Evaluation of the Colorado Works Program

Fourth Annual Report

Part 2: Child Care Assistance to Colorado Works and Other Low Income Families

November 2002

Submitted to:

Office of the Colorado State Auditor

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This is the second of two reports completed during the fourth year of Berkeley Policy Associates' ongoing evaluation of the Colorado Works program. This report focuses on child care assistance to families participating in the Colorado Works program and other low-income families. The report addresses a number of issues concerning Colorado Child Care Assistance Program funding and service delivery, and presents our findings, recommendations, and the responses of the Department of Human Services.

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Ellen Liebman provided programming support and Steven Bliss edited the report.
Jennifer Kuiper coordinated the field study and provided background research. Sarah Cowan served as research assistant and Pat Spikes Calvin and Sabrina Williams produced the report.

Contents

Executive Summary

Since the implementation of the Colorado Works program, demand for subsidized child care has steadily increased. Child care assistance is a critical support for low-income families trying to establish and maintain self-sufficiency. In Colorado, the Child Care Assistance Program (CCCAP) provides child care assistance to families participating in Colorado Works through Colorado Works Child Care (CWCC) and serves low-income families at or below 225 percent of the federal poverty level (FPL) through Low-Income Child Care (LICC). The CWCC and LICC programs provided assistance to 22,595 families and 218,376 children in SFY 2002. This report examines policy issues related to CCCAP funding and service delivery. Among the significant findings resulting from our analyses of CCCAP are:

- **CCCAP funding is expected to decline significantly in the coming year.** We estimate that funding available to counties for CCCAP in SFY 2003 will decrease by $12.3 million, or 13 percent, compared with SFY 2002 expenditures. TANF funds, a major source of funding for CCCAP, are declining due to increases in Colorado Works cash assistance caseloads and reductions in county TANF reserve fund levels.

- **Counties have begun to implement a number of strategies to address CCCAP funding cutbacks.** These include: lowering income eligibility and freezing enrollment for LICC; eliminating participation in training as an eligible activity for child care assistance; and reducing the number of allowable absences from care paid for by CCCAP.

- **Only one-quarter of all employed Colorado Works leavers transition to subsidized child care after exiting.** National research suggests that families transitioning from TANF to employment are more likely to remain employed and avoid returning to TANF if they have access to subsidized child care. Steps to make the transition from Colorado Works to LICC automatic would make child care assistance more accessible for transitioning families. Improving the transition process to LICC, however, will likely lead to an increase in the LICC caseload, making it more imperative that policy issues regarding limited funding be addressed.

Chapter 1 of this report provides an overview of CCCAP program rules and expenditures. Policy issues related to current CCCAP funding and service cutbacks are addressed in Chapter 2. Finally, Chapter 3 examines the transition to LICC assistance by exiting Colorado Works recipients. A summary of our recommendations related to report findings is included in the Recommendation Locator on the following page.

Recommendation Locator

Agency Addressed: Department of Human Services

Rec. No.	Page No.	Recommendation	Agency Response	Implementation Date
1	27	Ensure counties provide child care assistance consistent with legislative intent and departmental policy by addressing prioritization afforded to transitioning Colorado Works recipients, families with income below 130 percent of the federal poverty level, participants in education and training programs, and other eligible low-income families. This should be achieved by: a. promulgating rules that clarify which participant groups should receive priority for child care assistance; and b. proposing statutory changes as needed.	Agree	September 2003
2	41	Consider adjusting the parental fee schedule for child care assistance to require all families with more than one child in care to pay an additional fee that would range from $5 to $40, depending on family income.	Agree	July 2003
3	52	Ensure that counties do not require an LICC application from transitioning Colorado Works recipients by clarifying eligibility rules for LICC (CCR 3.904.1, A3). This rule should be amended to state that counties shall not require applications for transitioning Colorado Works recipients.	Agree	July 2003
4	54	Streamline the transition from Colorado Works to LICC by changing current rules regarding CCCAP and Colorado Works immunization record requirements. The rule change should reduce transitioning parents' administrative responsibilities, while complying with federal immunization regulations. This should be achieved by: a. allowing school enrollment to serve as sufficient proof of current immunization for school-age children receiving LICC assistance; b. requiring counties to collect immunization records for all children under school age at entry to Colorado Works; and c. requiring that immunization records are current, as defined by Department of Public Health and Environment guidelines, and eliminating the requirement that records be current within 60 days for those transitioning to LICC from Colorado Works.	Agree	September 2003

Chapter 1: Overview of Colorado Child Care Assistance Program Rules and Expenditures

Introduction

Federal welfare reform legislation enacted in 1996 consolidated several child care funding streams into a single child care block grant, the Child Care and Development Fund (CCDF), and increased federal funding available for child care assistance to low-income families. In Colorado, this federal block grant is combined with state and county funds to support child care subsidies through the Colorado Child Care Assistance Program (CCCAP).

CCCAP provides child care assistance to families receiving cash assistance through Colorado Works, the State's Temporary Assistance for Needy Families (TANF) program; to families transitioning off of Colorado Works; and to eligible low-income families not on Colorado Works. Under CCCAP, Low-Income Child Care (LICC) serves low-income families at or below 225 percent of the federal poverty level (FPL). Colorado Works Child Care (CWCC) serves families receiving assistance through the State's TANF program. Each county in Colorado determines its own income eligibility criteria for LICC, and 51 of the 64 counties have set maximum income eligibility at no higher than 185 percent of FPL.

The federal CCDF block grant requires state child care assistance programs to promote parental choice in child care in two ways. First, families are given the *flexibility* to select their own child care provider. Second, low-income families gain *equal access* to the child care market, comparable to that of families with higher incomes. Equal access is accomplished through subsidies that cover the difference between a parental fee paid by the family and the cost of care.[1]

In State Fiscal Year (SFY) 2002, state and county expenditures for CCCAP and related child care programs totaled $114.6 million. Counties spent a total of $97.2 million on their CCCAP programs, which included $74.9 million in direct payments to providers for Low-Income Child Care and $18.2 million in provider payments for Colorado Works

[1] Child Care and Development Block Grant Act of 1990, Section 602 (b)(2).

Child Care. County-level expenditures for program line staff and administration totaled $4.1 million. State-level expenditures for child care quality programs, child care licensing, resource and referral agencies, the Consolidated Child Care Pilot, and administration totaled $17.4 million.

During SFY 2002, 22,595 families and 218,376 children received LICC subsidies, and 6,579 families and 48,743 children received CWCC subsidies.

Key Findings

- The average monthly CWCC caseload increased by 22 percent between SFY 2001 and SFY 2002, while the average monthly LICC caseload decreased by 3 percent. The increase in the CWCC caseload parallels a 16 percent increase in the average monthly Colorado Works caseload during the same period.

- During SFY 2002, approximately 24 percent of all Colorado Works cases received CWCC assistance in a given month. Among only Colorado Works cases eligible for CWCC, the utilization rate was about 30 percent.

- Child care provided in licensed centers is the most common type of child care utilized by CWCC and LICC recipients. In both these programs, approximately 50 percent of participating children receive care in licensed centers.

- License-exempt providers are more widely used among CCCAP recipients than are licensed home providers. In CWCC, 26 percent of children used exempt care in SFY 2002, compared with 16 percent using licensed homes. In LICC, 22 percent of children used exempt care, compared with 20 percent in licensed homes.

- CCCAP-related expenditures in SFY 2002 totaled $114.6 million, of which 44 percent was federal CCDF block grant funds, 28 percent was state and county funds, and 28 percent was transfers from the federal TANF block grant. SFY 2002 expenditures increased by 27 percent over SFY 2001 expenditures of $90.3 million.

- County CCCAP expenditures in SFY 2002 totaled $97.2 million, of which $93.1 million, or 96 percent, was direct payments to child care providers, and $4.1 million was spent on program line staff salaries and administration.

Eligibility and Participation Requirements

Colorado Works recipients are eligible for CWCC if they meet several criteria. The recipient must be in an approved work activity, as identified in his or her Individual Responsibility Contract (IRC).[2] Approved activities include all federally defined work activities (e.g., vocational training, job search/job readiness, and employment) as well as county-defined work activities. In addition, recipients must have children who are U.S. citizens and are under age 13 to qualify for the CWCC subsidy. Children with special needs are eligible for child care assistance up to age 19.

As with Colorado Works Child Care, parents receiving Low-Income Child Care must be employed and have children under age 13 (or under age 19, if special needs children). Many counties also allow recipients participating in education or training programs to be eligible for LICC assistance.[3] Counties also determine the maximum income level at which families are eligible for participation in LICC. State regulations allow the eligibility income level to be set between 130 percent and 225 percent of FPL, but most counties set income eligibility caps at 185 percent of FPL or lower. As of November 2002, 13 counties had income eligibility levels above 185 percent of FPL; 39 counties had income levels of from 170 to 185 percent of FPL; and 12 counties had income levels below 170 percent of FPL.

All LICC recipients, even those participating in an education or training activity, must pay a parental fee. Employed CWCC recipients must pay a parental fee, based on family income, directly to their child care providers to help cover the cost of care. CWCC recipients participating in nonemployment work activities are exempt from paying the parental fee.

The parental fee structure is set by the State for all counties, and is the same for both CWCC and LICC recipients. The fee structure ranges from 6 percent of income (for those with income below 50 percent of FPL) to 13 percent of income at the top of the eligibility scale (225 percent of FPL). In addition, families with incomes above 125 percent of FPL pay a small additional amount based on family size. In cases of financial hardship,

[2] An IRC is a written agreement between the county and the Colorado Works recipient outlining the steps both the agency and the recipient will take to help the recipient obtain self-sufficiency.
[3] Currently 46 counties allow participants in education and training to be eligible for LICC. Most of these counties cap LICC eligibility for education or training participants at between 24 and 48 months.

counties may reduce a family's parental fee to the minimum fee amount (currently $6 per month). Counties set the criteria for defining a hardship case.

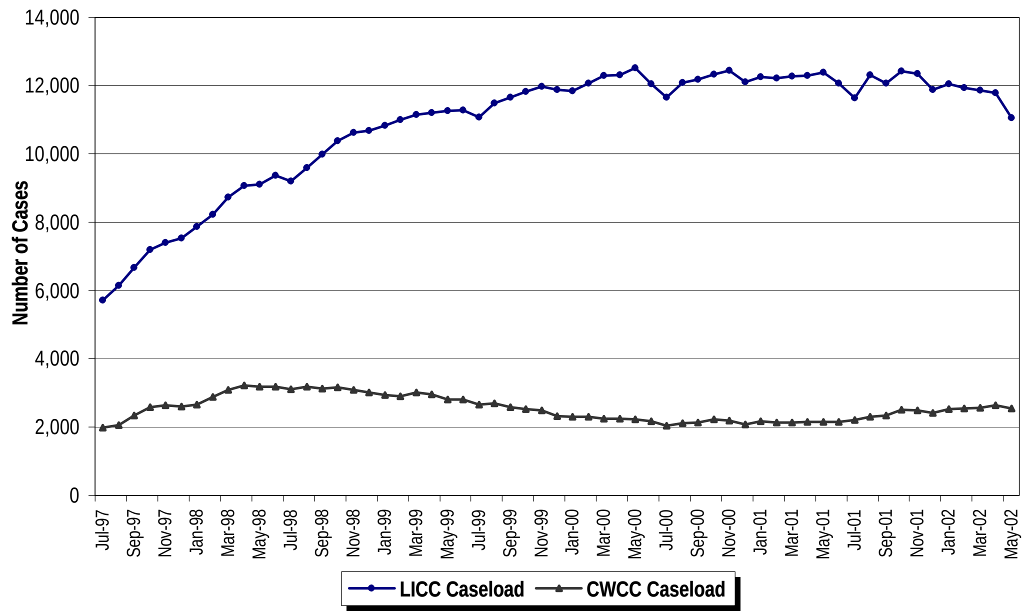
CWCC Cases Increased as a Proportion of the CCCAP Caseload during SFY 2002

A major shift in the CCCAP caseload occurred during SFY 2002, as the Colorado Works Child Care monthly caseload was 22 percent higher on average compared with the prior year. In contrast, the much larger Low-Income Child Care monthly caseload dropped by 3 percent.[4] This amounted to an increase of 465 cases per month, on average, for CWCC and a decrease of 380 cases per month for LICC between 2001 and 2002. Previously, the LICC caseload had been increasing steadily since the implementation of welfare reform in 1997, while the CWCC caseload had been declining. The increase in the CWCC caseload occurred as the monthly Colorado Works cash assistance caseload increased by an average of 16 percent over the same period. These trends are illustrated in Exhibit 1.1.

The decrease in the LICC caseload results in part from measures implemented by a number of counties to restrict LICC eligibility. Many counties have started to experience CCCAP funding shortfalls due to a reduction in available county TANF funds. Federal law allows TANF funds to be spent on child care assistance to low-income families. Funding issues are discussed in more detail in Chapter 2. Several counties also report that some LICC parents have lost jobs due to a slumping economy and hence have not needed child care assistance while unemployed.

[4] Average monthly caseloads for CWCC and LICC were compared over the five-month period of January to May for 2001 and 2002.

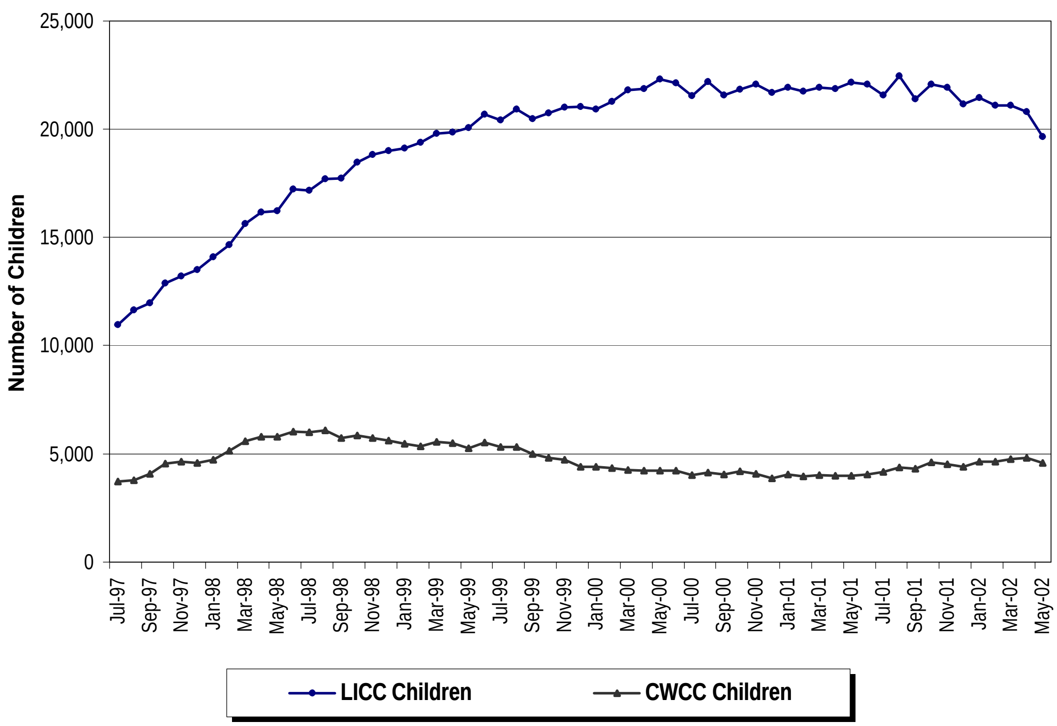
Exhibit 1.1
Colorado Works Child Care and Low-Income Child Care Caseloads
July 1997–May 2002



Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

Trends in the total number of children served by CWCC and LICC paralleled the changes in caseloads for the two programs. These trends are illustrated in Exhibit 1.2. On average, the number of children receiving assistance per month through CWCC increased 17 percent (by 687 children) in SFY 2002 over the previous year. Meanwhile, the average monthly number of children receiving assistance through LICC decreased by 5 percent (1,107 children).

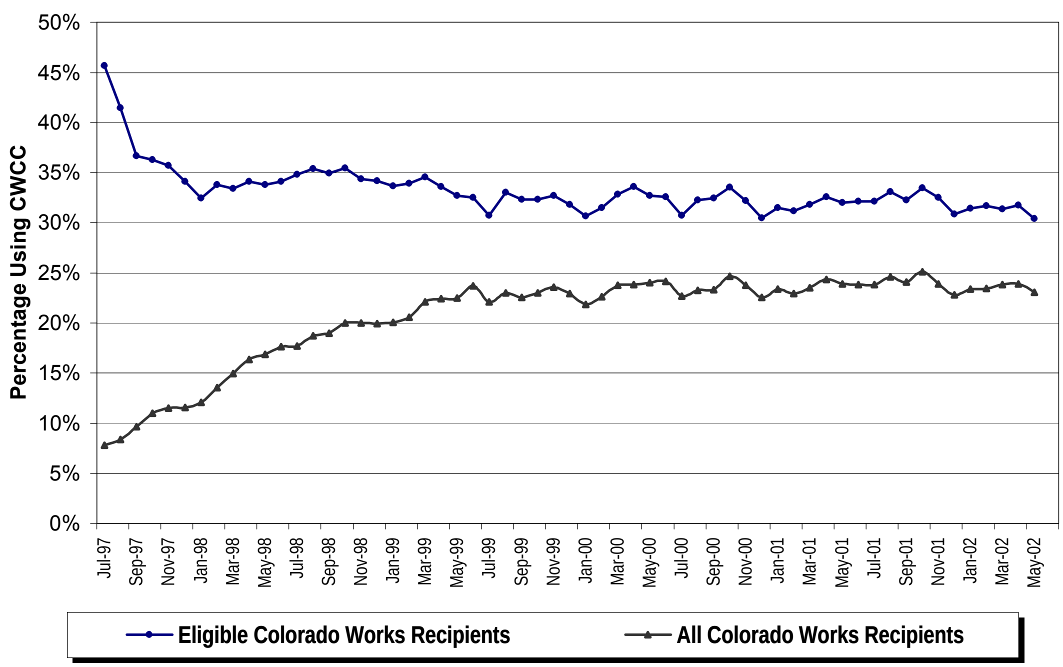
Exhibit 1.2
Number of Children Receiving Colorado Works Child Care and Low-Income Child Care
July 1997–May 2002



Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

The utilization rate of CWCC assistance by eligible Colorado Works families has not changed dramatically during the past year, as shown in Exhibit 1.3. During SFY 2002, on average, about 24 percent of all adult-headed Colorado Works cases received CWCC assistance in a given month. Among only those Colorado Works cases eligible for CWCC (that is, families with children under age 13 and with an adult who is employed or participating in another approved work activity), about 30 percent received CWCC assistance in a given month.

Exhibit 1.3
Colorado Works Child Care Usage Rates among Colorado Works Recipients
All Colorado Works Cases and CWCC-Eligible Cases, July 1997–May 2002



Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

Note: Colorado Works cases eligible for Colorado Works Child Care are defined as those cases that met three CCCAP criteria in any given month: (1) adult-headed cases with a child under age 13; (2) adults who were in an approved work activity; and (3) cases that received basic cash assistance.

Provider Utilization by CCCAP Families

Parents who want to use CWCC or LICC subsidies must find a child care provider willing to accept the subsidies. Eligible families can choose from a variety of child care options including licensed centers, licensed homes, or license-exempt providers (e.g., relatives or friends providing home-based care). Counties provide assistance to families needing help in finding a provider. For example, local resource and referral agencies can identify providers that match parental preferences with respect to location, type of provider, or other criteria such as staff qualifications or experience. According to program staff, eligibility for CWCC is monitored monthly to determine whether family income or circumstances have changed. Program rules stipulate that eligibility for LICC be monitored and approved once every six months by CCCAP case workers, although recipients must report income changes to CCCAP before the redetermination period. Use of the CWCC program is linked to participation in Colorado Works or a lifetime participation limit of 60 months. The LICC program has no time limit; a client who maintains eligibility can receive LICC assistance indefinitely.

Counties generally pay child care subsidies directly to the child care provider. The payment may be for full- or part-time care, depending on the recipient's need. All providers, licensed or exempt, must establish a fiscal agreement with the county that outlines the provider's child care responsibilities and establishes the reimbursement rates the county agrees to pay. Some counties also exercise their option to pay parents directly for exempt care rather than enter into a fiscal agreement with the license-exempt provider. The parent is then responsible for paying the exempt provider after receiving payment for child care from the county.

Counties determine the maximum reimbursement level for each type of care (licensed center, licensed home, exempt provider) and by age of child. Distinct rates are set for children under age two and age two and over because of higher costs associated with infant/toddler care. Counties rely on a State-sponsored child care market rate survey and their own assessments of prices in their local child care markets to set reimbursement rates. Actual reimbursement rates are discussed in more detail in Chapter 2.

More than One-Half of All CCCAP Participants Receive Center-Based Child Care

As previously noted, there are three types of child care providers that serve CCCAP families: licensed centers, licensed homes, and exempt providers. Child care centers are facilities licensed and regulated by the State.[5] Child care homes are smaller facilities operated out of a "place of residence" and are also licensed and regulated by the State.[6]

[5] Licensed centers include preschools and school-age facilities such as day camps.
[6] Licensed homes include regular day care (caring for 6 to 8 children), infant/toddler day care (4 children maximum), and large day care homes (12 children maximum).

Licensed facilities are required to comply with State-mandated standards regarding zoning, children/staff ratios, and health and safety, as defined by the Child Care Licensing Act.[7]

License-exempt child care is typically defined as care given by a nonlicensed child care provider for children in one family other than their own. Exempt providers are not subject to the licensing requirements for centers and licensed homes. County departments, at their discretion, may conduct background checks on exempt providers. In most of the 14 site visit counties, exempt providers must undergo a criminal background check through the Colorado Bureau of Investigation. Counties also have the option of screening exempt providers through the Central Registry maintained by the Colorado Department of Human Services (CDHS).[8] Exempt providers must register with the county and sign the State's Child Care Standards For Non-Licensed Providers form (SS-31), which requires providers to meet CCCAP standards and allows counties to terminate their fiscal agreements with exempt providers if those standards are not maintained.

Exhibit 1.4 shows the percentage of CWCC and LICC children in each type of care compared to national usage trends. Center child care is the type of care most widely utilized by CWCC and LICC recipients, accounting for over 50 percent of care used by children receiving assistance. Center care usage rates among CCCAP recipients are similar to national rates of center care usage among low-income families receiving child care assistance.

[7] Sections 26-6-101 to 26-6-115, C.R.S.
[8] Central Registry checks, conducted by CDHS staff, investigate whether a child care provider has been the subject of a child abuse or neglect investigation, regardless of whether or not formal charges were filed.

Exhibit 1.4
Use of Different Types of Providers in Colorado and Nationally
Children in Colorado Works Child Care and Low-Income Child Care, State Fiscal Year 2002

Type of Provider	Colorado Works Child Care	Low-Income Child Care	Nationally
Licensed Centers	58%	58%	55%
Licensed Homes	16	20	30
Exempt Care	26	22	11
Other	0	0	4
Total	100%	100%	100%

Sources: BPA tabulations from Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services. National data are from U.S. General Accounting Office, *Child Care: States Increased Spending on Low Income Families*, GAO-01-293, February 2001.

Note: Percentages are based on total months of care provided during SFY 2002 for children in full- and part-time care. Total months of care were 59,714 for CWCC and 277,203 for LICC.

In Colorado, exempt providers are more widely used than licensed homes. In this regard, usage patterns in Colorado depart from national patterns, in which families receiving child care assistance use licensed homes at more than twice the rate at which they use exempt providers. Several factors may contribute to the more frequent use of exempt providers in Colorado. Greater utilization of exempt providers in Colorado may be due in part to the relatively few regulatory requirements to which they are subject. Exempt providers in Colorado may be subject to one major regulatory requirement (a background check), while in some states exempt providers must meet as many as four requirements (e.g., home inspections or monitoring visits, health and safety training, and child development training).[9] A second factor may be a greater preference among Colorado families for home-based care by a relative or friend. This preference was suggested by responses to BPA's 1999 Colorado Works Participant Survey, in which 32 percent of respondents agreed or agreed strongly that placing a child in a child care center would be harmful to their child's development.[10] Finally, some families may turn to exempt

[9] Abt Associates Inc., *National Study of Child Care for Low Income Families, State and Community Substudy Interim Report*, November 2, 2000.
[10] Berkeley Policy Associates, *Evaluation of the Colorado Works Program: Second Annual Report*, November 2000, pp. 153–154.

providers either because they can't find center care or because the waiting time associated with a center is longer than with an exempt provider. Our data, however, do not allow us to identify which of these factors are most significant.

Usage of different types of child care providers in Colorado varies slightly by the age of the child, as shown in Exhibit 1.5. In particular, infants (0 to 12 months) utilize center care at lower rates than do either toddlers (13 to 24 months) or older children (25 months up to 13 years). However, for all three age groups of children, center care is the predominant type of care.

Exhibit 1.5
Use of Different Types of Providers by Age of Child
Children in Colorado Works Child Care and Low-Income Child Care, State Fiscal Year 2002

	0–12 Months Old		13–24 Months Old		25 Months or Older	
Type of Provider	CWCC	LICC	CWCC	LICC	CWCC	LICC
Licensed Centers	47.7%	48.6%	58.5%	56.4%	62.2%	60.4%
Licensed Homes	20.4	25.7	18.6	24.1	13.2	17.9
Exempt Care	31.8	25.7	22.9	19.5	24.6	21.7
Total Number of Child Care Months	15,569	50,316	8,230	34,789	35,918	191,926

Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

Note: Percentages are based on total months of care provided during SFY 2002 for children in full-time and part-time care.

Child Care Expenditures Increased by 27 Percent in SFY 2002

CCCAP draws on three sources of funding: (1) the federal CCDF block grant; (2) required state and county Maintenance-of-Effort (MOE) funds; and (3) state and county transfers of federal TANF block grant funds into CCDF. During SFY 2002, expenditures from these sources totaled $114.6 million, of which 44 percent was federal CCDF funds, 28 percent was state and county funds, and 28 percent was transfers from the federal TANF block grant. SFY 2002 expenditures represented a 27 percent increase over SFY 2001 expenditures of $90.3 million, as shown in Exhibit 1.6. This increase was due primarily to an increase in subsidy payments for child care assistance, as is discussed in greater detail below.

The largest of these funding sources, the federal CCDF block grant, is comprised of three funds: (1) the Mandatory Fund, which does not require a state match; (2) the Matching Fund, which must be matched dollar for dollar by the State; and (3) the Discretionary Fund, which also does not require a state match.[11] Colorado's match requirement is based on its Federal Medical Assistance Percent (FMAP) rate, which in Federal Fiscal Year (FFY) 2002 was 50 percent. On a Federal Fiscal Year basis, the State receives $10.2 million in Mandatory funds. Discretionary funds vary according to a yearly Congressional appropriation and have ranged from $20 million to $23 million annually. The federal contribution of Matching funds has ranged from $17 million to $19 million annually.

[11] Each of the three CCDF funds also have specific time frames within which funds must be obligated and expended. Mandatory funds are available to the State until they are expended. However, if the State spends Matching funds, it must obligate its Mandatory funds by the end of the Federal Fiscal Year in which they are awarded. Matching funds must be fully spent within two years. Discretionary funds must be obligated within two years and fully spent within three years.

Exhibit 1.6
Colorado Child Care Assistance Program and Related Expenditures, by Funding Source
State Fiscal Years 2001 and 2002

	SFY 2001		SFY 2002	
	Amount	Percent of Total	Amount	Percent of Total
Child Care and Development Fund:				
a) Mandatory Fund	$13,013,630	14.4%	$10,454,291	9.1%
b) Matching Fund	14,688,352	16.3	22,501,008	19.6
c) Discretionary Fund	15,282,315	16.9	17,227,902	15.0
State/County Maintenance-of-Effort Funds	7,998,311	8.9	10,050,410	8.8
State Matching Funds	14,580,619	16.1	22,501,008	19.6
TANF Block Grant Transfers	24,755,157	27.4	31,855,949	27.8
Total Expenditures	**$90,318,384**	**100%**	**$114,590,568**	**100%**

Source: Colorado Department of Human Services COFRS financial reports.

Required MOE spending for child care assistance in Colorado is equal to total state/county expenditures in FFY 1995 for child care assistance under Title IV-A of the Social Security Act. The State must spend state and county funds equal to the MOE level before the federal Matching Fund support can be accessed. Colorado's annual child care MOE requirement is $8.9 million, of which approximately 80 percent consists of county funds and the remainder is financed by the State's general fund.

Up to 30 percent of the annual federal TANF block grant can be transferred to the CCDF block grant and these transfers have represented a major source of funding for CCCAP. Exhibit 1.6 details actual expenditures of federal, state, and county CCCAP funds in SFY 2001 and SFY 2002. Counties transferred $24.8 million of TANF block grant funds into

CCCAP in SFY 2001. In SFY 2002, this amount increased to $31.9 million, or 28 percent of all local, state, and federal spending on child care.

Federal CCDF funds awarded but not spent in prior years accounted for variation in the amounts of federal Matching Fund expenditures during SFY 2001 and SFY 2002. In SFY 2002, CCCAP expenditures included about $23 million in federal Matching funds from FFY 2000 and FFY 2001 (the $7.5 million in FFY 2000 Matching funds were required to be spent by the end of FFY 2002, or within two years of being awarded). None of the $20 million in federal Matching funds awarded during FFY 2002 had been spent as of June 30, 2002. Because expenditure of federal Matching funds requires an equivalent expenditure of state general funds, the State will likely not be able to fully access these funds during SFY 2003 due to the revenue shortfall the State is experiencing.[12]

CCCAP Expenditures in SFYs 2001 and 2002 Went Almost Entirely toward Direct Services

Exhibit 1.7 reports CCCAP-related expenditures by category of spending. In both SFY 2001 and SFY 2002, 90 percent of CCCAP funds were spent on direct services to recipients. Direct services expenditures totaled $102.9 million in SFY 2002, an increase of 28 percent from SFY 2001. This category consists primarily of expenditures for assistance payments to providers made on behalf of CWCC and LICC recipients. In SFY 2002, provider payments totaled $93.1 million, an increase of $8 million from SFY 2001. Expenses for county line staff and frontline supervision, and staff costs associated with provider licensing are also included in the direct services category. Federal regulations stipulate that at least 70 percent of federal Mandatory and Matching funds received by the states must be spent in this category.

Federal CCDF regulations also stipulate that no less than 4 percent of CCDF funds be spent on child care quality services. [13]Child care quality services funded through CCCAP include the Colorado Resource and Referral Agency (CORRA), training and professional development activities for providers, parental education about child care, and startup costs for child care facilities. Expenditures for quality improvement activities for licensed

[12] The Joint Budget Committee denied a supplemental funding request for CCCAP by the Colorado Department of Human Services for SFY 2002 because an expenditure of additional federal CCDF funds would have required a state match of $7.4 million.
[13] This requirement applies to the aggregate amount of Discretionary, Mandatory, and both the federal and state share of Matching funds.

Exhibit 1.7
Colorado Child Care Assistance Program and Related Expenditures, by Category
State Fiscal Years 2001 and 2002

	SFY 2001		SFY 2002	
	Amount	Percent of Total	Amount	Percent of Total
Direct Services	$80,722,460	89.4%	$102,926,553	89.8%
Quality Services	7,032,293	7.8	7,257,936	6.3
Administration	1,536,267	1.7	2,880,038	2.5
Nondirect Services	209,178	0.2	154,073	0.2
Earmarked Funds (School-Age Care; Resource and Referral)	818,186	0.9	1,371,968	1.2
Total Expenditures	**$90,318,384**	**100%**	**$114,590,568**	**100%**

Source: Colorado Department of Human Services COFRS financial reports.

providers initiated through the Community Consolidated Child Care Pilot (CCCP) program are also included in this category.

In SFY 2002 expenditures on quality activities amounted to $7.3 million, or 6 percent of total CCCAP expenditures. Quality-related expenditures comprised 10 percent of the state and federal CCDF funds subject to the 4 percent spending requirement. Expenditures by counties on county-initiated child care quality programs declined significantly in SFY 2002 due to funding constraints. Such expenditures totaled $286,012 in SFY 2002, compared to $2 million in SFY 2001. Exhibit 1.8 summarizes information on the major quality initiatives funded through CCCAP in SFY 2002.

Child care administrative costs are limited to 5 percent of the total of CCDF Mandatory, Discretionary, and Matching Fund expenditures. In SFY 2002, overall expenditures in this category totaled $2.9 million, or 2.5 percent of all CCCAP-related expenditures. These costs totaled 3.8 percent of CCDF funds subject to the 5 percent spending cap.

Exhibit 1.8
Major CCCAP Child Care Quality Initiatives
State Fiscal Year 2002

Colorado Community Consolidated Child Care Pilot Program	$1,500,000
Colorado Resource and Referral Agency	1,478,145
Department of Human Services, Child Care Quality Expansion Grants to Counties	1,242,479
Department of Education, Infant/Toddler Training Programs	848,681
Department of Public Health and Environment, Family Centers	300,000
CU Denver Center for Human Investment Policy, Early Childhood Professional Development Program	226,404
Department of Human Services, Infant/Toddler Community Grants	182,964
County Initiated Quality Programs	286,012
Other Programs	1,193,251
Total Expenditures	**$7,257,936**

Source: Colorado Department of Human Services CFMS reports.

Two minor categories of CCCAP-related expenditures are spending on nondirect services and CCDF Discretionary Fund earmarks. Nondirect services include costs for data systems and eligibility determination. Expenditures for such services totaled $154,073 in SFY 2002, as shown in Exhibit 1.7. For 2002, Congress appropriated a share of the CCDF Discretionary Fund for activities related to child care resource and referral and school-aged child care activities. In Colorado, this earmark totaled $1,371,968.

Chapter 2: Funding and Service Cutbacks

Introduction

The prospect of significantly reduced funding for the Colorado Child Care Assistance Program (CCCAP) in the coming year has led many counties to implement or consider changes to their child care assistance programs. During the past year, the Temporary Assistance for Needy Families (TANF) reserve funds of many counties have declined significantly. Federal regulations allow use of TANF funds for child care assistance, and during the past two years this funding source has provided 30 percent of the total funds available for county child care assistance programs. In State Fiscal Year (SFY) 2003, the amount of TANF funds available to counties is likely to be reduced by half or more. The State's ongoing revenue shortfall has also caused CCCAP allocations to counties for SFY 2003 to be reduced below the appropriation authorized by the General Assembly. Counties are responding to these funding cutbacks by considering a number of strategies to limit CCCAP expenditures, including freezing enrollment, lowering income eligibility limits, reducing provider reimbursement rates, discontinuing benefits to parents enrolled in education and training programs, and reducing expenditures on child care quality initiatives.

Since the implementation of the Colorado Works program, demand for child care assistance by low-income families has grown in tandem with available funding. Many Colorado Works families transitioning from welfare to work have reported that difficulty finding child care is a significant barrier to getting or keeping a job, and view child care assistance as a key supportive service. Accordingly, many counties have not been hesitant to use surplus TANF funds to support the expansion of child care assistance. Now, however, these counties face a dramatic reduction in the size of their unspent TANF funds.

Our estimates suggest that statewide, funding available for CCCAP in SFY 2003 will be at least 13 percent lower than for SFY 2002, and possibly reduced by 20 percent or more if SFY 2003 Colorado Works expenditures increase due to higher caseloads. Consequently, state and county policymakers face a number of decisions regarding which families should be given priority for child care assistance and whether any current expenditures of the federal Child Care and Development Fund (CCDF) block grant can be trimmed as an alternative to cutting back on direct benefits to families. In this chapter, we estimate the magnitude of the likely funding shortfalls facing CCCAP in SFY 2003. We then review some of the choices policymakers confront in response to this shortfall in the areas of program policy and spending priorities. We assess the feasibility of potential cost-saving measures, including freezing provider reimbursement rates and altering the parental fee structure. We also consider the impact of possible program changes on low-income families.

Key Findings

- Counties used their TANF reserve funds and surpluses from their SFY 2002 Colorado Works allocation to cover deficits in their CCCAP programs. TANF funds accounted for 32 percent of total county CCCAP expenditures of $97.2 million in SFY 2002.

- Counties will find it difficult to rely on TANF funds to cover CCCAP funding shortfalls in SFY 2003 due to increases in their Colorado Works cash assistance caseloads and reductions in their county TANF reserve fund levels. We estimate that funding available to counties for CCCAP will decrease by $12.3 million, or 13 percent, from prior year spending.

- Counties are implementing a number of strategies to respond to funding shortfalls, including: lowering income eligibility limits for child care assistance; freezing enrollment in Low-Income Child Care; eliminating participation in training activities as an eligible activity for child care assistance; reducing the number of allowable absences from care that will be paid for by CCCAP; lowering or freezing provider reimbursement rates; and decreasing funding of child care quality initiatives.

- If all Colorado counties were to drop eligibility to a maximum of 150 percent of federal poverty level, about 18 percent of the families on Low-Income Child Care (about 1,900 families) would become ineligible for subsidized care and face the full market-rate cost of care. If all counties reduced eligibility to no more than 130 percent of FPL, 33 percent of families currently enrolled in the program (3,500 families) would lose eligibility.

- There is limited opportunity for increasing parental fees—in particular, for parents with more than one child in care—as a means of raising additional revenues for CCCAP. However, there is no viable way of changing the overall fee structure as a means of ameliorating the "cliff effect" facing families that become ineligible for assistance due to increased earnings.

Funds Available for County CCCAP Programs Are Estimated to Decrease by at Least 13 Percent in SFY 2003

In SFY 2002, counties transferred $31.9 million of TANF funds into the CCCAP program. They used $30.6 million of these funds to cover their SFY 2002 CCCAP expenditures, which totaled $97.2 million.[1] TANF funds comprised 32 percent of county CCCAP expenditures in SFY 2002. Exhibit 2.1 shows these transfers in total dollars and as a percentage of total CCCAP expenditures for 14 site visit counties and for the state as a whole.

[1] The remaining $1.2 million of transferred TANF funds were allocated by counties to CCCAP reserve funds.

Exhibit 2.1
County Expenditures of TANF Funds for Colorado Child Care Assistance Program
14 Site Visit Counties, State Fiscal Year 2002

County	TANF Transfers to CCCAP for SFY 2002 Expenditures	TANF Transfers as Percent of CCCAP Expenditures
Adams	$1,915,953	29.9%
Arapahoe	3,775,816	44.2
Boulder	1,327,194	34.0
Denver	11,897,315	43.2
El Paso	4,235,880	34.0
Fremont	46,333	6.1
Jefferson	1,586,555	24.0
Larimer	2,939,388	47.8
Las Animas	0	0.0
Mesa	880,737	23.8
Otero	0	0.0
Pueblo	583,719	11.2
Rio Grande	41,310	7.8
Weld	0	0.0
State Total	**$30,636,559**	**31.5%**

Source: Colorado Department of Human Services CFMS reports.

Counties have drawn on their county TANF reserve funds and their surplus SFY 2002 Colorado Works allocations to cover shortfalls in their annual CCCAP allocation. For SFY 2002, counties used $18.8 million of their TANF reserve funds and $11.8 million of their Colorado Works allocation to cover deficits in their CCCAP program. Among the 14 site visit counties, several counties used no TANF transfers to fund CCCAP in SFY 2002. But in most of the largest counties, such transfers accounted for 24 to 48 percent of CCCAP expenditures.

In SFY 2003, most counties will be unable to draw on funds from the TANF reserves to the same extent, as there has been a large drop in the level of most counties' reserve funds. Between June 2001 and June 2002, the level of TANF reserve funds in all counties statewide decreased by 76 percent. In several large counties, including Denver, Jefferson, and Larimer, the level of reserves dropped to zero. Exhibit 2.2 illustrates the decline in reserve funds in the 14 site visit counties. (Changes in reserve fund balances for all counties are presented in Appendix A, Exhibit A.1.)

Two factors have contributed to the decline in county TANF reserve funds. First, in March 2002, Joint Budget Committee staff determined that the method the Colorado Department of Human Services (CDHS) was using to calculate the amount of unspent TANF block grant funds accruing to county reserve funds was inconsistent with state statute. This resulted in a downward adjustment of counties' reserve funds by a total of

Exhibit 2.2
Changes in County TANF Reserve Fund Balances
14 Site Visit Counties, State Fiscal Years 2001 and 2002

County	County Reserve Balances on June 30, 2001	Adjusted County Reserve Balances SFY 2001	County Reserve Balances on June 30, 2002	Percent Change (June 2001–June 2002)
Adams	$10,589,481	$7,073,730	$4,197,493	-60.4%
Arapahoe	665,659	665,659	307,114	-53.9
Boulder	1,372,098	1,315,864	1,276,085	-7.0
Denver	7,028,527	7,028,527	0	-100
El Paso	8,859,386	6,442,886	535,753	-94.0
Fremont	1,450,561	896,803	608,453	-58.1
Jefferson	979,041	979,041	0	-100
Larimer	487,679	487,680	0	-100
Las Animas	1,558,734	889,033	323,927	-79.2
Mesa	1,251,640	1,169,190	546,140	-56.4
Otero	1,425,452	821,132	302,363	-78.8
Pueblo	11,454,775	6,325,995	1,686,968	-85.3
Rio Grande	61,422	61,422	146,434	138.4
Weld	6,827,664	3,791,829	1,032,062	-84.9
State Total	**$61,974,011**	**$43,562,821**	**$14,666,218**	**-76.3%**

Source: Colorado Department of Human Services CFMS reports.

$18.4 million (to $43.6 million), as shown in the second column of Exhibit 2.2. In addition, nearly all counties have experienced an increase in Colorado Works cash assistance cases during SFY 2002, resulting in a smaller proportion of their annual TANF block grant remaining unspent, as compared with prior years. Overall, at the end of SFY 2002, counties had $17.6 million of their Colorado Works allocation remaining, compared to nearly $39 million in SFY 2001.

To estimate the likely shortfall in funding that county CCCAP programs will face in SFY 2003, we considered the level of county TANF reserve balances at the end of SFY 2002, the initial SFY 2003 CCCAP allocation to the counties, made in July 2002, and an estimate of funds that will remain at the end of SFY 2003 from the counties' current year TANF/Colorado Works allocation. We used the amount of the unspent Colorado Works allocation in SFY 2002 ($17.6 million) as our estimate of SFY 2003 Colorado Works allocation that will not be spent. We also assumed that counties would transfer the same amount from their unspent TANF/Colorado Works allocation to the Child Welfare program in SFY 2003 as they had in SFY 2002. Accordingly, we estimate that $84.9 million will be available to all counties for CCCAP in SFY 2003, a decline of $12.3 million, or 13 percent, from prior year expenditures of $97.2 million.

Because of a projected decline in state revenues, CDHS has reduced the annual CCCAP direct services allocation to counties for SFY 2003 by approximately $2 million since the initial appropriation by the General Assembly. If revenues continue to decline, further cuts in the initial allocation are possible. Also, given the weak State economy and resulting higher Colorado Works caseloads, it is likely that the amount of unspent TANF/Colorado Works funds will be lower in SFY 2003. These factors could lead to a further reduction in the funding available for CCCAP, on the order of 20 percent or more.

CCCAP Policy Issues in an Environment of Fiscal Constraint

We have identified several issues that state and county policymakers and program administrators should focus on in the likely event that CCCAP funding will need to be reduced from current levels.

- State policymakers may want to revise the priorities for service assigned to various low-income groups in statute. Key issues include whether to give higher priority for child care assistance to families transitioning from Colorado Works to employment and for families in which parents are attending an education or training program.

- Implementing a policy of enrollment freezes for LICC may be inconsistent with current statutory priorities for service.

- Decreasing or eliminating paid absences paid to providers should be considered as a cost-savings measure.

- Freezing or reducing provider reimbursement rates should be considered as a cost-savings measure.

- Eliminating additional payments, wage subsidies, or incentives to providers for quality-related activities should be considered as a cost savings measure. Such initiatives should also be evaluated to assess their overall costs and benefits.

- There is some limited opportunity for increasing parental fees—specifically, for parents with more than one child in care—as a means of raising additional revenues for CCCAP. However, there appears to be no viable way of changing the overall fee structure to ameliorate the cliff effect facing families that become ineligible for assistance due to increased earnings.

These issues are addressed in more detail in the remaining sections of this chapter.

County CCCAP Program Changes to Address Funding Cutbacks

In response to anticipated CCCAP funding cutbacks, counties have begun to implement changes to their child care assistance programs, including limiting eligibility for their LICC programs. Some of the program changes being implemented by the 14 site visit counties during SFY 2003 include:

- **Lowering income eligibility limits:** Some counties have lowered the allowable income limits for LICC, making fewer families eligible for assistance. Three counties have lowered their income eligibility limits for SFY 2003 (Arapahoe lowered eligibility from 180 percent to 144 percent of FPL, Larimer lowered from 185 percent to 140 percent of FPL, and Rio Grande lowered eligibility from 225 percent to 185 percent of FPL). During SFY 2002, Jefferson initially lowered eligibility from 185 percent to 150 percent, and then to 130 percent of FPL, and plans to remain at that level during SFY 2003.

- **Freezing LICC enrollment:** Two counties have frozen enrollment in their LICC programs. Jefferson does not enroll a new recipient when a current recipient leaves LICC, although the county is maintaining a waiting list of applicants. Jefferson implemented this freeze in SFY 2002. Arapahoe implemented a freeze effective at the start of SFY 2003, but subsequently established a waiting list. That is, when a current recipient leaves LICC, a new case is opened. Pueblo has also implemented a freeze.

- **Restricting eligible activities:** Many counties have allowed low-income parents participating in job training programs or education to receive LICC assistance for a limited period of time, usually between 24 and 48 months. Four counties (Arapahoe, Denver, Jefferson, and Larimer) have restricted or eliminated eligibility for parents participating in these activities. Pueblo is considering reducing the number of eligible months for education.

- **Decreasing paid absences:** CCCAP allows providers to be paid for a set number of absences per month for children in day care. Paid absences allow the child care provider to hold a child care slot for a family when their child is sick or is absent from care due to a family emergency. Private-pay families are typically required by providers to pay for absences; the CCCAP paid absences policy helps to maintain access to providers for low-income families receiving assistance. Counties can set the number of paid absences for which they will reimburse providers. Among the 14 site visit counties, the number of paid absences provided ranges from zero to seven days per month. Two counties (Denver and Mesa) have recently reduced the number of absences per month for which they will reimburse providers and two others are considering such a change (Jefferson and Pueblo). For SFY 2003, Denver will decrease the number of paid absences per child from seven per month to four, saving an estimated $300,000 a year. Mesa County will decrease the number of paid absences per child from five to three, saving an estimated $200,000.

- **Decreasing funding for quality initiatives:** Denver and Jefferson have used federal funding available for CCCAP to support major child care quality initiatives. Both counties have now eliminated these programs. In April 2002, Jefferson eliminated a program that paid higher reimbursement rates to providers that offered higher quality curricula in their preschool day care programs.

These various approaches to addressing funding cuts are presented in Exhibit 2.3.

Exhibit 2.3
Strategies to Address Colorado Child Care Assistance Program Funding Cutbacks
14 Site Visit Counties, State Fiscal Year 2003

County	Decrease Spending for Quality Initiatives	Lower Income Eligibility Limits	Restrict LICC Eligible Work Activities	Freeze or Lower Provider Reimbursement Rates	Freeze or Wait List LICC Enrollment	Decrease Number of Paid Absences
Adams				✓		
Arapahoe		✓	✓	✓	✓	
Boulder				✓		
Denver	✓		✓	✓		✓
El Paso				✓		
Fremont				✓		
Jefferson	✓	✓	✓	✓	✓	UC
Larimer		✓	✓	✓		✓
Las Animas						
Mesa						✓
Otero						
Pueblo			UC	UC	✓	UC
Rio Grande		✓		✓		
Weld						
Total implemented or considering	**2**	**4**	**5**	**10**	**3**	**5**

Source: BPA interviews with county CCCAP staff.

Note: ✓ indicates strategy has been implemented. UC indicates strategy is under consideration.
Table indicates strategies in place or under consideration as of November 2002.

Counties Face the Challenge of Creating Enrollment Policies That Are Financially Viable and Consistent with State-Mandated CCCAP Priorities

As counties implement measures to limit enrollment in their LICC programs, they must limit enrollment in a manner consistent with the service priorities established by state statute. CCCAP is not an entitlement program in the sense that any individual who meets the program eligibility requirements is legally entitled to assistance.[2] Rather, all child care assistance provided to families is subject to available appropriations. Indeed, while the CCCAP program has provided child care assistance to a significant number of children in low-income families, it does not provide child care subsidies to all families that are potentially eligible for assistance. Using 2000 Census data, we estimate that in Colorado, families with income of no more than 200 percent of FPL, about 21 percent of children under age 6 received LICC assistance in SFY 2000.[3] Approximately 9 percent of children between the ages of 6 and 11 in low-income families received LICC subsidies.

The General Assembly set forth in statute which families should be given priority to receive child care assistance. Section 26-2-805(1), C.R.S., states as follows:

- (a) Subject to available appropriations, and pursuant to rules promulgated by the state department, a county <u>shall</u> provide child care assistance to a participant in Colorado Works or any person or family whose income is not more than 130 percent of the federal poverty level.

- (b) Subject to available appropriations and pursuant to rules promulgated by the state department, a county <u>may</u> provide child care assistance for a family transitioning off the [Colorado Works] program or for any other family whose income does not exceed 225 percent of the federal poverty level for a family of the same size. For any participant or any person or family whose income rises to the level set by the county at which the county may deny said participant, person, or family child care assistance, the county is strongly encouraged to continue to provide such assistance for a period of six months; except that in no event shall assistance be provided if said income exceeds the maximum level for eligibility for services set by federal law for a family of the same size.[4] (Emphasis Added).

[2] Section 26-2-806, C.R.S.
[3] Due to data limitations, it is difficult to precisely estimate the utilization rate of LICC among eligible families and children. Using 2000 Census data, we are able to estimate the LICC program service rate among eligible children in families with incomes below 200 percent of FPL, for the two different age groups. Population Reference Bureau, analysis of data from U.S. Census Bureau, 2000 Census Summary File 3 (Table P90).
[4] In practice, no counties have provided six-month transitional assistance to families that lose eligibility due to increased income.

Counties could benefit from further clarification by the Department of Human Services of statutorily prescribed priorities for receipt of LICC assistance. During the next year, many counties will likely need to further restrict eligibility for LICC. They will be able to make better policy decisions to the extent that they have adequate information in advance about which groups they can or cannot give priority for receipt of assistance. For example, enrollment freezes or waiting lists may result in the denial of service to low-income families below 130 percent of FPL, while families at higher incomes continue to receive assistance. It will also be possible that as counties reduce their maximum income eligibility levels for LICC assistance, some families transitioning from Colorado Works may not be eligible for care. These families are generally considered by program staff to be among those for whom child care assistance will be of greatest benefit and a necessary support to prevent their return to cash assistance. Low-income families participating in education or training appear to have the lowest service priority in many counties (as illustrated by counties eliminating their eligibility for LICC assistance). Without access to child care assistance, these families may be denied an important opportunity to achieve long-term self sufficiency. The Department should further clarify such issues related to service priority through rules or statutory changes.

Recommendation 1:
The Department of Human Services should ensure counties provide child care assistance consistent with legislative intent and departmental policy. Specifically, the Department should address prioritization afforded to transitioning Colorado Works recipients, low-income families with income below 130 percent of the federal poverty level, participants in education and training programs, and other eligible low-income families. This should be achieved by:

a. *promulgating rules that clarify which participant groups should receive priority for child care assistance; and*
b. *proposing statutory changes as needed.*

Department of Human Services Response:
Agree. The Department will work with counties to develop appropriate policies to establish priority guidelines and will promulgate rules and propose statutory change as needed.

Freezing Reimbursement Rates for a Limited Time Is Unlikely to Significantly Reduce Access to Providers

The most frequent measure being utilized by the 14 site visit counties in response to funding cutbacks is to freeze reimbursement rates to providers (as shown in Exhibit 2.3). Most of these counties have frozen rates; one county has actually lowered its reimbursement rates to providers; and a few are considering lowering rates. The level of reimbursement that counties pay to child care providers may effect the access that families in CWCC and LICC have to child care in two ways. Reimbursement rates that are set low relative to the market rate may make it more difficult for CCCAP families to find child care providers because some providers are unwilling to accept lower rates. On the other hand, overpaying providers based on the market rate reduces funds that could be used to bring more families into CCCAP. Therefore, it is important that reimbursement rates be optimized for all providers. This is especially important in view of Colorado's current economic situation.

To evaluate reimbursement rates, we reviewed federal law and compared actual provider reimbursement rates paid by Colorado counties to a measure of the market rate for various types of care. To ensure that families receiving child care assistance have adequate access to the child care market, the U.S. Department of Health and Human Services recommends, but does not require, that states set reimbursement rates at the 75th percentile of rates charged by providers.[5] Counties in Colorado determine the maximum rate they will pay providers, taking into account the market rates for care in their county. CDHS provides counties with an estimate of market rates for urban, rural, and resort counties every two years.[6] Many counties conduct their own local survey or assessment to supplement information provided by the state market survey. Rates are usually determined by county commissioners and county DHS staff who examine some combination of the surveys while also taking into consideration their CCCAP budgets.

[5] 45 CFR 98.15(b)(7). Using this definition, if the market consisted of 100 providers, the reimbursement rate would be set at the rate charged by the 75th provider, when provider 1 is the provider charging the lowest rate and provider 100 charges the highest rate.
[6] This is a federal requirement under the CCDF block grant. CDHS contracts with the Colorado Resource and Referral Agency to conduct this survey.

Counties reimburse child care providers on a daily basis (as opposed to hourly, weekly, or monthly) for full-time care (more than five hours) or part-time care (five hours or less). Separate rates are also established by age of child (under age 2, and age 2 and over) and by type of provider, for licensed centers and licensed homes.[7] Counties may also set separate rates for special types of care, including after-hours care, before- and after-care for school-age children who may need part-time care during the school year, and special needs care.

In general, county reimbursement rates for both day care centers and licensed homes are below the 75th percentile rate reported by the state market rate survey in urban and resort counties, and above the 75th percentile rate in rural counties. These statewide rates are not a perfect measure of market rates in individual counties but provide some insight into where CCCAP reimbursement rates fall within the child care market, broadly defined. Exhibits 2.4 and 2.5 report 75th percentile rates and actual average reimbursement rates in 14 site visit counties and statewide for licensed center care. Rates are reported separately for children under age 2 and children age 2 and older. Average reimbursement levels for center care vary widely among urban counties in the state. Some counties are paying significantly above the 75th percentile rate, some counties are paying rates near the 75th percentile rate, and others are paying rates significantly below the benchmark rate. We cannot identify how much of this variation is attributable to actual differences in market rates in these counties.

Average reimbursement rates for licensed homes are typically above the 75th percentile rate statewide, with approximately two-thirds of all counties paying above the 75th percentile rate for licensed home care for children under 2 years old. We did not examine license-exempt care because no market rate data are collected for this category of providers.

[7] Some counties break down their age reimbursement rates even further. For example, Boulder County has three reimbursement categories for infants and toddlers.

Exhibit 2.4

Comparison between Average Reimbursement Rates and Market Rates for Children under 2 Years Old in Child Care Centers

14 Site Visit Counties, State Fiscal Year 2002

County	75th Percentile Daily Market Rate for Child Care Centers	Average Daily Reimbursement Rate for Child Care Centers	Average Reimbursement Rate as a Percent of Market Rate
Adams	$34.40	$23.77	69.1%
Arapahoe	34.40	28.73	83.5
Boulder	34.40	33.23	96.6
Denver	34.40	32.80	95.4
El Paso	34.40	22.72	66.1
Fremont	19.70	21.10	107.1
Jefferson	34.40	28.34	82.4
Larimer	34.40	31.63	92.0
Las Animas	19.70	16.94	86.0
Mesa	34.40	23.91	70.0
Otero	19.70	17.34	88.0
Pueblo	34.40	30.97	90.0
Rio Grande	19.70	17.48	88.7
Weld	34.40	27.18	79.0
Statewide			
State Rural	**$19.70**	**$22.30**	**113.2%**
State Resort	**$33.70**	**$28.65**	**85.0%**
State Urban	**$34.40**	**$28.47**	**77.1%**

Sources: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services (CDHS), and 2001 State Market Rate Survey.

Notes: The 2001 market rate survey of child care providers was conducted by the Colorado Resource and Referral Agency (CORRA) for CDHS. The survey samples child care providers statewide and reports separate estimates of the 75th percentile market rate for urban, rural, and resort counties. Most counties collect additional market information specific to their counties to determine rates.

Rates are daily rates for full-time care.

Fremont, Las Animas, Otero, and Rio Grande are classified as rural counties; all other counties in the table are urban. CORRA categorizes Mesa as a rural county; we have chosen to classify it as an urban county based on discussion with county staff. There are no resort counties in the 14 site visit counties. Adams classifies children into two groups: under 3 years and 3 years and over; the rate reported is for under 3. Larimer and Pueblo classify children into three groups: birth to 18 months, 18 months to 3 years, and 3 years and over; the rate reported is for birth to 18 months. El Paso classifies children into two groups: under 30 months and 30 months and over; the rate reported is for under 30 months.

Exhibit 2.5

Comparison between Average Reimbursement Rates and Market Rates for Children Age 2 and Older in Child Care Centers

14 Site Visit Counties, State Fiscal Year 2002

County	75th Percentile Daily Market Rate for Child Care Centers	Average Daily Reimbursement Rate for Child Care Centers	Average Reimbursement Rate as a Percent of 75th Percentile Rate
Adams	$27.00	$18.99	70.3%
Arapahoe	27.00	20.63	76.4
Boulder	27.00	24.22	89.7
Denver	27.00	27.09	100.3
El Paso	27.00	18.68	69.2
Fremont	17.00	18.33	107.8
Jefferson	27.00	22.38	82.9
Larimer	27.00	26.25	97.2
Las Animas	17.00	15.34	90.2
Mesa	27.00	21.32	79.0
Otero	17.00	16.13	94.9
Pueblo	27.00	23.10	85.6
Rio Grande	17.00	16.88	99.3
Weld	27.00	23.36	86.5
Statewide			
State Rural	**$17.00**	**$18.90**	**108.8%**
State Resort	**$30.60**	**$25.44**	**83.2%**
State Urban	**$27.00**	**$22.11**	**76.1%**

Sources: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services (CDHS), and 2001 State Market Rate Survey.

Notes: The 2001 market rate survey of child care providers was conducted by the Colorado Resource and Referral Agency (CORRA) for CDHS. The survey samples child care providers statewide and reports separate estimates of the 75th percentile market rate for urban, rural, and resort counties. Most counties collect additional market information specific to their counties to determine rates.

Rates are daily rates for full-time care. Fremont, Las Animas, Otero, and Rio Grande are classified as rural counties; all other counties in the table are urban. CORRA categorizes Mesa as a rural county; we have chosen to classify it as an urban county based on discussion with county staff. There are no resort counties in the 14 site visit counties.

Adams classifies children into two groups: under 3 years and 3 years and over; the rate reported is for age 3 and over. Larimer and Pueblo classify children into three groups; birth to 18 months, 18 months to 3 years, and 3 years and over; the rate reported is for 3 years and over. El Paso classifies children into two groups: under 30 months and 30 months and over; the rate reported is for 30 months and over.

Counties have increased their reimbursement rates for every category of care during the past two years. Exhibit 2.6 reports recent changes in reimbursement rates by type of provider. Since SFY 2000, reimbursement rates for all provider types have increased by at least 10 percent. Rates for licensed centers providing care to children under 2 have increased almost 20 percent, and rates for licensed homes have increased by almost 19 percent for children under age 2. These increases in rates indicate that many counties have made it a priority to maintain low-income families' access to all price levels of the child care market. That some county reimbursement rates still remain below market rates in spite of these significant increases also implies that market rates for child care have been increasing significantly as well.

CCCAP staff in the 14 site visit counties report that CCCAP participants generally do not have difficulty finding providers, with some exceptions for certain types of specialized care (e.g., after hours or special needs care). Given current CCCAP provider reimbursement rate levels and the overall increase in reimbursement rates in recent years, freezing rates for a limited period of time appears unlikely to dramatically reduce CCCAP families' access to providers.

Exhibit 2.6
Percentage Change in Average Provider Reimbursement Rates for Urban Counties, by Child Care Provider Type
State Fiscal Years 2000–2002

	Urban Counties		
Child Care Provider Type	**Percent Change SFY 2000 – SFY 2001**	**Percent Change SFY 2001 – SFY 2002**	**Percent Change (2000–2002)**
Center - Under 2 Years	6.6%	12.1%	19.5%
Center - Over 2 Years	9.2	5.7	15.4
Licensed Homes - Under 2 Years	6.3	11.4	18.4
Licensed Homes - Over 2 Years	7.5	7.0	15.1
Licensed Exempt - Under 2 Years	9.6	6.5	16.7
Licensed Exempt - Over 2 Years	7.4	4.2	11.9

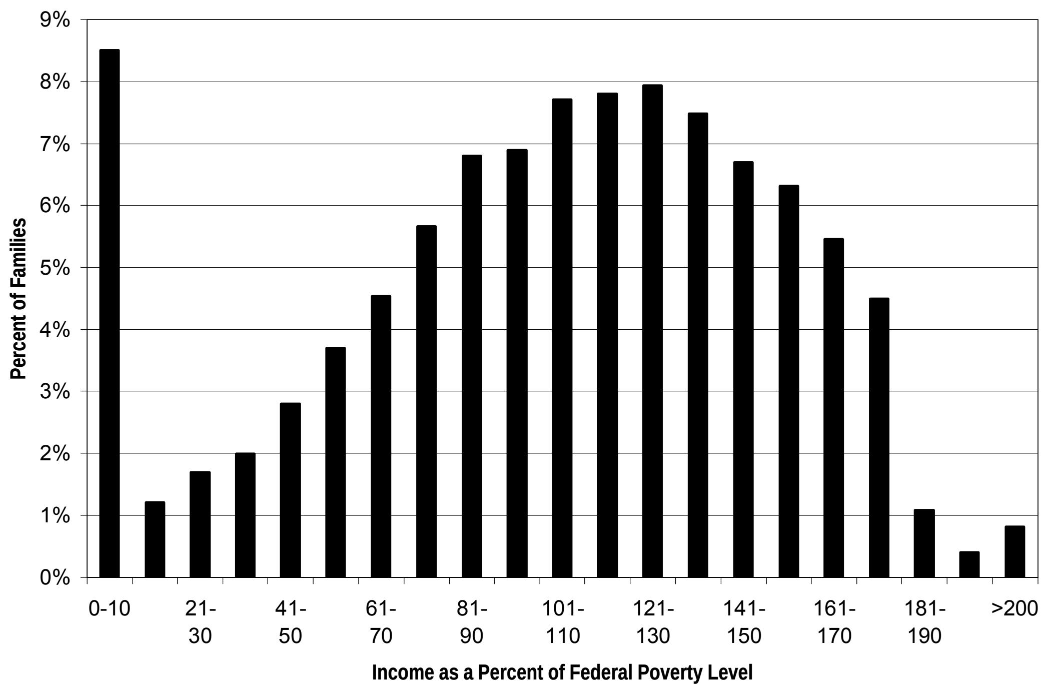
Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

Impact of Lowered Income Eligibility on LICC Families

As counties move to lower the income limits at which low-income families remain eligible for LICC assistance, fewer families will remain eligible for assistance, and those that do remain eligible will face more severe cliff effects when they lose eligibility. All subsidy programs, including CCCAP, are subject to a cliff effect that occurs when a recipient's income becomes just high enough to make them ineligible for further subsidy. At that point, the recipient is suddenly faced with paying the full market rate for child care, whereas previously they had paid only a fraction of the total cost. Low-income families are particularly vulnerable to the cliff effect, because paying the full cost for child care may consume such a large share of total income that it is no longer affordable. The possible loss of reliable child care, in turn, may effect their ability to remain self-sufficient, a primary goal of the program.

Because a majority of families receiving LICC assistance have incomes below 150 percent of FPL, minor adjustments in income eligibility levels will not significantly reduce the LICC caseload. In SFY 2002, 82 percent of families had income below 150 percent of FPL, and 44 percent had income below 100 percent of FPL, as shown in Exhibit 2.7. If all Colorado counties were to drop eligibility to a maximum of 150 percent of FPL, about 18 percent of the low-income families on LICC would become ineligible for subsidized care and face the full market rate for cost of care. Based on the June 2002 LICC caseload level, about 1,900 families would lose child care assistance under this scenario. If all counties reduced eligibility to no more than 130 percent of FPL, 33 percent of families currently enrolled in the program (or approximately 3,500 families) would lose eligibility.

Exhibit 2.7
Distribution of Income among Low-Income Child Care Families
State Fiscal Year 2002



Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

The impact of the cliff effect on families receiving LICC assistance becomes more severe as the income level for LICC eligibility falls. Exhibit 2.8 shows the cliff families face for four Colorado counties with different eligibility caps. Using Denver County as an example, families with incomes up to 185 percent of FPL are eligible for subsidized care. For a family of three this eligibility cap is equivalent to $2,316 per month ($27,792 annually). As shown, for a family of three with one infant in care at this maximum income eligibility level, the monthly fee the family pays for full-time infant care is $282, equal to 12 percent of the family's monthly income. In comparison, the market rate cost of care is $836. Thus, when that family's earnings increase to one dollar over the income cap, the family will have to pay an additional $554 per month, and their child care costs will increase to 36 percent of family income. Income would need to increase by almost 200 percent for the family to pay an equivalent proportion of their income to child care.

Exhibit 2.8
Impacts of Loss of Eligibility on Cost of Child Care (Cliff Effect) in Four Colorado Counties

Family of Three with One Infant in Care
75th Percentile Provider Rate (under 2) $836
Monthly Income at Federal Poverty Level $1,252

	Jefferson	El Paso	Denver	Mesa
Maximum Eligibility Level	130% FPL	160% FPL	185% FPL	225% FPL
Income at Maximum Eligibility	$1,628	$2,003	$2,316	$2,817
Fee at Maximum Eligibility	$165	$226	$282	$399
Fee as Percent of Income at Maximum Eligibility	10%	11%	12%	14%
Market Rate for Care	$836	$836	$836	$836
Market Rate as Percent of Income at Maximum Eligibility	51%	42%	36%	30%
Percent Raise Needed to Be Equally Well Off for Next Dollar Earned	41%	30%	24%	16%

Family of Three with Two Children in Care (One Infant and One Preschooler)
75th Percentile Provider Rate (under 2) $836
75th Percentile Provider Rate (over 2) $594
Monthly Income at Federal Poverty Level $1,252

	Jefferson	El Paso	Denver	Mesa
Maximum Eligibility Level	130% FPL	160% FPL	185% FPL	225% FPL
Income at Maximum Eligibility	$1,628	$2,003	$2,316	$2,817
Fee at Maximum Eligibility	$170	$236	$297	$419
Fee as Percent of Income at Maximum Eligibility	10%	12%	13%	15%
Market Rate for Care	$1,430	$1,430	$1,430	$1,430
Market Rate as Percent of Income at Maximum Eligibility	88%	71%	62%	51%
Percent Raise Needed to Be Equally Well Off for Next Dollar Earned	78%	60%	49%	36%

Source: BPA tabulations based on Colorado Child Care Assistance Program Regulations (3 CCR 905), Colorado Department of Human Services 2001 Market Rate Survey, and CDHS reports.

In Jefferson County, where the maximum eligibility level is relatively low (130 percent of FPL), the cliff effect is larger. For a family of three, this means that once a family is earning $1,628 per month (the equivalent of $19,536 annually) they are at the maximum eligibility for subsidized child care assistance. The fee for this family would be $165 per month, approximately 10 percent of the family's income. If that family had one infant in care, the market rate would again be $836. Thus, in Jefferson County, earning one dollar beyond eligibility would result in the family expending 51 percent of their income on child care costs. Further, this cliff effect is even greater for a similar family with two children in care. With one infant and one preschooler in care, the fee for this family increases slightly, from $165 to $170, to reflect the additional child in care, but still represents 10 percent of the family's income. However, going to the full market rate for child care would bring that family's child care costs to $1,430, equal to approximately 88 percent of the family's income if they were to earn one dollar over the eligibility limit for subsidized care.

Counties with the Lowest LICC Income Eligibility Levels Have the Greatest Proportion of Families Facing Cliff Effects

Exhibit 2.9 shows the proportion of families in the highest 10 percent of income eligibility by county. As shown, counties with higher eligibility levels have very few families facing the cliff, whereas in counties with lower eligibility caps, a greater proportion of families are at the cliff. For example, in Otero and Mesa counties, both of which have eligibility capped at 225 percent of FPL, just 1 to 2 percent of the families on LICC are in the highest income eligibility category. In comparison, in Arapahoe County, where eligibility is capped at 144 percent of FPL, over one-half of the families (52 percent) are in the highest income eligibility category.

As counties lower their LICC eligibility caps in light of limited financial resources, the cliff effect will become a problem for a greater number of families. Families that face the cliff may reduce their work hours, refuse a raise, or discontinue use of child care to avoid the full market rate for cost of child care, all of which defeat the underlying purpose of the program to promote self-sufficiency.

Exhibit 2.9
Proportion of Low-Income Child Care Families in the Highest Income Eligibility Category
12 Site Visit Counties, January 2000–June 2002

County	Maximum Eligibility as a Percent of Federal Poverty Level	Percent of LICC Recipients in Top Income Category
Otero	225%	1%
Mesa	225	2
Pueblo	195	11
Fremont	185	3
Denver	185	5
Weld	185	5
Adams	185	6
Larimer	185	6
Boulder	185	8
El Paso	160	15
Arapahoe	144	52
Jefferson	130	18

Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

Note: When Jefferson dropped from 150 to 130 percent of FPL in February 2002, approximately 26 percent of its LICC caseload became ineligible for further assistance after the required 15 day notice. Percentages for Las Animas and Rio Grande are not reported because each county had less than 30 families in the highest category.

Impact of Parental Fees on Families

CCCAP requires parents receiving a child care subsidy to contribute toward the cost of their child care. This contribution is known as the parental fee and is based on a sliding scale taking into account family size, income, and number of children in care. In SFY 2002, $16.5 million was paid directly by parents to CCCAP child care providers. This amounted to 15 percent of total payments to providers through the CCCAP program.[8] The amount a CCCAP parent is required to contribute toward the cost of child care is important, because it may affect a parent's decisions about whether to access subsidized care, the amount the family has for other household expenses, and employment decisions such as whether to accept a pay raise resulting in an increase in the parental fee.

In practice, Colorado's parental fee is a co-payment that is made directly to the child care provider.[9] The county pays the remainder of the child care costs. Because individual counties determine income eligibility caps for subsidized child care, the highest fee a parent will pay depends on the county in which the family resides. Parents are terminated from the LICC subsidy program if they do not pay the assessed parental fees and do not negotiate an acceptable payment plan with the provider. After the parent is terminated from the program due to nonpayment of a parental fee, he or she can only reenroll by paying the past-due parental fee or establishing a payment schedule to do so.

Minor Changes to the Parental Fee Schedule Could Offset a Small Portion of the CCCAP Funding Shortfalls

Federal regulations stipulate that parental fees be "affordable" but do not define an affordability standard. Under Colorado's parental fee schedule: (1) all employed parents are required to contribute something toward the cost of their care; (2) as family income increases so does the parental fee; (3) the parental fee is the same regardless of the cost of care chosen; and (4) fees are based on family income and the number of children in care. For families with earnings above 100 percent of FPL, there is a premium for each additional child a family has in care that ranges from $5 to $20 as income increases.

With the exception of families on CWCC that have no employment earnings, all parents receiving CCCAP assistance pay a fee. Though counties have discretion over many components of CCCAP, the parental fee schedule is fixed for all counties. As shown in Exhibit 2.10, the amount the parent contributes increases as family income increases. So, for example, families below 50 percent of FPL with one child in care pay approximately 6 percent of their income as their parental fee, while families at 165 to 185 percent of FPL with one child in care pay 11 percent of their income as the parental fee.
Because the same parental fee is required regardless of the type of care chosen, parents are not constrained in their selection of care. That is, a parent can choose a higher priced

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[8] In addition to parental fees, payments to CCCAP providers in SFY 2002 included $93.1 million in direct CCCAP reimbursements by counties. Reimbursement amounts were calculated by BPA using Colorado Child Care Automated Tracking System (CHATS) administrative records.
[9] If a parent has more than one child in care, he or she pays the parental fee directly to the provider with which he or she has the most units of service.

Exhibit 2.10
Colorado's Parental Fee Schedule

Household Income as Percent of Federal Poverty Level	Fee as a Percent of Income	Additional Fee Per Child in Care	Fee as a Percent of Income for Family of Three with Two Children in Care
Below 50%	6%	$0	6%
50–75%	7	0	7
75–100%	8	0	8
100–130%	9	5	9
130–160%	10	10	11
160–185%	11	15	12
185–205%	12	20	14
205–225%	13	20	14

Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

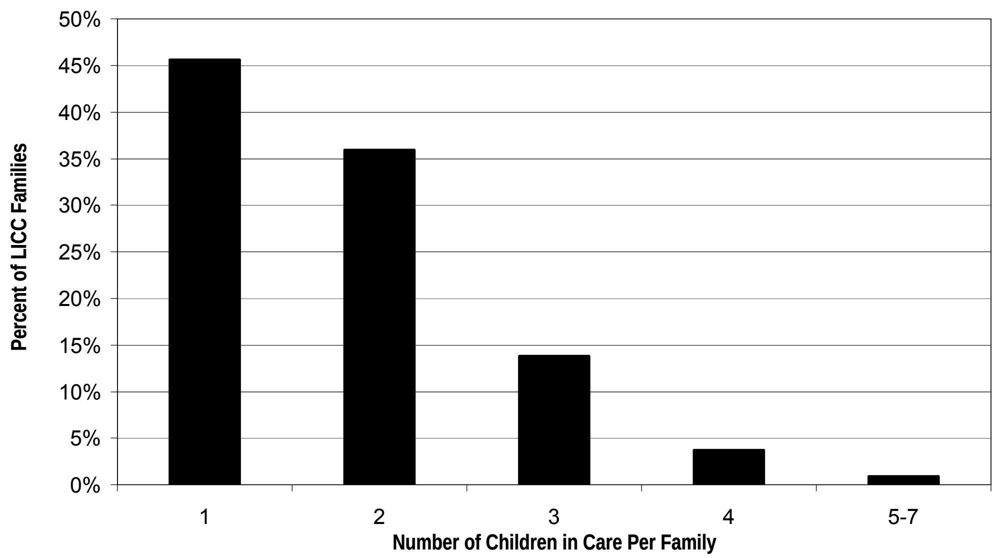
center or the lowest priced care available and still pay the same fee. A family choosing center-based care will be paying a smaller proportion of the total cost of their care than will a family choosing less costly license-exempt care.

The parental fee is based on the total household size rather than on the number of children a family has in care, until family income reaches 100 percent of FPL. Up to that point, families of the same household size pay the same fee regardless of the number of children in care. Once a family exceeds 100 percent of FPL, they pay a small premium for each additional child in care.[10] Exhibit 2.11 shows the number of children in subsidized care per family, among all LICC families. Almost one-half of LICC families have just one child in care and about one-third of families have two children in care.

The parental fee levels for CCCAP families generally meet the most widely accepted standards for affordability. Federal CCDF regulations instruct states to set parental fees at affordable levels. Though each state can determine the definition of "affordable," federal regulations suggest that low-income families pay no more than 10 percent of their income

[10] Families pay $5 per additional child in care at 125 to 160 percent of FPL, $10 from 160 to 165 percent of FPL, $15 from 165 to 185 percent of FPL, $20 above 185 percent of FPL.

Exhibit 2.11
Number of Children in Subsidized Care among Families Receiving Low-Income Child Care
State Fiscal Year 2002



Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services.

toward child care.[11] In Colorado, the parental fee schedule increases from 6 percent to 13 percent of income as income increases. Because eligibility for subsidized child care ends at 185 percent of FPL or below in a majority of Colorado counties (51 of 64), most CCCAP families are paying a parental fee of no more than 11 percent of their income.

Affordability can also be defined as what a family is willing to pay. Using this method, an affordable fee is one that reflects typical expenditures on child care. A recent national survey of families found that among working families paying for child care, the average child care expense was 9 percent of family income. However, low-income working families (below 200 percent of FPL) spent, on average, 16 percent of their income on child care expenses.[12]

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[11] *Federal Register*, Vol. 63, No. 142, July 24, 1998, p.39960. Also found at www.acf.dhhs.gov/HyperNews/get/ccdb-full.html.
[12] L. Giannarelli and J. Barsimantov, *Child Care Expenses of America's Families*, Urban Institute, December 2000, found at www.newfederalism.urban.org/html/op40/occa40html.

A parental fee schedule can be designed to minimize the cliff effect by requiring families to pay an increasing proportion of their income in fees as their income increases. Then, as a family approaches the end of their income eligibility, they will also be approaching the full market rate cost of care for the children they have in care. However, in designing a fee schedule that approaches the market rate cost of care at exit, the fees quickly become relatively unaffordable for low-income families along the fee schedule, particularly for families with multiple children in care. Given that the income eligibility levels for assistance in most counties are relatively low and may go lower in the short term, there is little opportunity for revising the parental fee schedule to avoid the cliff without imposing very high fees on families with incomes well below 150 percent of the federal poverty level.

There is some potential for increasing parental fees—in particular, for parents with more than one child in care—as a means of raising additional revenues for CCCAP. Slightly higher fees paid by parents participating in the program could allow more families to retain their child care assistance in a period of funding shortfalls. One possible option for increasing fees would be to require families to contribute a slightly higher fee for each additional child receiving subsidized child care. The current fee requires only a small additional fee (between $5 and $20) for families with incomes over 120 percent of FPL. Families with incomes below 120 percent of FPL paying a parental fee contribute nothing for additional children in care. Parental fees could remain affordable if the premium for additional children in care was increased slightly. For example, by requiring all families with incomes over 75 percent of FPL to pay between $5 and $40 per additional child in care—with the fee increasing slightly as family income increases—parental fees would remain between 6 and 14 percent of income for two children in care. The increase in the fee for additional children in care, however, would generate a cost savings for the state totaling over $1 million annually, as shown in Exhibit 2.12.

Recommendation 2:
The Department of Human Services should consider adjusting the parental fee schedule for child care assistance to require all families with more than one child in care to pay an additional fee that would range from $5 to $40, depending on family income.

Department of Human Services Response:
Agree.

Exhibit 2.12
Savings Generated by Increasing Parent Fee for CCCAP Families with More than One Child in Care

Family Income as Percent of Federal Poverty Level	Fee for One Child in Care (Family of 3)	New Fee for each Additional Child in Care	Total Fee as Percent of Income (Family of 3 with 2 children in Care)	Total Fee as Percent of Income (Family of 4 with 3 children in Care)	Total Additional Savings
Below 50%	$38	$0	6%	7%	$0
50-75%	$66	$0	7%	8%	$0
75-100%	$100	$5	8%	10%	$113,285
100-130%	$141	$15	10%	11%	$291,520
130-160%	$200	$25	11%	12%	$345,480
160-185%	$207	$35	12%	13%	$285,380
185-205%	$308	$40	14%	14%	$22,520
205-225%	$366	$40	14%	15%	$12,760
Total Savings					$1,070,945

Source: BPA tabulations using Child Care Auto Tracking System (CHATS) administrative records calendar year 2001, Colorado Department of Human Services.

Notes: Because federal poverty levels vary by family size, the parental fees families of different sizes pay for one child in care will also vary. To calculate the total fee as a percent of income we use the appropriate fee corresponding to family size and the number of children in care.

Savings estimates are calculated by multiplying the new fee by the number of families with between two and six children in each FPL category receiving LICC in calendar year 2001.

Chapter 3: Colorado Works Recipients' Transition to Low-Income Child Care Assistance

Introduction

Child care is an important support for low-income families making the transition from Colorado Works cash assistance to work. In this chapter, we examine the extent to which families leaving Colorado Works for employment transition to Low-Income Child Care (LICC) assistance. In prior evaluation reports, Berkeley Policy Associates made several recommendations regarding the child care assistance transition process, including the following:

- All Colorado Works recipients should be systematically informed of the availability of child care assistance, including assistance available when leaving Colorado Works for employment.

- The Colorado Department of Human Services (CDHS) should work with the counties to develop strategies to improve the transition of Colorado Works recipients into the Low-Income Child Care program.[1]

In addition, the Division of Child Care has implemented a rule change to streamline the transition of Colorado Works recipients into LICC. In this chapter, we examine whether the transition process for child care assistance has improved as a consequence of state and county policy initiatives.

Key Findings

- One-quarter of all employed Colorado Works leavers transition to subsidized child care after exiting.

[1] Berkeley Policy Associates, *Evaluation of the Colorado Works Program: First Annual Report*, November 1999; Berkeley Policy Associates, *Evaluation of the Colorado Works Program: Second Annual Report*, November 2000.

- Steps to make the transition from Colorado Works Child Care (CWCC) to LICC automatic could make child care assistance more accessible for transitioning families. Improving the transition process to LICC, however, may lead to an increase in the LICC caseload, making it imperative that policy issues regarding limited funding and prioritizing service populations, as identified in Chapter 2, be addressed.

- National research suggests that transitioning families receiving child care assistance are more likely to remain employed and avoid returning to TANF.

Our findings are based on analysis of administrative data from the Colorado Child Care Assistance Program (CCCAP) and Colorado Works. We also reviewed the LICC application process for families transitioning from Colorado Works, using information obtained during site visits to 14 counties.

A Small Proportion of Eligible Colorado Works Families Transition to LICC

In State Fiscal Year (SFY) 2001, 23 percent of all employed Colorado Works leavers received subsidized child care in the third month after exit.[2] Only limited comparable data from other states on TANF leavers' utilization of child care assistance are currently available.[3] Among five other states with comparable data, Colorado's transition rate is about in the middle: higher than the rate in three states, and lower than the rate in two others.[4] These rates are shown in Exhibit 3.1 for Colorado and five comparison states.

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[2] The transition from CWCC to LICC typically takes between 30 and 60 days after exit from Colorado Works (and in some cases even longer). Therefore, we examine utilization of subsidized child care in the third month after exit from Colorado Works and report utilization of subsidized care including either CWCC or LICC. This utilization rate excludes families that returned to TANF within three months of exiting Colorado Works. For the first quarter of SFY 2002, the transition rate dropped to 21 percent.
[3] G. Acs et al., *Final Synthesis Report of Findings from ASPE "Leavers" Grants*, Urban Institute, November 2001, available at http://aspe.hhs.gov/hsp/leavers99/synthesis02/index.htm.
[4] Some employed leavers will also have children who are not of eligible age (under 13) for LICC assistance. Adjusting for age of children increases the State Fiscal Year (SFY) 2001 transition rate from 23 percent to 25 percent. About 90 percent of Colorado Works participants exiting for employment in SFY 2001 had children of eligible age. In some counties a family is also eligible for LICC if they are participating in an education or employment training program. Our data, however, were limited to those families that we knew were employed in the quarter after exit.

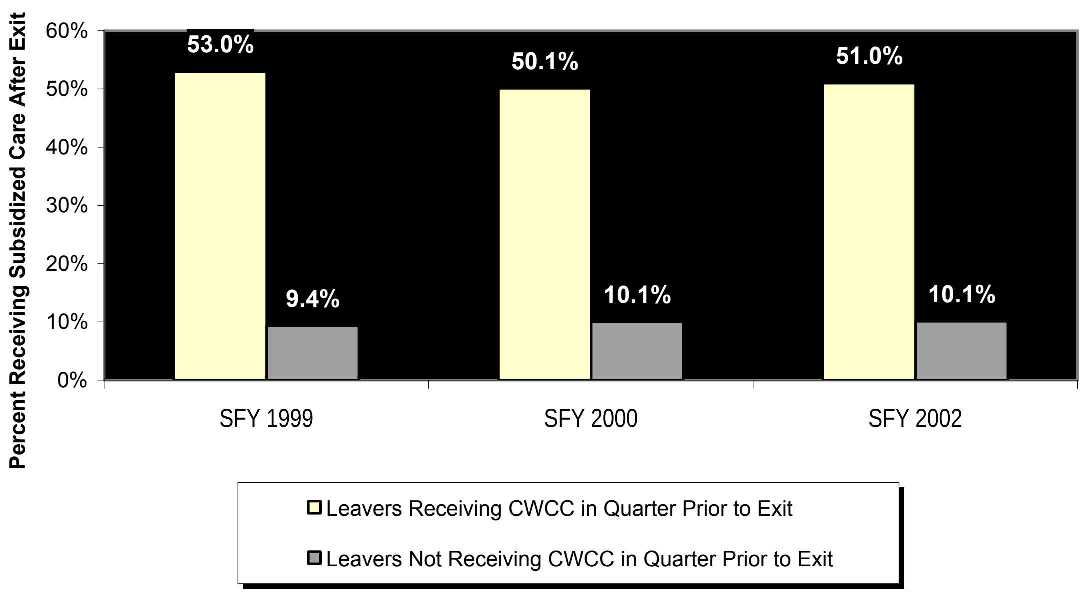
Exhibit 3.1
Utilization of Subsidized Child Care
Employed TANF Leavers, State Fiscal Year 2001

State	Percent of Leavers Using Subsidies
Massachusetts	43%
South Carolina	26
Colorado	**23**
Illinois	17
Iowa	17
Missouri	14

Sources: Child Care Automated Tracking System (CHATS) administrative records, and COIN administrative records, Colorado Department of Human Services; and G. Acs et al., *Final Synthesis Report of Findings from ASPE "Leavers" Grants*, Urban Institute, November 2001.

The LICC utilization rate among Colorado Works leavers has increased since SFY 1999, from about 20 percent in that year to 23 percent in SFY 2001. This suggests that additional efforts by counties to inform families about the availability of subsidized child care assistance may have boosted utilization somewhat. Many counties now provide information about CCCAP to Colorado Works participants at application, during Individual Responsibility Contract appointments, and at exit. However, even among those exiting Colorado Works recipients who are most familiar with CCCAP, because they participated in Colorado Works Child Care, almost one-half still do not transition to LICC after exiting Colorado Works, as illustrated in Exhibit 3.2.

Exhibit 3.2
Transition Rates to Subsidized Child Care
Comparison of Colorado Works Leavers with and without Prior Receipt of Colorado Works Child Care; State Fiscal Years 1999, 2000, and 2002



Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records and COIN administrative records, Colorado Department of Human Services.

The transition rate from CWCC to LICC among Colorado Works employed leavers varies substantially across counties, ranging from a low of 31 percent to a high of 64 percent in SFY 2001. Exhibit 3.3 shows transition rates by county for SFY 1999 through SFY 2001.

If the LICC utilization rate for families transitioning from Colorado Works accurately reflects these families' needs for child care assistance and their preferences concerning program participation, then there is no significant need for policy changes. Alternately, if factors associated with CCCAP program design and/or implementation make it difficult for some Colorado Works leavers to access LICC assistance, then there may be some

Exhibit 3.3
Utilization of Subsidized Child Care among Employed Leavers with Eligible Children and with CWCC Use in Quarter Prior to Exit
11 Site Visit Counties, State Fiscal Years 1999–2001

County	SFY 1999	SFY 2000	SFY 2001
Adams	51.6%	38.6%	31.4%
Arapahoe	50.0	37.6	44.8
Boulder	59.4	56.6	47.9
Denver	54.7	53.8	49.3
El Paso	52.8	55.5	53.9
Fremont	44.1	32.6	51.4
Jefferson	64.9	57.9	62.3
Larimer	57.6	53.7	63.6
Mesa	63.0	50.7	60.6
Pueblo	53.7	59.8	49.0
Weld	29.8	46.0	40.7
Statewide Total	**53.0%**	**50.1%**	**51.0%**

Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records and COIN administrative records, Colorado Department of Human Services.

Note: Three of the 14 site visit counties were not included due to sample sizes under 30 (Otero, Las Animas, and Rio Grande).

room for program improvement. To assess this issue, we consider how administrative requirements associated with the transition process affect the utilization of child care assistance by exiting Colorado Works families.[5]

[5] Another factor that may contribute to low LICC use is the increased parental fee families exiting Colorado Works must pay because of higher earnings. While on Colorado Works, families generally pay a low fee, or no fee if participating in nonemployment work activities. If the increase in the fee is high enough, families may forgo LICC if they can arrange for in-kind child care or for free or discounted child care from a relative or friend. In fact, CWCC recipients who use license-exempt providers are less likely to transition to LICC after exit than are families using licensed providers while on CWCC. In SFY

Administrative Burdens in Transitioning to LICC

For families exiting Colorado Works, the transition period from basic cash assistance to work can be challenging. Families have to adjust to new schedules, make new transportation arrangements, and meet expectations of a new employer. In addition, families must successfully navigate the administrative processes required to access LICC.

For a significant number of families, the transition from CWCC to LICC is not smooth or seamless. Almost one-third of the families transitioning from CWCC to LICC in SFY 2001 experienced a break in the receipt of child care assistance for at least one month. These were families that had a demonstrated need for subsidized care, but were left without child care assistance for some period of time before successfully securing it.[6] CDHS has taken several steps to make the transition to LICC easier for Colorado Works leavers. In August 2001, CDHS issued a policy making the transition from CWCC to LICC automatic, by eliminating the need for transitioning CWCC recipients to submit a new application for LICC.[7] The new rule directs counties to have their CCCAP staff work closely with their Colorado Works staff to gather all necessary information from existing Colorado Works files and to reduce the administrative burden on exiting recipients. The only additional document required directly from the exiting family is a signed Client Responsibility Form (CRF) acknowledging their responsibilities to LICC.

Our site visits to 14 counties in mid-2002 indicated that many counties either had not implemented the required policies and procedures to expedite the LICC transition or had policies that served as impediments to a smooth transition. Two major areas of concern were that:

- despite the August 2001 policy change, the process for transitioning to LICC is still not automatic; and

- transitioning families must obtain immunization records for their children that are signed by a medical professional within 60 days of their LICC application date.

2001, 31 percent of those utilizing license-exempt care while on CWCC transitioned to LICC, compared to 38 percent of those utilizing licensed care.

[6] Once families transitioned to LICC, most were able to retain their subsidy beyond the six-month redetermination period, indicating that they had an ongoing need for child care assistance and that the administrative burden for redetermination did not prevent retention of subsidies once they were secured. Tracking families one year after exit we found that 68 percent of families that obtained LICC and remained employed retained their LICC subsidy for all four quarters (SFY 2001).

[7] Colorado Department of Human Services, Agency Letter CC-01-3-P, August 6, 2001.

The Process for Transitioning to LICC Is Not Automatic in Most Counties

Despite the CDHS rule change seeking to make the transition from CWCC to LICC automatic for those exiting Colorado Works for employment, county procedures often require some action by the transitioning parent. Further, these procedures vary substantially by county. Current transition policies and their dates of implementation are shown in Exhibit 3.4 for the 14 counties we visited. Data currently available do not allow us to assess the effectiveness of these policies and their impacts, if any, on LICC transition rates.

As shown in Exhibit 3.4, several counties continue to require an application for LICC. Other counties have only recently implemented the changes required by the revised CDHS policy. Staff at counties still requiring an LICC application (or a shortened application) explained that they understood the rule change to be optional, rather than mandatory. However, CDHS had intended its policy change to eliminate the LICC application for those transitioning from CWCC, making LICC enrollment automatic for eligible families for at least six months (until redetermination). The Division of Child Care conducted several trainings for counties during which this rule change was explained.

Counties use different methods to enroll transitioning families in LICC, and these methods affect the extent to which LICC enrollment is automatic for transitioning families. These methods include the following:

- Mailing the exiting CWCC recipient a letter, which includes a Client Responsibility Form and a list of other documentation missing from their file (e.g., immunization records), and requiring the recipient to collect and return the needed documents;

- Sending the exiting CWCC recipient a letter requiring that he or she meet with the LICC technician in person to learn about the program rules and complete any required paperwork; or

- Collecting all required information when a family initially enrolls in Colorado Works, so that the paperwork is complete by the time of transition and nothing additional is required of the CWCC recipient.

Exhibit 3.4

Current Process for Transitioning from Colorado Works Child Care to Low-Income Child Care

14 Site Visit Counties, July 2002

County	Requires LICC Application	Requires In-Person Meeting	Client Responsibility Form Mailed to Client	Automatic Transition	Implementation Date
Adams			✓		October-01
Arapahoe	✓				No Change
Boulder		✓			September-01
Denver			✓		July-02
El Paso				✓	October-01
Fremont			✓		September-01
Jefferson			✓[c]		July-02
Larimer	✓[b]	✓			No Change
Las Animas	✓[b]				No Change
Mesa		✓			August-01
Otero	✓[a]				No Change
Pueblo		✓			April-02
Rio Grande	✓[b]	✓			No Change
Weld				✓	February-02

Source: In-person and phone interviews with county child care program managers by BPA staff, Summer 2002.

[a]Mailed application and letter requests that they complete application, but officially application is optional.
[b]Shortened LICC application is required (four pages).
[c]Though Client Responsibility Form is required, client has six months to return it. Thus, the client is guaranteed assistance for six months.

Two counties—Weld and El Paso—have recently implemented seamless or automatic processes for transitioning families from CWCC to LICC. Both these counties collect all necessary forms when the family opens a Colorado Works case. Case managers are provided a list of the information that will be required to successfully transition a family from CWCC to LICC. Case managers use this list to collect information from the family. For example, families are asked to read and sign the Client Responsibility Form while on Colorado Works so that they have no paperwork to complete when they exit Colorado Works and transition to LICC. All other required information is gathered from the exiting family's Colorado Works file. When the family is ready to transition to LICC, they are mailed information about their change in status and their responsibilities. The family has no additional responsibilities beyond notifying the agency of any change in eligibility status, until redetermination after six months. El Paso County also offers an informational session on parent responsibilities under LICC. Though the session is optional, it is offered during nonworking hours (one evening and one weekend day), and transitioning families can receive a $500 bonus for attending.

One state that has implemented an automatic transition process for TANF leavers has a high utilization rate. As we showed in Exhibit 3.1, Massachusetts has the highest rate of utilization of subsidized child care by employed TANF leavers (43 percent). In that state, parents exiting TANF with subsidized care retain this subsidy. The only administrative action required is a code change in the state data system. Redetermination occurs every six months.[8] Studies have also found that Massachusetts' employment rate for those exiting welfare is relatively high.[9]

Although research in this area is limited, recent studies suggest that welfare leavers with access to child care subsidies are more likely to work and less likely to return to

[8] Interview with Janet McKeon, Director of Policy and Training, Massachusetts Office of Child Care Services, September 2002.
[9] The employment rate among welfare leavers in Massachusetts was 60 percent in the first quarter after exit for leavers exiting in 1999. In comparison, other state leaver studies found that from 50 percent to 67 percent of leavers were employed in the first quarter after exit. In Colorado, 53 percent of leavers were employed in the first quarter after exit in SFY 1999. G. Acs et al., *Final Synthesis Report of Findings from ASPE "Leavers" Grants.*

welfare.[10] Our findings suggest that making the transition from CWCC to LICC automatic will increase LICC utilization and help transitioning families to remain self-sufficient. Increasing utilization of LICC, however, will make it even more important that the policy issues regarding limited funding, as identified in Chapter 2, be addressed. Counties should make the process for transitioning families to LICC automatic, as required by CDHS policy.

Recommendation 3:
The Department of Human Services should ensure that counties do not require an LICC application from transitioning Colorado Works recipients by clarifying its rule on eligibility for LICC (CCR 3.904.1, A3). This rule should be amended to state that counties shall not require applications for transitioning Colorado Works recipients.

Department of Human Services Response:
Agree.

Implementation of the LICC Immunization Records Requirement Varies Among Counties

Federal regulations for the Child Care and Development Fund (CCDF) require that all children receiving a subsidy have current immunization records. CDHS issued an Agency Letter in May 1999 indicating that families must provide current immunization records to the county agency or to their child care provider (the county can choose which entity will maintain these records) and that these records must be prepared within 60 days of the LICC application.[11] To implement the federal immunization requirement, CDHS requires that immunization records be signed by a health care professional within 60 days of application for LICC. For parents transitioning from welfare to work, obtaining recent

[10] One recent study found that families that received child care subsidies after exiting welfare were significantly less likely to return to welfare than families who did not (return rates were 15 percent among those with subsidies, compared to 25 percent among those without). P. Loprest, *Who Returns to Welfare?*, Urban Institute, September 2002, available at www.urbaninstitute.org/UploadedPDF/310548_B49.pdf. Another study found that when funding for subsidized child care increased from $434 to $511 per low-income child in Massachusetts, exiting welfare mothers increasing their probability of working by 4.7 percentage points. R. Lemke et al., *Child Care and the Welfare to Work Transition*, Wellesley College, March 2001, available at http://www.wellesley.edu/Economics/research/name.html.
[11] Colorado Department of Human Services, Agency Letter CC-99-4A, May 20, 1999.

immunization records from a medical professional is an additional administrative responsibility that must be fulfilled in order to retain child care assistance.

While all of our site visit counties require children to have current immunization documentation, counties vary in their implementation of this requirement. Staff in several counties require that families submit a newly obtained (within the past 60 days) copy of their immunization records at application for LICC. Other counties accept any existing medical record, in CDHS files or in the possession of the parent, that shows all required immunizations have been received.

Counties that collect immunization records for all children who are potentially eligible for LICC (under 13 years of age) upon entry into TANF will reduce the burden on many parents during the transition to LICC. Counties currently obtain immunization records for all children below school age as a requirement for the TANF program.[12] By requiring counties to collect immunization records for all children under 13 years of age at entry to TANF, the children's immunization records will be on file and only need to be updated if they are no longer current given the child's age and the Colorado Department of Public Health and Environment guidelines. Additionally, eliminating the requirement that families obtain immunization records from a medical professional within 60 days of transitioning to LICC will make this transition less burdensome. LICC staff would still need to confirm that immunization records are current by checking file copies against the immunization guidelines; new records would be collected only if the file copies did not show that immunizations were current.

[12] Immunization records are not collected for school-age children on TANF, because children must be immunized to attend school. Under TANF, school attendance is sufficient proof of immunization. However, LICC requires immunization records for all children, including school-age children.

Recommendation 4:
The Department of Human Services should streamline the transition from Colorado Works to LICC by changing its current rules regarding CCCAP and Colorado Works immunization record requirements. The rule change should reduce transitioning parents' administrative responsibilities, while complying with federal immunization regulations. This should be achieved by:

a. allowing school enrollment to serve as sufficient proof of current immunization for school-age children receiving LICC assistance;

b. requiring counties to collect immunization records for all children under school age at entry to Colorado Works; and

c. requiring that immunization records are current, as defined by Department of Public Health and Environment guidelines, and eliminating the requirement that records be current within 60 days for those transitioning to LICC from Colorado Works.

Department of Human Services Response:
Agree.

Appendix A

County TANF Reserves CCCAP Provider Reimbursement Rates

Exhibit A.1
Changes in County TANF Reserve Fund Balances
State Fiscal Years 2001 and 2002

County	County Reserve Balances on June 30, 2001	Adjusted County Reserve Balances SFY 2001	County Reserve Balances on June 30, 2002	Percent Change (June 2001–June 2002)
Adams	$10,589,481	$7,073,730	$4,197,493	-60.4%
Alamosa	201,890	201,890	195,627	-3.1
Arapahoe	665,659	665,659	307,114	-53.9
Archuleta	3,328	3,328	0	-100.0
Baca	122,743	82,691	59,195	-51.8
Bent	303,092	181,719	98,091	-67.6
Boulder	1,372,098	1,315,864	1,276,085	-7.0
Broomfield	0	0	338,943	n.m.
Chaffee	435,642	255,243	93,124	-78.6
Cheyenne	79,572	43,355	18,721	-76.5
Clear Creek	113,429	84,725	0	-100.0
Conejos	470,531	405,122	371,802	-21.0
Costilla	325,326	204,431	80,637	-75.2
Crowley	185,846	154,466	186,341	0.3
Custer	111,655	71,440	49,312	-55.8
Delta	751,959	464,520	0	-100.0
Denver	7,028,527	7,028,527	0	-100.0
Dolores	0	0	0	n.m.
Douglas	607,589	348,170	144,769	-76.2
Eagle	52,436	46,535	323,304	516.6
El Paso	8,859,386	6,442,886	535,753	-94.0
Elbert	200,380	118,058	26,761	-86.6
Fremont	1,450,561	896,803	608,453	-58.1
Garfield	175,960	175,960	55,020	-68.7
Gilpin	74,896	51,253	13,114	-82.5
Grand	15,079	15,078	0	-100.0
Gunnison	38,401	30,954	0	-100.0
Hinsdale	0	0	0	n.m.
Huerfano	412,224	257,142	194,967	-52.7
Jackson	38,137	21,337	11,998	-68.5
Jefferson	979,041	979,041	0	-100.0
Kiowa	26,711	17,723	10,672	-60.0
Kit Carson	48,040	34,204	0	-100.0
La Plata	160,493	160,493	0	-100.0

Exhibit A.1 (continued)

County	County Reserve Balances on June 30, 2001	Adjusted County Reserve Balances SFY 2001	County Reserve Balances on June 30, 2002	Percent Change (June 2001–June 2002)
Lake	104,811	69,108	0	-100.0
Larimer	487,679	487,680	0	-100.0
Las Animas	1,558,734	889,033	323,927	-79.2
Lincoln	61,523	40,700	0	-100.0
Logan	186,127	168,925	214,170	15.1
Mesa	1,251,640	1,169,190	546,140	-56.4
Mineral	0	0	6,252	n.m.
Moffat	446,899	287,115	189,690	-57.6
Montezuma	335,398	227,893	140,463	-58.1
Montrose	246,958	246,958	0	-100.0
Morgan	300,007	249,805	27,894	-90.7
Otero	1,425,452	821,132	302,363	-78.8
Ouray	17,847	12,587	11,755	-34.1
Park	93,323	53,972	85,334	-8.6
Phillips	27,117	20,360	25,138	-7.3
Pitkin	9,477	9,476	7,637	-19.4
Prowers	0	0	0	n.m.
Pueblo	11,454,775	6,325,995	1,686,968	-85.3
Rio Blanco	141,479	87,205	98,368	-30.5
Rio Grande	61,422	61,422	146,434	138.4
Routt	93,444	76,378	31,838	-65.9
Saguache	473,605	282,981	166,082	-64.9
San Juan	20,567	14,807	13,117	-36.2
San Miguel	59,024	32,999	14,712	-75.1
Sedgwick	47,522	38,282	54,401	14.5
Summit	55,654	43,263	87,094	56.5
Teller	226,089	162,783	216,899	-4.1
Washington	26,039	24,971	40,183	54.3
Weld	6,827,664	3,791,829	1,032,062	-84.9
Yuma	33,624	33,624	0	-100.0
TOTAL	**61,974,011**	**43,562,821**	**14,666,218**	**-76.3**

Source: Colorado Department of Human Services financial reports.

Note: n.m. stands for "not meaningful."

Exhibit A.2

Comparison between Actual Average Reimbursement Rates and Market Rates Statewide: Center-Based Care for Children under 2 Years of Age

State Fiscal Year 2002

County	County Type	Daily Market Rate for Centers	Average Reimbursement for Centers	Average Reimbursement as a Percent of Market Rate
Adams	Urban	$34.40	$23.77	69.1%
Alamosa	Rural	19.70	21.21	107.7
Arapahoe	Urban	34.40	28.73	83.5
Archuleta	Rural	19.70	24.15	122.6
Baca	Rural	19.70	18.66	94.7
Bent	Rural	19.70	20.89	106.0
Boulder	Urban	34.40	33.23	96.6
Broomfield	Urban	34.40	34.19	99.4
Chaffee	Rural	19.70	33.23	168.7
Cheyenne	Rural	19.70	33.23	168.7
Clear Creek	Resort	33.70	33.23	98.6
Conejos	Rural	19.70	20.05	101.8
Costilla	Rural	19.70	16.32	82.8
Crowley	Rural	19.70	17.74	90.1
Custer	Rural	19.70	17.74	90.1
Delta	Rural	19.70	21.84	110.9
Denver	Urban	34.40	32.80	95.3
Dolores	Rural	19.70	16.27	82.6
Douglas	Urban	34.40	24.12	70.1
Eagle	Resort	33.70	37.92	112.5
El Paso	Urban	34.40	22.72	66.0
Elbert	Rural	19.70	24.54	124.6
Fremont	Rural	19.70	21.10	107.1
Garfield	Resort	33.70	25.17	74.7
Gilpin	Rural	19.70	36.75	186.5
Grand	Rural	19.70	24.67	125.2
Gunnison	Rural	19.70	18.03	91.5
Hinsdale	Rural	19.70	18.00	91.4
Huerfano	Rural	19.70	18.00	91.4
Jackson	Rural	19.70	18.00	91.4
Jefferson	Urban	34.40	28.34	82.4
Kiowa	Rural	19.70	28.34	143.9
Kit Carson	Rural	19.70	28.34	143.9
La Plata	Rural	19.70	23.39	118.7
Lake	Rural	19.70	23.00	116.8
Larimer	Urban	34.40	31.63	91.9

Exhibit A.2 (continued)

County	County Type	Daily Market Rate for Centers	Average Reimbursement for Centers	Average Reimbursement as a Percent of Market Rate
Las Animas	Rural	19.70	16.94	86.0
Lincoln	Rural	19.70	21.29	108.1
Logan	Rural	19.70	21.52	109.2
Mesa	Urban	34.40	23.91	70.0
Mineral	Rural	19.70	21.00	106.6
Moffat	Rural	19.70	29.91	151.8
Montezuma	Rural	19.70	14.92	75.7
Montrose	Rural	19.70	21.47	109.0
Morgan	Rural	19.70	17.61	89.4
Otero	Rural	19.70	17.34	88.0
Ouray	Resort	33.70	17.34	51.5
Park	Resort	33.70	25.67	76.2
Phillips	Rural	19.70	13.84	70.3
Pitkin	Rural	19.70	36.38	184.7
Prowers	Rural	19.70	36.38	184.7
Pueblo	Urban	34.40	30.97	90.0
Rio Blanco	Rural	19.70	30.97	157.2
Rio Grande	Rural	19.70	17.48	88.7
Routt	Resort	33.70	33.64	99.8
Saguache	Rural	19.70	16.85	85.5
San Juan	Rural	19.70	16.85	85.5
San Miguel	Rural	19.70	23.00	116.8
Sedgwick	Rural	19.70	23.00	116.8
Summit	Resort	33.70	27.61	81.9
Teller	Rural	19.70	25.05	127.2
Washington	Rural	19.70	18.31	92.9
Weld	Urban	34.40	27.18	79.0
Yuma	Rural	19.70	20.00	101.5
State Rural		**$19.70**	**$22.30**	**113.21%**
State Resort		**$33.70**	**$28.65**	**85.03%**
State Urban		**$34.40**	**$28.47**	**77..09%**

Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records, Colorado Department of Human Services (CDHS).

Notes: Adams divides the children into two groups; this figure is for under 3. Larimer and Pueblo divide the children into three groups: birth to 18 months, 18 months to 3 years, 3 years and over; this figure is for birth to 18 months. El Paso divides the children into two groups: under 30 months and over 30 months; this figure is for under 30 months. Prowers divides the children into three groups for center care: under 1 year, 1–3 years, over 3 years; this figure is for under 1 year. Boulder and Garfield divide the children into three groups for center care: under 1 year, 1–2 years, over 2 years; this figure is for under 1 year.

CORRA categorizes Mesa as a rural county, however, we have classified it as an urban county.

The market rate is taken from the CDHS survey conducted every two years, which estimates separate rates for resort, rural, and urban counties. The market rate figures were taken from averaging the Infant and Toddler 75th percentile figures. This will make them comparable to the State's. The figures are from 2001.

Included in the Actual Average Reimbursement are the Activity, Recreation and Transportation (ART) fees.

Exhibit A.3

Comparison between Actual Average Reimbursement Rates and Market Rates Statewide: Center-Based Care for Children over 2 Years of Age

State Fiscal Year 2002

County	County Type	Daily Market Rate for Centers	Average Reimbursement for Centers	Average Reimbursement as a Percent of Market Rate
Adams	Urban	$27.00	$18.99	70.3%
Alamosa	Rural	17.00	17.45	102.6
Arapahoe	Urban	27.00	20.63	76.4
Archuleta	Rural	17.00	19.14	112.6
Baca	Rural	17.00	16.78	98.7
Bent	Rural	17.00	16.11	94.8
Boulder	Urban	27.00	24.22	89.7
Broomfield	Urban	27.00	21.05	78.0
Chaffee	Rural	17.00	17.58	103.4
Cheyenne	Rural	17.00	17.58	103.4
Clear Creek	Resort	30.60	21.97	71.8
Conejos	Rural	17.00	18.91	111.2
Costilla	Rural	17.00	13.85	81.5
Crowley	Rural	17.00	15.14	89.1
Custer	Rural	17.00	20.00	117.6
Delta	Rural	17.00	20.13	118.4
Denver	Urban	27.00	27.09	100.3
Dolores	Rural	17.00	14.04	82.6
Douglas	Urban	27.00	18.21	67.4
Eagle	Resort	30.60	28.76	94.0
El Paso	Urban	27.00	18.68	69.2
Elbert	Rural	17.00	20.45	120.3
Fremont	Rural	17.00	18.33	107.8
Garfield	Resort	30.60	23.10	75.5
Gilpin	Rural	17.00	19.87	116.9
Grand	Rural	17.00	24.46	143.9
Gunnison	Rural	17.00	17.88	105.2
Hinsdale	Rural	17.00	18.00	105.9
Huerfano	Rural	17.00	17.00	100.0
Jackson	Rural	17.00	16.16	95.1
Jefferson	Urban	27.00	22.38	82.9
Kiowa	Rural	17.00	22.38	131.6
Kit Carson	Rural	17.00	17.50	102.9
La Plata	Rural	17.00	19.53	114.9
Lake	Rural	17.00	23.86	140.4
Larimer	Urban	27.00	26.25	97.2

Exhibit A.3 (continued)

County	County Type	Daily Market Rate for Centers	Actual Average Reimbursement for Centers	Actual Average as a Percent of Market Rate
Las Animas	Rural	17.00	15.34	90.2
Lincoln	Rural	17.00	18.39	108.2
Logan	Rural	17.00	20.40	120.0
Mesa	Urban	27.00	21.32	79.0
Mineral	Rural	17.00	18.00	105.9
Moffat	Rural	17.00	23.29	137.0
Montezuma	Rural	17.00	14.16	83.3
Montrose	Rural	17.00	19.82	116.6
Morgan	Rural	17.00	16.78	98.7
Otero	Rural	17.00	16.13	94.9
Ouray	Resort	30.60	26.96	88.1
Park	Resort	30.60	22.15	72.4
Phillips	Rural	17.00	12.03	70.8
Pitkin	Rural	17.00	35.81	210.6
Prowers	Rural	17.00	25.33	149.0
Pueblo	Urban	27.00	23.10	85.6
Rio Blanco	Rural	17.00	19.22	113.1
Rio Grande	Rural	17.00	16.88	99.3
Routt	Resort	30.60	31.26	102.2
Saguache	Rural	17.00	14.75	86.8
San Juan	Rural	17.00	14.75	86.8
San Miguel	Rural	17.00	26.06	153.3
Sedgwick	Rural	17.00	26.06	153.3
Summit	Resort	30.60	23.91	78.1
Teller	Rural	17.00	21.44	126.1
Washington	Rural	17.00	17.83	104.9
Weld	Urban	27.00	23.36	86.5
Yuma	Rural	17.00	16.00	94.1
State Rural		**$17.00**	**$18.90**	**108.8%**
State Resort		**$30.60**	**$25.44**	**83.2%**
State Urban		**$27.00**	**$22.11**	**76.1%**

Source: BPA tabulations using Child Care Automated Tracking System (CHATS) administrative records. Colorado Department of Human Services (CDHS).

Notes: Adams divides the children into two groups this figure is for 3 and over. Larimer and Pueblo divide the children into three groups: birth to 18 months, 18 months to 3 years, 3 years and over; this figure is for 3 years and over. El Paso divides the children into two groups: under 30 months and over 30 months; this figure is for over 30 months. Prowers divides the children into three groups for center care: under 1 year, 1–3 years, over 3 years; this figure is for over 3 years.

CORRA categorizes Mesa as a rural county, however, we have classified it as an urban county.

The market rate is taken from the CDHS survey conducted every two years which estimates separate rates for resort, rural and urban counties. The market rate figures were taken from the 3-4 Years 75th percentile figures. This will make them comparable to the State's. The figures are from 2001.

Included in the Actual Average Reimbursement are the Activity, Recreation and Transportation (ART) fees.

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