Schedule 13

Funding Request for the 2014-15 Budget Cycle

Department: Department of Human Services

Request Title: Increased Staffing for Child Care Licensing

Priority Number: R-1

Dept. Approval by: Will K[illegible] 10-17-13
Date

OSPB Approval by: [illegible] 10/29/13
Date

☑ **Decision Item FY 2014-15**
☐ **Base Reduction Item FY 2014-15**
☐ **Supplemental FY 2013-14**
☐ **Budget Amendment FY 2014-15**

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	49,476,151	0	49,225,600	1,348,801	1,391,305
	FTE	48.1	0.0	48.1	2.8	3.0
	GF	27,934,261	0	27,926,925	1,288,801	1,331,305
	CF	1,730,886	0	1,737,976	60,000	60,000
	RF	10,112,498	0	9,777,914	0	0
	FF	9,698,506	0	9,782,785	0	0
	MCF	9,198,146	0	8,863,562	0	0
	MGF	4,599,073	0	4,431,782	0	0
	NGF	32,533,334	0	32,358,707	1,288,801	1,331,305
(1) Executive Director's Office, (A) General Administration, Health, Life and Dental	Total	29,147,559	0	28,949,229	18,216	19,872
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	17,669,591	0	17,653,725	18,216	19,872
	CF	609,233	0	609,233	0	0
	RF	6,940,436	0	6,757,972	0	0
	FF	3,928,299	0	3,928,299	0	0
	MCF	6,789,076	0	6,606,612	0	0
	MGF	3,394,538	0	3,303,306	0	0
	NGF	21,064,129	0	20,957,031	18,216	19,872
(1) Executive Director's Office, (A) General Administration, Short-term Disability	Total	417,329	0	413,637	363	440
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	259,563	0	259,268	363	440
	CF	9,412	0	9,412	0	0
	RF	85,167	0	81,770	0	0
	FF	63,187	0	63,187	0	0
	MCF	64,762	0	61,365	0	0
	MGF	32,381	0	30,683	0	0
	NGF	291,944	0	289,951	363	440
(1) Executive Director's Office, (A) General Administration, S.B. 04-257 Amortization Equalization Disbursement	Total	7,726,678	0	7,643,243	6,607	8,809
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	4,724,604	0	4,717,929	6,607	8,809
	CF	179,431	0	179,431	0	0
	RF	1,622,310	0	1,545,550	0	0
	FF	1,200,333	0	1,200,333	0	0
	MCF	1,235,242	0	1,158,482	0	0
	MGF	617,621	0	579,241	0	0
	NGF	5,342,225	0	5,297,170	6,607	8,809

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
(1) Executive Director's Office, (A) General Administration, S.B. 06-235 Supplemental Amortization Equalization Disbursement	Total	6,960,305	0	6,882,084	6,194	8,509
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	4,250,101	0	4,243,843	6,194	8,509
	CF	161,986	0	161,986	0	0
	RF	1,464,585	0	1,392,622	0	0
	FF	1,083,633	0	1,083,633	0	0
	MCF	1,109,066	0	1,037,103	0	0
	MGF	554,533	0	518,552	0	0
	NGF	4,804,634	0	4,762,395	6,194	8,509
(3) Office of Early Childhood, (A) Division of Early Care and Learning, Child Care Licensing and Administration	Total	5,224,280	0	5,337,407	1,317,421	1,353,675
	FTE	48.1	0.0	48.1	2.8	3.0
	GF	1,030,402	0	1,052,160	1,257,421	1,293,675
	CF	770,824	0	777,914	60,000	60,000
	RF	0	0	0	0	0
	FF	3,423,054	0	3,507,333	0	0
	MCF	0	0	0	0	0
	MGF	0	0	0	0	0
	NGF	1,030,402	0	1,052,160	1,257,421	1,293,675

Letternote Text Revision Required? **Yes:** ☐ **No:** ☑ **If yes, describe the Letternote Text Revision:**
Cash or Federal Fund Name and COFRS Fund Number: Child Care Development Funds, Title IV-E of the Social Security Act
Reappropriated Funds Source, by Department and Line Item Name: N/A
Approval by OIT? **Yes:** ☐ **No:** ☐ **Not Required:** ☑
Schedule 13s from Affected Departments: N/A
Other Information: N/A

Cost and FTE

- This Department request $1.3 million total funds and 2.8 state FTE and 17 contract staff to improve the Department's child care licensing function. The request includes an increase of $1.29 million General Fund and $60,000 cash funds. The additional cash funds result from increasing the licensing fee charged to providers by approximately 10.8 percent.

Current Program

- The Division of Early Care and Learning is responsible for inspecting, licensing, and monitoring child care facilities statewide. Licensing specialists review staffing ratios, health and safety risks, background check compliance, qualifications, and children's files. Workload is measured by the number of facilities assigned to each licensing specialist. Currently, 43 State and contract licensing specialists monitor approximately 5,790 licensed facilities, which results in an individual caseload ratio of approximately 1:145.
- Frequent supervisory inspections are closely linked to better compliance, lower numbers of licensing violations, decreased rates of accidents, and improved levels of care. As a result, children and families using licensed facilities benefit from these more frequent inspections.

Problem or Opportunity

- In the National Association of Child Care Resource and Referral Agencies (NACCRRA) 2013 report entitled *We Can Do Better*, Colorado fails to meet the recommended standards for both frequency of licensing inspections and facility to licensing staff ratios. Colorado's caseload ratio of 1:145 for licensing staff results in infrequent supervisory licensing inspections, and is the 8th highest caseload in the nation. Industry guidelines recommend two visits annually, one of which must be unannounced. Current caseload only allows inspections at an average rate of once every two years.
- Ensuring safe child care is a primary goal of the Department, and working families will be more confident in entrusting the care of their children to a qualified child care facility.

Consequences of Problem

- Inadequate staffing ratios jeopardize the Department goal of child safety.

Proposed Solution

- The Department proposes a staffing ratio of 1:100, with the goal of reducing critical incidents, in addition to improving safety and ensuring better regulatory compliance.
- The increased frequency of supervisory licensing inspections not only improves compliance and safety; it allows the licensing specialist to take a more active role in providing technical assistance and improving quality to Colorado families and children.
- Performance is measured in terms of accuracy and timeliness, and success will be measured by reduction in the number of critical incidents and violations.

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State of Colorado

Department of Human Services

FY 2014-15 Funding Request
November 1, 2013

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

Department Priority: R-1
Request Detail: Increased Staffing for Child Care Licensing

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund	Cash Funds	FTE*
Child Care (multiple line items)	$1,348,801	$1,288,801	$60,000	2.8

*****The request also includes 17.0 contract staff positions.

Request Summary:

The Department requests $1.3 million total funds and 2.8 state FTE positions and 17.0 contract staff positions to improve the Department's child care licensing function. The majority of the request is comprised of General Fund ($1.29 million) with the remaining $60,000 coming from an increase in licensing fees charged to provider. To generate $60,000 in cash fund revenue the fees will have to be increased by approximately 10.8 percent.

Problem or Opportunity:

The Division of Early Care and Learning is responsible for inspecting, licensing, and monitoring child care facilities throughout the State, including child care homes and centers, preschool and school-age child care programs, day camps, residential summer camps, and day treatment centers. Currently, over 5,700 licensed facilities are inspected by 43 licensing specialists, which results in a caseload of over 140 facilities per specialist at an average rate of one inspection every two years. This is the 8th highest caseload in the United States, and Colorado is one of only 17 states with caseloads exceeding 100 facilities.

Regular inspections are a means of ensuring that children are cared for in settings that meet minimum health and safety requirements. Programs that are inspected more frequently are more likely to adhere to critical health and safety requirements and child care inspections are associated with lower rates of accidents requiring medical attention. Frequent, unannounced inspections prevent providers from covering up violations especially when there is a history of violations and/or sanctions or complaints. On-site guidance during inspections helps providers improve the level of care they offer. Further, there is increased accountability for how federal and state funds are spent.

In the 2000 legislative session, the General Assembly appropriated $955,300 of federal Child Care Development Funds to fund 18 contract inspectors. At that time, the legislature was responding to 1995 and 1998 audits conducted by the Office of the State Auditor that indicated that the State Department had not properly carried out licensing functions due to insufficient staffing resources. The same bill added the statutory requirement to respond to complaints within a 48 hour time period. These responsibilities are not measured in the caseload above, as the irregular nature in which these complaints occur does not lend to a regular measurement of caseload. However, the Department has implemented a C-Stat measure to track the number of complaint visits completed on time. An average number of 85 percent of these visits have been completed in a timely manner since January 2012; however, some months have been as low as 70 percent and some have been as high as 93 percent. At the same time, these visits can prevent scheduled visits from being completed as anticipated. In July 2013, new measurements implemented that measure caseload across required timeframes indicated that while one month inspections are being completed timely at a rate of 80 percent; 12 month, 18 month, and 24 month inspections were completed timely at a rate of 54 percent, 50 percent, and 59 percent respectively. Thirty month and 36 month inspections were all completed timely in July 2013.

In 1982, the United States military responded to a series of GAO reports indicating systematic issues such as abuse, safety hazards, high costs associated with excessive turnover, and a severe lack of unqualified caregivers within the military child care system by implementing never before seen reforms within the military childcare system. The reforms included raising the pay of childcare workers, increasing training available for staff, systematically incorporating parental involvement by creating parent boards, and requiring annual inspections to ensure baseline standards for health and safety. The military ultimately implemented quarterly unannounced inspections following an annual certification visit. The director of the military child care program called this the “single most import” aspect of the program and a RAND report on the effectiveness of the system overhaul called the effects of the inspection requirements “immediate and dramatic”. In 1998, a GAO report on the progress of the changes found that the military had significantly increased the quality, accessibility, and usage of care with these implementations, while keeping costs to the population within about 7 percent ($.25 per hour) of the civilian centers. The United States military child care system still stands as a benchmark of quality child care.

Further evidence exists to support the link between inspections and safety. A 2005 study of media, legal, and state reports of fatalities from 1985-2003 conducted at the City University of New York Graduate Center compared different causes and frequencies of fatalities by age and facility type. The largest discrepancy occurred in the instance of violence due to infants. The study found that while instances of violence still occurred in the presence of others, no incidents of violence were reported in the presence of a qualified peer. Both staffing and the qualifications of staff are both included in licensing visits in Colorado. In addition, multiple caregivers who had one fatality were also the cause of serious injury in another instance, which is monitored by required criminal inspections in Colorado, which are ensured within the licensing process. The study went on to recommend additional licensing, as a corollary link between greater quality and licensing.

Licensing staff in the State of Colorado inspect a wide variety of health, safety, and programmatic requirements. A typical inspection will include the following:

- reviewing staffing ratios;
- reviewing children’s files;
- reviewing staff files;
- reviewing medical authorizations;
- inspecting fire safety, including smoke detectors and proper egress;
- reviewing the overall cleanliness and condition of the facility;
- inspecting for internal hazards such as stairways and electrical outlets;
- inspecting for external hazards such as playground safety and play equipment;
- inspecting for lead paint; and,
- auditing attendance logs for CCCAP clients to detect any irregularities in billings or utilization.

Common findings in inspections include improper storage of household chemicals, physical hazards, and issues with staff employment documents, all of which have the potential to expose children and childcare providers to additional risk. If the inspection or a complaint result in any adverse licensing for the provider, licensing staff have the additional burden of conducting follow-up visits, no less than every 45 days, to bring the provider into compliance, which are not factored in the caseload measure above.

The National Health and Safety Performance Standards Guidelines for Early Care and Education Programs have a standard of two licensing visits per year, including one unannounced visit, and recommends “sufficient numbers of licensing inspectors should be hired to provide adequate time visiting and inspecting facilities to ensure compliance with regulations.” Furthermore, The National Association of Child Care Resources and Referral Agencies (NACCRRA) has evidenced that “weak oversight undermines strong standards.” Serious violations can be identified and reduced with frequent inspections. This request will increase the frequency of licensing visits by approximately 25%, and enable the Department to transition to an 18 month inspection cycle. This, combined with process improvements and better technology, will move Colorado closer to best practice.

Protecting the health, safety, and welfare of children in licensed child care facilities is the underlying charge of the Division of Early Care and Learning, and ensuring supervisory licensing inspections are conducted in a timely and responsive manner is a key program performance indicator tracked by the Department. The request provides resources in order to better meet the goal of safer facilities since instances of death, injury, and child abuse and neglect can be reduced with an increase in the frequency of licensing inspections.

Childcare safety, as a key component of high quality care, aligns with many of the Departments initiatives. Not only does it provide quality childcare assistance that allows many low income families to be working families, it is also an integral component of companion programs including TANF, low income assistance, Employment First, child welfare, and early childhood programs.

Proposed Solution:

This request provides funding for 17.0 additional contract staff to support the Department's childcare licensing functions. The request follows normal staffing and supervision patterns, including: 17 licensing inspectors hired via a contract and 3.0 FTE state staff to supervise the licensing functions. This model provides state control of supervision, investigations, training, quality control and oversight, while providing contract staff with the flexibility of deploying staff without additional state FTE. This is identical to the solution supported by the legislature in 2000.

The annual survey of all states shows caseloads ranging from 1:33 to 1:22. The Department's current staffing caseload ratio is 1:145. The Department researched industry standards and best practices for staffing ratios, and evaluated the impact of different staffing ratios in Colorado, including 1:125, 1:100, 1:75, and 1:50. To move the Department closer to meeting national guidelines recommending of a minimum of two visits per year (including one unannounced visit), the Department selected a 1:100 caseload ratio. This ratio will allow the Department to increase the frequency of visits by approximately 25% while maintaining fiscal responsibility.

The 1:100 staff caseload ratio will provide a significant improvement, moving the Department to an 18-month average inspection cycle. While the caseload of each licensing inspector would decrease, the workload would remain unchanged as the frequency of visits would increase. This solution will be coupled with efforts to leverage technology to improve workflow for licensing inspectors. Specifically, the automation of data collection currently under development will allow inspectors to increase efficiency in drafting the final report and other administrative tasks. Together, these efforts will move the Department closer to the one visit per year best practice, and allow the Department to continually improve its performance goal of timely visits.

In addition to the stated benefits, the Department expects new staff will provide greater opportunities and resources to invest in problem facilities and provide all facilities with more consultation and coaching rather than basic health and safety compliance. Staff will have the ability to investigate complaints without disrupting scheduled licensing visits. Finally, staff may begin to perform additional unannounced visits as warranted. The Department believes this is the optimal solution for children and families using licensed childcare facilities. Nationwide surveys found that two-thirds of parents with young children logically assume that their licensed childcare facility is regularly inspected, and 90% of parents support frequent inspections. Additionally, evidence is conclusive that increasing the frequency of licensing inspections reduces critical incidents.

To provide the level of service and oversight mentioned above, the Department will need $1.3 million, 2.8 State FTE and 17.0 contract FTE in FY 2014-15. These costs are shown in greater detail in the assumptions and calculation section of this request.

Anticipated Outcomes:

The request will provide several outcomes to improve the safety and integrity of the childcare licensing functions including, improve compliance, timely routine and emergency inspections, additional coaching and consultation for providers, and fraud deterrence. The ultimate outcome will be safer facilities for children.

- NACCRA research indicates that significant hazards are frequently identified during licensing inspections, including playground hazards, improper administration of medicine, and hazardous materials. And, frequent licensing inspections improve compliance with health and safety standards. More frequent licensing inspections will detect and remediate these hazards more quickly, resulting in safer facilities for children, and may result in less need for subsequent follow up visits.

- The department currently struggles to meet the timeline for scheduled visits due to limited staffing, and complaint and incident investigations that interrupt scheduled visits. Additional staffing will allow the Department to be timely in conducting licensing visits while still responding to issues requiring immediate attention, and also increase the frequency of inspection from one every other year to every 18 months. This is not best practice, but it will significantly improve staffing ratios.
- The department has recently engaged licensing staff in verifying attendance in subsidized childcare. The additional staff will provide another layer of enforcement to ensure accuracy and accountability for the use of federal funds. This will help detect and reduce the incidence of CCCAP fraud.

- The Department is improving quality through Race to the Top and similar initiatives. The additional licensing staff will complement those initiatives by allowing licensing staff the time to provide coaching and consultation in addition to the health and safety components. The regulations governing Race to the Top funds do not allow the fund to be used for licensing staff.

- Safer facilities for children, as measured by a reduction in the number of critical incidents and serious violations are the ultimate goal of this initiative. The department is developing two data systems to measure progress towards these outcomes. The Injury Reporting System will require providers to input injury and accident information in an automated database. The Department is also implementing a workflow model that will track the nature and frequency of violations observed by licensing inspectors. This information will be used to identify the most serious concerns across providers and facilities. The Department can use these data to assess risk, and deploy resources accordingly. This will allow better targeting and resource utilization.

Assumptions and Calculations:

Fiscal Worksheet Attached.

1) First year costs (FY 2014-15) were calculated as follows:
   - **State Supervisory Staff –** The request is for 2.8 FTE, GP-IV and GP-V, calculated using the salary range minimums, and operating cost calculated per common policy. The supervisory staffing is based on the Division's current supervisory ratios. ($234,992)
   - **Contract Staff**- The request is for 17.0 contract staff. Contract staff salaries and operating expenses are based on comparable state positions. Overhead/indirect costs are estimated to be 15%. ($1,113,809)
   - **Licensing Fees –** The request is funded from an increase in annual licensing fees charged to providers. The Department collects approximately $630,000 in licensing fees. The increase of $60,000 is an increase of approximately 10.8%.

2) FY 2015-16 and on-going costs are calculated as follows:
   - **State Supervisory Staff –** State staff annualizes to 3.0 FTE, and associated one-time expenditures. One-time expenditures are removed. ($277,496)
   - **Contract Staff**- No change in contract ($1,113,809)
   - **Licensing Fees –** No change. ($60,000 Cash Fund revenue)

The tables on the following pages show the detailed calculations for the request.

Table 1: State FTE Position Calculation Details

Calculation Assumptions:

Personal Services – Based on the Department of Personnel and Administration's Annual Compensation Survey Report, General Professional IV, General Professional V.

Operating Expenses – Base operating expenses are included per FTE for $500 per year. In addition, for regular FTE, annual telephone costs assume base charges of $450 per year.

Standard Capital Purchases – Each additional employee necessitates the purchase of a Personal Computer ($900), Office Suite Software ($330), and office furniture ($3,473).

General Fund FTE – New full-time General Fund positions are reflected in FY 2012-13 as 0.9166 FTE to account for the pay-date shift.

Expenditure Detail		FY 2014-15		FY 2015-16	
Personal Services	**Monthly Salary**	**FTE**	**Funding**	**FTE**	**Funding**
General Professional IV	$4,764.00	0.9	$47,164	1.0	$57,168
PERA			4,787		5,803
AED			1,887		2,515
SAED			1,769		2,430
Medicare			684		829
STD			103		126
Health-Life-Dental			6,072		6,624
Subtotal Position 1, #.# FTE		**0.9**	**$62,466**	**1.0**	**$75,495**
General Professional V	$5,960.00	1.9	118,008	2.0	$143,040
PERA			11,978		14,519
AED			4,720		6,294
SAED			4,425		6,079
Medicare			1,711		2,074
STD			260		315
Health-Life-Dental			12,144		13,248
Subtotal Position 2, #.# FTE		**1.9**	**$153,246**	**2.0**	**$185,569**
Personal Services Total		**2.8**	**$215,712**	**3.0**	**$261,062**

Expenditure Detail		FY 2014-15		FY 2015-16	
Operating Expenses	**Operating Base Cost**	**FTE**	**Funding**	**FTE**	**Funding**
Regular FTE Operating Expenses	$500	2.8	1,400	3.0	1,500
Telephone Expenses	450	2.8	1,260	3.0	1,350
PC, One-Time	1,230	3.0	3,444	0.0	0
Office Furniture, (not requested)	3,473		0		0
Rent-Leased Space (not requested)	2,500		0		0
Subtotal Operating Expenses			**$6,104**		**$2,850**
Table 1 Summary					
Personal Services		**2.8**	**$215,712**	**3.0**	**$261,062**
Operating			**6,104**		**2,850**
TOTAL STATE FTE POSITION REQUEST			**$221,816**		**$263,912**

Table 2: Other Operating Costs					
Other		FY 2014-15		FY 2015-16	
Operating Expenses	**Rate**	**Units**	**Funding**	**Units**	**Funding**
Travel Expenses	$0.51	8,800	$4,488	9,600	$4,896
Travel – Hotel	$120.00	48	$5,760	48	5,760
Travel – Per diem	$61.00	48	2,928	48	2,928
Table 2: Total Other Operating Expenses			**$13,176**		**$13,584**

Table 3: Contract Services					
		FY 2014-15		FY 2015-16	
Contract Cost	**Annual Costs**	**FTE***	**Funding**	**FTE***	**Funding**
Contract Staff	$59,326.20	17.0	$1,008,545	17.0	$1,008,545
Contract Travel (State Average)	1,496	17.0	25,432	17.0	25,432
Travel - Hotel	1,920	17.0	32,640	17.0	32,640
Travel – Per Diem	976	17.0	16,592	17.0	16,592
Data and IT Costs	1,800	17.0	30,600	17.0	30,600
Table 3: Total CONTRACT COSTS			**$1,113,809**		**$1,113,809**

*Contract FTE only.

Table 4: SUMMARY OF COSTS				
	FY 2014-15		FY 2015-16	
Cost Component	**FTE***	**Funding**	**FTE***	**Funding**
State FTE (Salaries and Benefits)	2.8	$215,712		$261,062
State FTE (Operating Costs)		6,104		2,850
Other Operating		13,176		13,584
Contract Services		1,113,809		1,113,809
Table 4: Total Request		**$1,348,801**		**$1,391,305**
General Fund		***$1,288,801***		***$1,331,307***
Cash Fund (Increase to Licensing Fees)		***$60,000***		***$60,000***

*State FTE only

The Department requests that $60,000 of this request be funded from an increase in licensing fees. The last time the Department increased licensing fees for child care facilities was 2008. Since 2008, inflation has increased by approximately 10.75 percent. Adjusting licensing fees, for non-24 hour facilities by 10.75 percent, increases fee revenue by approximately $61,500.

Table 5: Child Care Licensing Fee Revenues

Fiscal Year	24 Hour Facilities	Non-24 Hour Facilities	Grand Total
2010	$84,402	$633,162	$717,564
2011	95,906	634,463	730,369
2012	110,384	663,890	774,274
2013	76,771	571,680	648,451
Grand Total	**$367,463**	**$2,503,195**	**$2,870,658**
Average	**$91,865**	**$625,799**	**$717,664**

Table 6: Inflation since 2008 /1

Calendar Year	Consumer Price Index
2008	3.897%
2009	-0.6460%
2010	1.870%
2011	3.690%
2012	1.943%
Total	10.754%

Estimated revenue from increasing fees by 10.754%

2013 Revenues from Non-24 Hour Facilities	***$571,680***
Multiply by 10.754%	***.10754***
Estimated Fee Revenue	**$61,479**

/1 Source: Department of Local Affairs, Denver-Boulder-Greeley CPI Actual Values