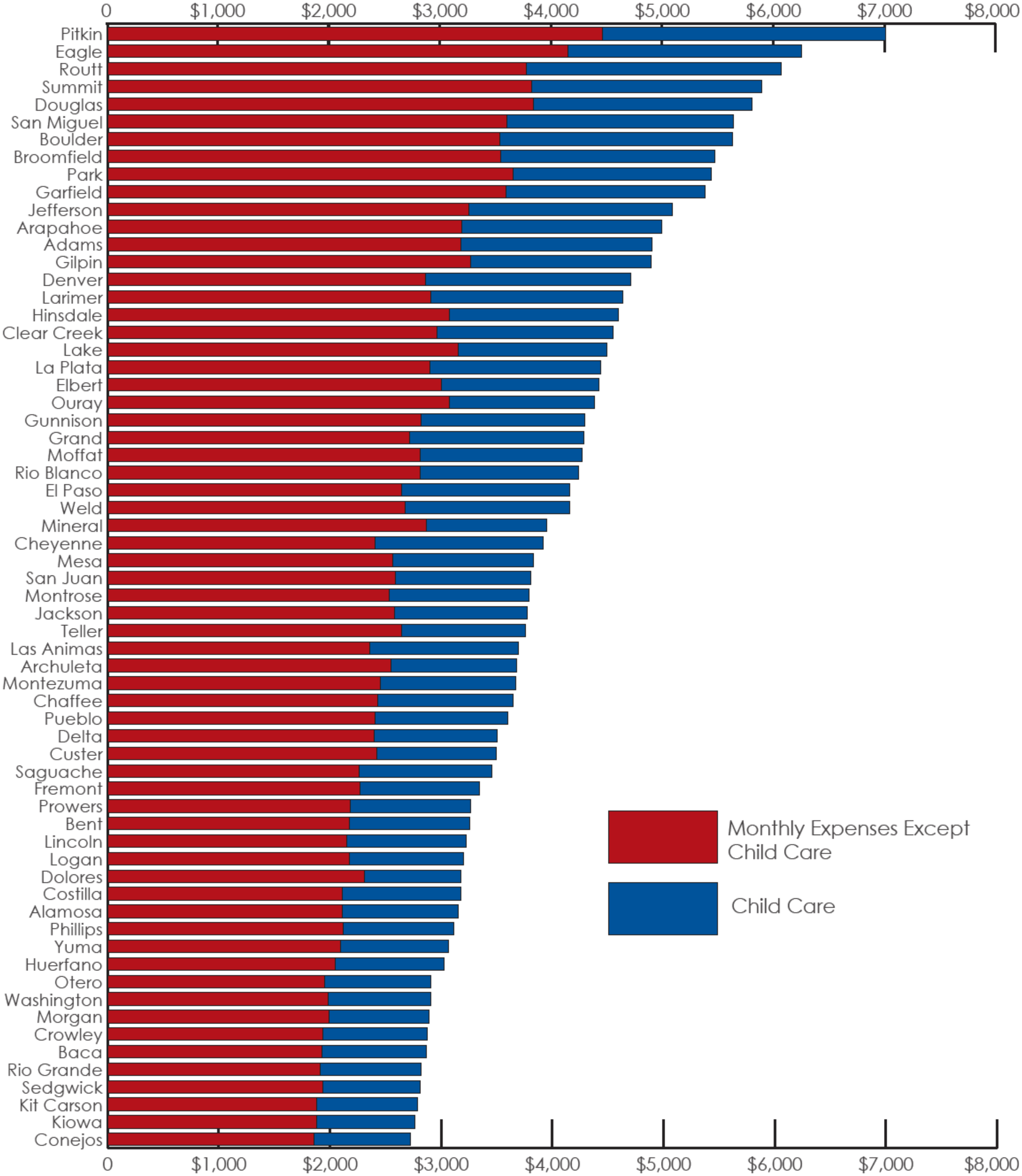
Source: Colorado Self-Sufficiency Standard 2011

As illustrated in Figure 6, Pitkin County has the highest annual Standard for a parent, infant and preschooler at $83,980 ($6,998 monthly). Conejos County has the lowest at $32,703 ($2,725 monthly).

Family makeup largely determines the percent of a family's budget that must be spent on child care. A family with one parent, one infant and one preschooler will spend about one-third of the basic family budget on child care.[59] This percentage ranges from 27 percent in Dolores and Mineral counties to 39 percent in Denver and Cheyenne counties.[60]

A family with two parents spends the same amount on child care for one infant and one preschooler as a family with one adult does, but that dollar amount is a smaller percent of their overall expenses. Figure 6 compares the Self-Sufficiency Standard across the state for single-parent families with one infant and one preschooler.

Figure 6: Basic Needs Expenses Including Child Care Vary By County for an Adult, Infant, and Preschooler



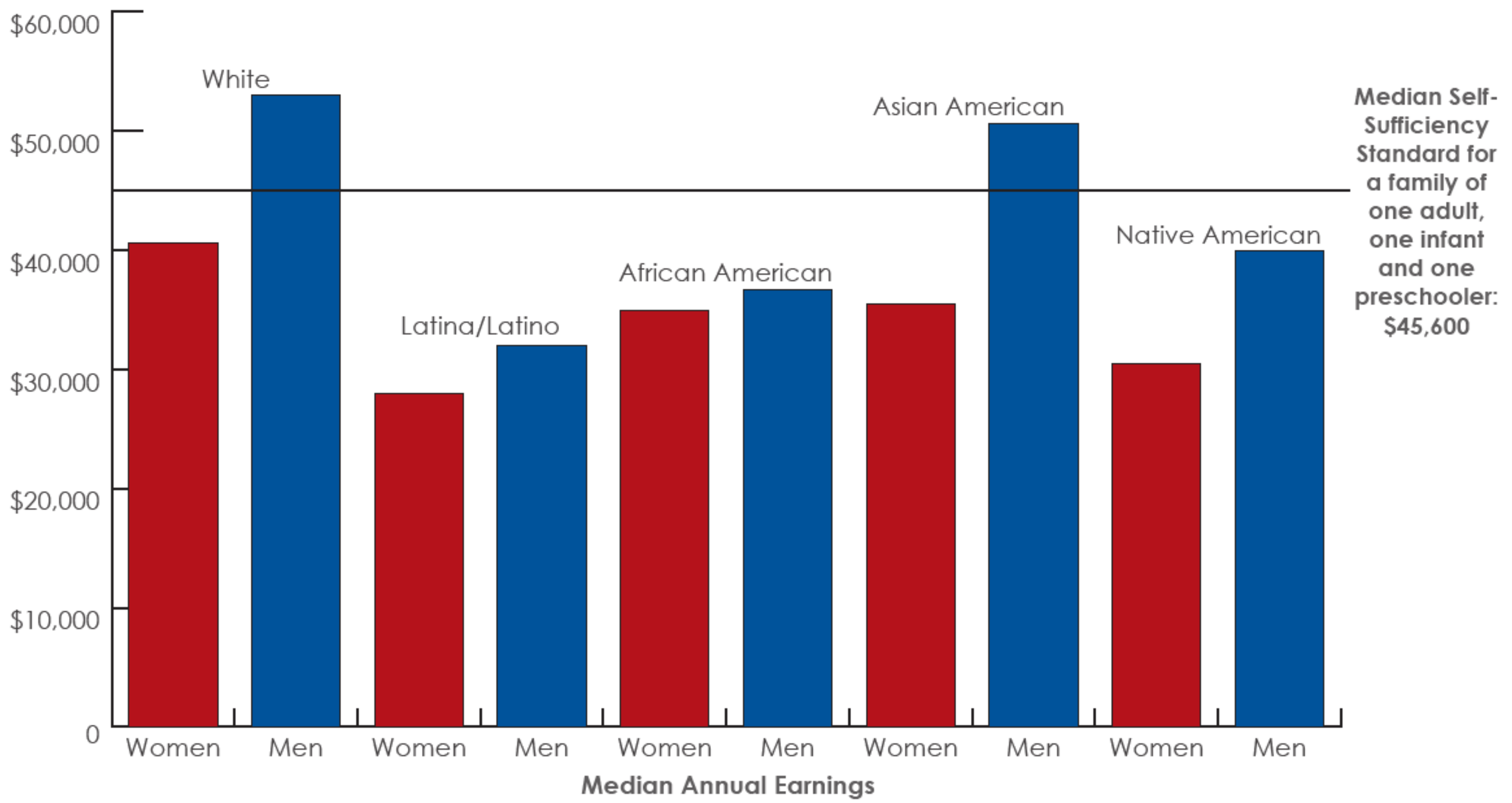
Source: Colorado Self-Sufficiency Standard 2011

Unfortunately, many families do not earn enough to meet the Self-Sufficiency Standard, which is above 200 percent of the Federal Poverty Level for most counties. In fact, the median income for a female-headed household was $33,401 in 2011.[61] That is below the Self-Sufficiency Standard for all but two counties for a family with a parent, infant and preschooler. Thus almost half of female-headed households in Colorado are not earning enough to make ends meet. And with child care making up approximately one-third of expenses, shifts in the costs of child care could play a big role in improving a family's ability to make ends meet.

AFFORDABLE QUALITY CHILD CARE IS OUT OF REACH FOR MOST SINGLE MOTHERS

Most single mothers' income levels are insufficient to afford quality child care. The price for child care for an infant is nearly half (48 percent) the median annual income for single mothers. For the one-third of single mothers in Colorado living in poverty, infant care could cost up to 65 percent of their annual income. Single mothers pay between 19.9 percent (Teller County) and 94.5 percent (Gunnison County) of their income for infant care and between 11.9 percent (Ouray County) and 85.6 percent (Gunnison County) of their income for preschool-age care. Colorado is not unique in that single mothers struggle to make ends meet. In fact, the median earning of single mothers in Colorado is almost 9 percent above the national average. Median income for single-mother households range from $12,401 in Fremont County to $55,938 in Pitkin County. When looking at the entire family budget, almost half of all single-mother households do not earn enough to make ends meet, making the availability of financial assistance for child care critical.

Figure 7: Median Earnings of Most Groups not Enough to Meet Self-Sufficiency



Source: Colorado Women's Foundation, The Status of Women and Girls 2013 and Colorado Self-Sufficiency Standard

Figure 7 illustrates that most racial and ethnic groups do not earn enough to meet the Self-Sufficiency Standard for a family made up of one adult, one infant and one preschooler. Median incomes for most groups fall substantially below $45,600 (the median of the county self-sufficiency standards).

AFFORDABILITY VARIES ACCORDING TO CHILD CARE PRICE AND FAMILY INCOME

Because families' incomes vary, child care prices have differing impacts on families. The impact of child care on a family's budget can be measured by comparing child care price to family income. Married couples in Colorado with one infant and one preschooler can expect to spend 15 percent of their household income on infant care and another 10 percent on preschool-age care.[62] The price for child care for an infant is nearly half (48 percent) the median annual income for single mothers. For the third of single mothers in Colorado living in poverty, infant care can cost up to 65 percent of their annual income.[63]

Within the state, married couples with children using center-based care pay anywhere between 7.5 percent (San Juan County) and 20.3 percent (Saguache County) of their income for infant care and between 5.5 percent (San Juan County) and 16.7 percent (Routt County) of their income for preschool-age care. Single mothers pay between 19.9 percent (Teller County) and 94.5 percent (Gunnison County) of their income for infant care and between 11.9 percent (Ouray County) and 85.6 percent (Gunnison County) of their income for preschool-age care.[64]

The following tables depict the 10 least-affordable and 10 most-affordable counties in Colorado for full-time preschool-age care and infant care in a child care center for married couples and for single-mother families. Child care affordability was calculated by dividing the average price of care in each Colorado county by the county median income.[65]

Table 3: Affordability of Center-Based Prechool-age Care for Married Couples with Children

	County	Average Annual Price of Pre-school-age Care in a Center	Median Income for Married Couples with Children	Price of Care as a Percentage of Median Income
Top 10 Least Affordable	Routt	$14,711	$87,635	16.79%
	Huerfano	$6,495	$41,000	15.84%
	Lake	$8,047	$51,771	15.54%
	Saguache	$5,677	$38,281	14.83%
	Grand	$10,522	$71,047	14.81%
	Gunnison	$11,359	$77,028	14.75%
	Summit	$12,588	$86,494	14.55%
	Denver	$11,477	$78,929	14.54%
	Montrose	$7,664	$53,814	14.24%
	Garfield	$10,842	$76,577	14.16%
Top 10 Most Affordable	San Juan	$4,157	$75,556	5.50%
	Ouray	$4,313	$70,515	6.12%
	Teller	$6,982	$88,250	7.91%
	Lincoln	$5,066	$63,750	7.95%
	Conejos	$4,440	$55,156	8.05%
	Clear Creek	$9,076	$106,473	8.52%
	Rio Grande	$5,160	$55,938	9.22%
	Elbert	$8,314	$90,000	9.24%
	Dolores	$5,456	$58,846	9.27%
	Bent	$4,780	$51,500	9.28%

Sources: Qualistar Colorado and its network of Child Care Resource and Referral (CCR&R) partners and U.S. Census Bureau, American Community Survey, 2012 5-year estimates. Table B-19126

Table 4: Affordability of Center-Based Preschool-age Care for Single-Mother Families

County	Average Annual Price of Pre-school-age Care in a Center	Median Income for Single-Mother Families	Price of Care as a Percentage of Median Income	
Gunnison	$11,359	$13,262	85.65%	Top 10 Least Affordable
Park	$9,888	$20,284	48.75%	
Denver	$11,477	$23,607	48.62%	
Fremont	$5,716	$12,401	46.09%	
Delta	$6,646	$14,600	45.52%	
Weld	$10,178	$22,635	44.97%	
San Miguel	$11,431	$25,694	44.49%	
Routt	$14,711	$33,500	43.91%	
Costilla	$6,235	$14,271	43.69%	
Boulder	$13,210	$32,287	40.92%	
Ouray	$4,313	$36,023	11.97%	Top 10 Most Affordable
Lincoln	$5,066	$36,688	13.81%	
Crowley	$5,196	$29,583	17.56%	
Teller	$6,982	$39,006	17.90%	
Bent	$4,780	$24,357	19.63%	
Yuma	$6,322	$29,942	21.11%	
Clear Creek	$9,076	$38,750	23.42%	
Conejos	$4,440	$17,782	24.97%	
Douglas	$12,359	$49,089	25.18%	
Baca	$5,196	$20,625	25.19%	

Table 5: Affordability of Center-Based Infant Care for Married Couples with Children

County	Average Annual Price of Infant Care in a Center	Median Income for a Married Couple	Price of Care as a Percentage of Median Income	
Saguache	$7,794	$38,281	20.36%	Top 10 Least Affordable
Denver	$15,410	$78,929	19.52%	
Routt	$16,497	$87,635	18.83%	
Grand	$13,250	$71,047	18.65%	
Adams	$13,009	$72,918	17.84%	
Summit	$15,324	$86,494	17.72%	
Larimer	$14,683	$89,763	16.36%	
Gunnison	$12,539	$77,028	16.28%	
Weld	$12,322	$76,457	16.12%	
Garfield	$12,297	$76,577	16.06%	
San Juan	$5,716	$75,556	7.56%	Top 10 Most Affordable
Dolores	$4,936	$58,846	8.39%	
Teller	$7,794	$88,250	8.83%	
Kit Carson	$5,975	$60,380	9.90%	
Washington	$6,430	$64,500	9.97%	
Phillips	$7,145	$71,149	10.04%	
Clear Creek	$11,119	$106,473	10.44%	
Costilla	$6,235	$58,417	10.67%	
Yuma	$6,495	$59,057	11.00%	
Fremont	$7,067	$60,906	11.60%	

Table 6: Affordability of Center-Based Infant Care for Single-Mother Families

	County	Average Annual Price of Infant Care in a Center	Median Income for a Single-Mother Family	Price of Care as a Percentage of Median Income
Top 10 Least Affordable	Gunnison	$12,539	$13,262	94.55%
	Denver	$15,410	$23,607	65.28%
	Fremont	$7,067	$12,401	56.98%
	Weld	$12,322	$22,635	54.44%
	Gilpin	$13,769	$26,250	52.45%
	San Miguel	$12,990	$25,694	50.56%
	Larimer	$14,683	$29,128	50.41%
	Routt	$16,497	$33,500	49.25%
	Grand	$13,250	$27,917	47.46%
	Boulder	$15,193	$32,287	47.06%
Top 10 Most Affordable	Teller	$7,794	$39,006	19.98%
	Yuma	$6,495	$29,942	21.69%
	Crowley	$6,495	$29,583	21.96%
	Washington	$6,430	$24,500	26.25%
	Clear Creek	$11,119	$38,750	28.70%
	Broomfield	$15,734	$49,208	31.97%
	Bent	$7,794	$24,357	32.00%
	Morgan	$7,794	$24,129	32.30%
	Pitkin	$18,186	$55,938	32.51%
	Garfield	$12,297	$37,162	33.09%

NATIONAL AFFORDABILITY RANKINGS: TAKING A CLOSER LOOK

As part of this research, Qualistar Colorado conducted interviews with representatives from 12 states that contribute child care price data to Child Care Aware® of America for their annual report on affordability. In 2013 that report found Colorado to have the fifth least affordable center-based care for both infants and 4-year-old children. Findings from interviews indicate that there is much variation in the data collection and reporting methods across states, so Colorado's rank as the fifth least-affordable state for center-based care is likely a higher ranking than it should be. Seven of the 12 states Qualistar surveyed report that they do not ensure their price data are recent, but rather they report whatever price is in their data system at the time of the data request. Depending on their tenacity with updating provider rates on an ongoing basis, some of those prices can be two or more years old. This likely results in a reported average that is considerably lower than what is actually being charged by programs in those states at the time of the report's publication. In Colorado, only prices that have been collected from child care programs within the past 12 months are reported. There is also significant variation in states' definitions of "full-time care." Two of the 12 states define "full time" to mean that a child can attend the program for all hours that it is open, regardless of how many hours that actually is. As a result, prices from part-day preschools and other part-time programs can be included, which likely reduces their average prices. In contrast, Colorado's dataset only includes programs that provide care to an individual child for more than 25 hours per week, which excludes part-day preschool programs. Finally, some states do not have a way of filtering their datasets to exclude subsidized or no-cost programs such as Head Starts or publicly funded programs. In contrast, Colorado's dataset only includes those programs that charge a true market price to families. All of these elements of data collection have the potential to suppress other states' average prices relative to Colorado's prices, thus making child care appear even less affordable in Colorado than in other states.

Some of the reasons for the wide range of affordability across the state are clear. Factors include differences in hours of operation, age ranges served and type of organization. The effects of these factors are clearly visible in less populous areas of the state.

In some rural counties that appear to have relatively affordable care, there are very few child care centers and often centers there do not operate for as many hours as programs in other higher population areas. For example, in Ouray County there is only one child care center. Children can attend either part-time or full-time, but its "full-time" option is from 8:00 a.m. to 3:30 p.m. The same situation exists in Lincoln County, where the one child care center is open from 9:00 a.m. to 3:15 p.m. These centers likely have lower operating costs than centers that are open for 11 or 12 hours per day so are able to charge less. Because they are the only centers in those counties, the average price of child care in those counties is relatively low. Nevertheless, it is likely that many working families in those communities need care for longer hours than what is offered there.

Another factor in the variation of affordability, even affordability for preschool-age-care, is the high cost of providing infant care. In five of the 10 most-affordable counties for preschool-age care (Conejos, Elbert, Lincoln, Ouray and Rio Grande), there are no child care centers that serve infants, and in another county among the 10 most-affordable (Clear Creek), only one of the four centers serves infants. It appears that serving infants is tied to higher rates and lower affordability for care for all age groups. In fact, many programs that serve infants admit that in order to make their budgets balance they must use the revenue from their preschool programs to "subsidize" their infant programs. Interestingly, in California, only 18 percent of child care centers serve infants, which could be one reason that the state ranks as only the sixteenth least affordable state for preschool age care despite the high cost of living there.[66] Targeted supports for offsetting the cost of providing infant care could also improve affordability for families with older children.

Infant care is particularly expensive to provide. Many programs that serve infants admit that in order to make their budgets balance they must use the revenue from their preschool programs to "subsidize" their infant programs.

Other affordability factors are child care programs' organization structures, as well as the strength of their presence in the community. Some child care programs that operate in conjunction with larger organizations such as family resource centers and community education centers have access to sources of revenue other than tuition paid by parents. Nonprofit child care programs are eligible to pursue funding to augment their income from child care tuition, and can be particularly successful in doing so if they are a hub for family support and early childhood education in their community. For example, in San Juan County, which ranks as the most affordable county for preschool-age care, there is one child care center. As a nonprofit and as the primary place in the community where families come for services for young children, the center is able to attract funding from both public and private sources, which allows them to keep tuition relatively low.

Other reasons for the variation in affordability remain unknown. One factor in particular that warrants further investigation is the impact of unlicensed care. It is a well-known fact that many children spend time being cared for by family members, friends and neighbors that are not licensed. In communities where licensed care is scarce, particularly in relation to the population of young children in the area, the amount of unlicensed care likely is high. Though it is obvious that most unlicensed providers charge considerably less than licensed providers, the actual impact of unlicensed care on the price of licensed care is largely unknown.

STRATEGIES FOR IMPROVING AFFORDABILITY

In response to the financial challenges faced by both child care programs and families who use care, many efforts are underway in Colorado and across the country to improve child care affordability. While some innovative strategies are in the design phase, others are being implemented with at least some success. The Women's Foundation of Colorado, Qualistar Colorado and the Colorado Children's Campaign have identified the following strategies as worthy of pursuing within our state in an effort to help families access and afford the care they need.

Promising Strategy #1: Expand Access to the Colorado Child Care Assistance Program

The Colorado Child Care Assistance Program (CCCAP) is an essential program for addressing affordability of child care for low-income parents. CCCAP utilizes funds from the federal Child Care and Development Block Grant (CCDBG) as well as state and local investments to help low- to moderate-income families afford the high cost of child care.

Unlike K-12 or higher education systems, child care does not receive adequate assistance from state or federal funding sources. Approximately 60 percent of funding for child care in the United States comes directly from parents. In comparison, families only pay about 23 percent of the cost of a public college education, while the rest is heavily subsidized by state and federal funds.[67]

Colorado passed several pieces of legislation to improve the child care assistance program in 2014 that are currently being implemented. These changes are designed to make the program more family-friendly and target both the needs of young children and those of adults. One notable change is raising the statewide floor eligibility level from 130 percent of the federal poverty level ($31,005 for a family of four) to 165 percent ($39,353 for a family of four). Yet, in most communities across the country, a family needs an income equal to at least 200 percent of poverty to meet its basic needs, including housing, food, child care, transportation, health care, and other necessities.[68] Many counties set their eligibility level higher than the 165 percent floor in Colorado, but ensuring there is adequate funding to meet this floor expectation and, ideally, support families who have higher incomes but are below self-sufficiency, is one of the best strategies for helping families afford child care.

Prior to 2014, overall funding at the state and federal level for the program had decreased in recent years as the recession forced counties to lower provider reimbursement rates and restrict eligibility to a smaller number of children. The decrease in funding has come at the same time that child care costs have increased, further affecting the affordability of child care.[69] As a result of underfunding, the number of children eligible for CCCAP far outweighs the program's capacity to serve them. On average, only about one in six families who is income-eligible currently receives the subsidy.[70]

Three Policy Changes to CCCAP that Policymakers Must Fund

As Colorado looks to help more families afford child care, there are three policy changes to CCCAP that policymakers must fund. The first involves income eligibility limits, which determine a family's ability to obtain child care assistance. House Bill 14-1317 both raised the statewide floor eligibility and included a number of provisions to mitigate the cliff effect, including 90 days of coverage when a family's income exceeds the eligibility threshold and a higher eligibility threshold for exiting the program than the level used to determine initial eligibility. Whether these changes are fully implemented, however, requires fully funding this policy.

The second necessary policy change involves copayments, which are the amount that families must contribute to pay for child care. Copayments are based on a sliding scale with families with higher incomes making larger copayments. If copayments are too high, families cannot afford care and may decide to not work or utilize substandard care. HB 14-1317 limited copayments for families living below the federal poverty level ($23,850 for a family of four) to no more than 1 percent of income and the State Board of Human Services reduced copays for most families living below 130 percent of federal poverty level in October of 2014. These changes, however, require adequate funding to ensure child care costs for our most impoverished families remain affordable in the future.

Finally, reimbursement rates (the rates at which child care programs are compensated for caring for children participating in CCCAP) strongly affect a provider's ability to sustain their business and provide quality care. Guidance in implementing federal regulations recommends that states set their rates at least at the 75th percentile of the market rate, however, they do not require it. Colorado did have rates above the recommended level in 2001, but as of 2014 the rates are below the 75th percentile in nearly all cases.[71] Ensuring adequate rates are paid to providers is essential to ensuring families subsidized with CCCAP have choices among the providers they wish to access. If rates are too low, providers refuse to accept children subsidized with CCCAP, thus further limiting access for working families. The federal law requires children who receive subsidies to have the same access to care as other children, but this does not appear to be the case in Denver's low-income areas.[72] Families with child care assistance are having difficulty finding providers.[73] Raising reimbursement rates would improve access to affordable child care and enable providers to sustain their business and invest in quality.

In sum, adequate funding for the Colorado Child Care Assistance Program to (1) ensure recent reforms are effectively implemented and (2) extend the subsidy to more families are essential first steps in supporting families who need help affording the high cost of care.

Promising Strategy #2: Invest in and Expand Other Statewide and Local Initiatives that Support Families' Child Care Needs

In addition to CCCAP, Colorado has several state and local initiatives designed to support the early care and learning of children under 5 years old. Investing in these programs helps extend access for vital support that families need to access child care and preschool so that parents can work.

The Colorado Preschool Program Should be Expanded

Eligible children can receive funding to attend a high-quality preschool through the Colorado Preschool Program (CPP). This state-funded program is administered by local school districts and operates in 172 of the 178 school districts in Colorado.[74] In the 2013-14 school year close to 22,000 children received assistance to attend preschool.[75] Children are eligible for this program based on risk factors that have been shown to jeopardize their school readiness, such as growing up in economically disadvantaged families, parental drug or alcohol abuse, homelessness, having a parent under age 18, frequent relocations and needing language development.[76]

However, funding for CPP is inadequate for both the children who benefit from the program and in meeting the broader needs of those who are eligible but are unable to enroll. Average funding per slot is $3,335 whereas the average price for preschool is $9,619.[77] CPP only provides part-time preschool in the form of about ten hours per week, usually for four days per week, and only during the school year. Families who need full time preschool have out of pocket expenses to increase the amount of time their children are in a preschool setting. The Colorado Department of Education reports that almost 17,000 at-risk 4-year-olds had no preschool available to them through at all for the 2013-2014 school year, an increase over the 2012-13 school year.[78] Despite the limited access, CPP has shown its value based on outcomes for children. Children who participate in CPP have shown improvement in all six areas of assessment.[79] They continue to outperform their at-risk peers across subject areas including math, reading, writing, and science as far as 8th grade (the most recent year of longitudinal data available).[80] Increased funding to both expand the number of slots available and improve the spending per slot would benefit thousands of children and families by enabling them to afford quality child care.

Successful Local Preschool and Child Care Initiatives can be Replicated and Expanded

The largest local preschool program in Colorado is the Denver Preschool Program (DPP), which provides tuition support to families in Denver County for any 4-year-old child, regardless of income, to attend preschool. This program is funded by a small sales tax that equates to 15 cents on every $100 purchase and was first authorized

in a ballot measure in 2006 and reauthorized in 2014. Families receive tuition support based on their income, with lower-income families receiving more support and families choosing higher quality preschools receiving more support. The early results of DPP are very promising, indicating that the first two graduating classes of the preschool program outperformed students who did not participate on third-grade state assessments.[81] The average scholarship for full-day preschool is $332 per month, well below the average cost of preschool for a 4-year-old in Denver which is $956 per month.[82] Even with this valuable tuition scholarship, parents and providers must often struggle to make up the difference so that children can attend full-time when parents need to work full-time. Expanding these investments and examining ways to bring models like DPP to statewide scale would make this national model of funding early learning available to many more Colorado families.

Other communities including Boulder and Summit Counties and the City of Aspen have initiatives to support early childhood education. Boulder County's Safety Net program includes dedicated investments in helping families afford the high cost of child care. This program is truly a 'two-generation' strategy for supporting families that supports both children's and adults' needs. The Safety Net is funded by a small mill levy on property taxes that costs less than $2 per month for a home valued at $300,000. As a result of the dedicated local funding stream, Boulder County has been able to offset the cuts to the CCCAP program the state experienced during the recent recession. By supplementing CCCAP with more than $1 million in locally raised funds, Boulder has been able to serve more families and have a higher income eligibility threshold than the state floor for many years.

Summit County's Right Start initiative is another local ballot measure originally passed in 2005 that supports a diversity of investments in early childhood and family support, including child care assistance. This property tax revenue allows Summit County to extend child care assistance to more families than what their state CCCAP allocation would otherwise allow. The City of Aspen funds quality child care and affordable housing through a 0.45 percent sales tax. The tax revenue is used to support quality improvements and capital improvements for licensed child care programs and financial aid to working families.

These local initiatives can be used as models by other Colorado communities that recognize that investing in young children and working families provides families with a path toward self-sufficiency. Supporting, incentivizing and replicating these local efforts is a promising approach to helping more families.

Two State Tax Credits Support Child Care Affordability

Colorado has two tax credits available that are targeted at making child care affordable. First, taxpayers may

claim a credit of 50 percent of a donation to promote child care in Colorado as part of the Child Care Contribution Tax Credit.[83] This credit can improve affordability by reducing the operating costs that are usually passed on to families. Donations may include giving for the creation or operation of a licensed child care facility, for assistance to families who need help affording child care or for training programs for child care staff. The credit can be up to $100,000, but is not refundable. This credit will expire in 2019. Coloradans' tax bills were reduced by $2,443,000 in 2012 with this credit, but participation was significantly below the highest level of participation in 2010.[84] Reenergizing participation in this tax credit and ensuring its future can provide a significant benefit to child care providers across the state in covering their expenses.

Second, Colorado provides support to families via a tax credit for child care costs. This credit can be claimed on both federal and state tax returns. The federal Child and Dependent Care Credit allows families to receive a credit up to $2,100.[85] The credit is available for expenses based on a sliding scale. Expenses claimed are limited to $3,000 for one child and $6,000 for two or more children.[86] Families with income below $15,000 can claim 35 percent of expenses for the credit.[87] Families with income above $43,000 can claim 20 percent of expenses.[88] This sliding scale provides more help to lower-income families.[89] However, because the sliding scale thresholds are not indexed to inflation families receive less and less help each year.[90] This federal credit is not refundable, meaning that families can only use the credit to reduce their tax bill and any amount of the credit above taxes owed will not be received. The Colorado credit, on the other hand, is refundable and is calculated as a percent of the federal credit. These tax benefits totaled $3,423,000 in 2012 for families.[91] Expanding this credit and ensuring family participation are essential supports for child care affordability.

Promising Strategy #3: Expand Federal Investments in Child Care Affordability

Despite the increasing cost of child care, total federal funding for child care assistance has declined over the past decade. The federal Child Care and Development Block Grant (CCDBG), the primary source of funding for CCCAP, received $6.140 billion in fiscal year 2002 compared to $5.195 billion in fiscal year 2012, almost a billion dollar decrease once adjusted for inflation.[92] States' use of funding from the Temporary Assistance for Needy Families (TANF) block grant for child care assistance was $5.361 billion in fiscal year 2000 compared to $2.975 billion in fiscal year 2011, a decrease of more than $2 billion once adjusted for inflation.[93] These cuts are scheduled to be reversed in 2014, but there is much more to be done at the federal level to ensure that funding for CCCAP better meets the large unmet need in our state. In addition, the 2014 federal budget includes grants to states to expand access to preschool. Investing in these programs in a sustainable fashion will continue to aid families in securing access to early learning.

Promising Strategy #4: Provide Incentives for Businesses to Adopt Family-Friendly Practices that Help Employees Address Child Care Needs

Family-friendly policies are business arrangements that allow workers to maintain a work-family balance. Creating an on-site child care facility for workers' children can alleviate many parents' struggles provided it is of high-quality and affordable. However, in order for on-site care to be affordable, businesses must invest in quality and tuition support. Employers can also support families by subsidizing employees' child care costs through cafeteria plans and contributions to child care providers (which are tax deductible under the Child Care Contribution Tax Credit discussed on page 25).

Some employer policies can help families reduce their need for child care, thereby reducing the burden of the high cost of child care for their employees. Examples include job sharing, part-time work options, allowing work away from the job site, and providing flex-time options (allowing workers to put in their hours when they choose to). Policies such as these provide flexibility for families, allowing them to piece together their work schedules and maximize their ability to be at home with their children. Reduced demand for child care may improve both affordability and availability.

Executives Partnering to Invest in Children (EPIC) have developed a Tool Kit (see EPIC Employer's Tool Kit, www.epicemployertoolkit.org) to help educate businesses on how they can develop internal policies to support their employees' child care needs. Publicizing this tool and incentivizing employers, through tax credits and education and outreach, to invest in these strategies can further support the affordability of child care.

Promising Strategy #5: Explore Innovative Practices to Improve Efficiency and Help Families Afford Child Care Costs

The challenges providers face in "blending and braiding" funds is a significant contributor to their overhead costs. One innovative approach being explored in the state of Washington is to use an intermediary to blend and braid public funds. For example, a child who needs full-day care may be supported with CCCAP, Colorado Preschool Program, local initiative dollars, federal funds, and parent tuition. Asking child care programs to mix these different funds, track the usage of the funds, and complete the paperwork and reporting to the various funding entities adds significant administrative inefficiencies that get passed on to families in the form of higher costs. By having these funds blended and braided at a state or local agency level, child care programs can deliver the same full-day, quality services at a lower administrative cost. This strategy has the potential to attract new philanthropic and public-private investments because it provides opportunities to realize new cost savings. Helping potential child care providers overcome the initial costs of going into the child care business can also help improve the accessibility issue families face in many communities in Colorado. Small business loans with favorable repayment terms, possibly subsidized with state dollars, and targeted public investments in child care facilities can create the incentives necessary for more providers to offer quality care in communities that lack access and can reduce the costs that are passed on to families.

Promising Strategy #6: Provide Families with Accessible Information on Child Care Options and Sources of Assistance

Ensuring that families have access to actionable information on how to seek out affordable child care and support for affording care is another essential element of supporting families. Several resources are available to support families. These include:

- Qualistar Colorado manages Colorado's Child Care Resource and Referral (CCR&R) network. This network consists of local partners throughout the state who can support families in finding the care they need and the support the need to afford it. The toll-free telephone referral service (1.877.338.2273) is free to Colorado families, and a free online search is available at www.qualistar.org.
- 2-1-1 Colorado can provide information to families regarding a diversity of needs and public supports, including child care assistance. In most areas, families can simply dial 2-1-1 on their phones to get connected.
- Colorado's Program Eligibility and Application Toolkit (PEAK, https://coloradopeak.secure.force.com) is a one-stop, universal initial application for a diversity of programs. Colorado is in the process of integrating child care assistance information into the PEAK application so that families can turn to a single source when looking for support for a variety of needs, including child care.

CONCLUSION AND NEXT STEPS

This report concludes a year of investigation into the issues of child care prices and affordability in Colorado. Colorado is among many states grappling with the issues of child care access and affordability. It is clear that, because the price of child care is not unnecessarily high and because many families cannot afford the price that is charged, the solution to the affordability problem is not as simple as charging less or paying more. Moreover, affordability cannot be vastly improved by the implementation of any single strategy. Rather, multiple efforts must be employed, promising strategies must be brought to scale, and innovative ideas must be piloted. Taxpayers, legislators and other policymakers, employers, child care programs and families all have a role to play in improving child care affordability, and all have potential benefits to reap from improved affordability.

In 2015 The Women's Foundation of Colorado is making continued investments in the work of the Colorado Children's Campaign and Qualistar Colorado to further understand the high cost of child care in Colorado and ensure that Colorado families have more affordable access to high quality care. The Colorado Children's Campaign will continue the child care affordability research in the development of a series of policy strategies that increase access to affordable, quality child care, preschool, and full-day kindergarten for working women and their children; the creation of policy and advocacy tools that inform decision-makers in state agencies, the state legislature and local communities regarding strategies to best support working families' child care needs, including family-friendly business policies; and coalition-building that supports efforts to increase access to affordable, quality child care, preschool, and kindergarten. Qualistar Colorado will examine in depth one piece of the affordability puzzle: teacher wages. Qualistar will ensure there is comprehensive data on child care providers' wages and education levels and will provide recommendations for improving workers' well-being without diminishing access, quality, or affordability for families.

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APPENDIX

County	Median Income for a Married Couple	Median Income for a Single Mother Family	Average Annual Price of Infant Care in a Center	Average Annual Price of Preschool-age Care in a Center
Adams	$72,918.00	$28,683.00	$13,009	$10,231
Alamosa	$55,348.00	$18,068.00	$6,695	$6,076
Arapahoe	$91,248.00	$32,223.00	$12,824	$10,376
Archuleta	$59,025.00	$27,222.00	N/A	$7,404
Baca	$54,474.00	$20,625.00	N/A	$5,196
Bent	$51,500.00	$24,357.00	$7,794	$4,780
Boulder	$113,971.00	$32,287.00	$15,193	$13,210
Broomfield	$119,277.00	$49,208.00	$15,734	$12,790
Chaffee	$67,971.00	$25,278.00	N/A	$7,559
Cheyenne	$71,406.00	$25,208.00	N/A	N/A
Clear Creek	$106,473.00	$38,750.00	$11,119	$9,076
Conejos	$55,156.00	$17,782.00	N/A	$4,440
Costilla	$58,417.00	$14,271.00	$6,235	$6,235
Crowley	$48,906.00	$29,583.00	$6,495	$5,196
Custer	$61,000.00	$15,069.00	N/A	N/A
Delta	$70,893.00	$14,600.00	N/A	$6,646
Denver	$78,929.00	$23,607.00	$15,410	$11,477
Dolores	$58,846.00	-	$4,936	$5,456
Douglas	$125,477.00	$49,089.00	$16,311	$12,359
Eagle	$86,809.00	$29,300.00	$13,033	$11,105
El Paso	$80,688.00	$25,667.00	$11,434	$9,389
Elbert	$90,000.00	$31,696.00	N/A	$8,314
Fremont	$60,906.00	$12,401.00	$7,067	$5,716
Garfield	$76,577.00	$37,162.00	$12,297	$10,842
Gilpin	$99,063.00	$26,250.00	$13,769	$9,613
Grand	$71,047.00	$27,917.00	$13,250	$10,522
Gunnison	$77,028.00	$13,262.00	$12,539	$11,359
Hinsdale	$80,288.00	-	$10,392	$9,093
Huerfano	$41,000.00	$19,237.00	N/A	$6,495
Jackson	$67,778.00	$26,429.00	N/A	N/A
Jefferson	$103,404.00	$35,950.00	$14,125	$10,675
Kiowa	$61,250.00	$14,821.00	N/A	N/A
Kit Carson	$60,380.00	$16,125.00	$5,975	$5,975
La Plata	$73,570.00	$31,224.00	$10,350	$8,258
Lake	$51,771.00	$30,240.00	N/A	$8,047
Larimer	$89,763.00	$29,128.00	$14,683	$11,101
Las Animas	$68,871.00	$30,078.00	N/A	$7,989
Lincoln	$63,750.00	$36,688.00	N/A	$5,066
Logan	$59,650.00	$17,917.00	$7,015	$6,430

County	Median Income for a Married Couple	Median Income for a Single Mother Family	Average Annual Price of Infant Care in a Center	Average Annual Price of Preschool-age Care in a Center
Mesa	$74,194.00	$20,568.00	$8,648	$7,111
Mineral	$63,214.00	-	N/A	N/A
Moffat	$72,479.00	$23,750.00	N/A	N/A
Montezuma	$54,143.00	$18,609.00	$7,794	$6,851
Montrose	$53,814.00	$21,007.00	$7,729	$7,664
Morgan	$61,632.00	$24,129.00	$7,794	$6,495
Otero	$44,141.00	$15,536.00	$5,867	$5,391
Ouray	$70,515.00	$36,023.00	N/A	$4,313
Park	$91,667.00	$20,284.00	N/A	$9,888
Phillips	$71,149.00	$16,833.00	$7,145	$6,625
Pitkin	$116,771.00	$55,938.00	$18,186	$16,333
Prowers	$54,375.00	$17,821.00	$7,794	$5,820
Pueblo	$68,143.00	$20,589.00	$8,000	$6,873
Rio Blanco	$76,934.00	$33,333.00	N/A	$10,392
Rio Grande	$55,938.00	$19,279.00	N/A	$5,160
Routt	$87,635.00	$33,500.00	$16,497	$14,711
Saguache	$38,281.00	$17,031.00	$7,794	$5,677
San Juan	$75,556.00	-	$5,716	$4,157
San Miguel	$92,000.00	$25,694.00	$12,990	$11,431
Sedgwick	$58,542.00	$20,833.00	N/A	$7,015
Summit	$86,494.00	$33,717.00	$15,324	$12,588
Teller	$88,250.00	$39,006.00	$7,794	$6,982
Washington	$64,500.00	$24,500.00	$6,430	$6,430
Weld	$76,457.00	$22,635.00	$12,322	$10,178
Yuma	$59,057.00	$29,942.00	$6,495	$6,322

No median income was reported for single mother families in Dolores, Hinsdale, Mineral or San Juan counties.
N/A indicates there was no full-time licensed center-based care in these counties at the time of publication.

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