

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Department of Human Services
 Request Title: Investing in Early Care Providers
 Priority Number: R-2

Dept. Approval by: Chaimson 10/24/13
 Date
 OSPB Approval by: Erin M. Smith 10/29/13
 Date

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|--|
| Decision Item FY 2014-15 Base Reduction Item FY 2014-15 Supplemental FY 2013-14 Budget Amendment FY 2014-15 |
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| 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 | 6,473,633 | 0 | 6,473,633 | 2,197,194 | 2,197,194 |
| | FTE | 1.0 | 0.0 | 1.0 | 0.0 | 0.0 |
| | GF | 3,000,000 | 0 | 3,000,000 | 1,757,755 | 1,757,755 |
| | CF | 0 | 0 | 0 | 439,439 | 439,439 |
| | RF | 0 | 0 | 0 | 0 | 0 |
| | FF | 3,473,633 | 0 | 3,473,633 | 0 | 0 |
| | MCF | 0 | 0 | 0 | 0 | 0 |
| | MGF | 0 | 0 | 0 | 0 | 0 |
| | NGF | 3,000,000 | 0 | 3,000,000 | 1,757,755 | 1,757,755 |
| (6) Office of Early Childhood, (A) Division of Early Care and Learning, Child Care Grants for Quality and Availability and Federal Targeted Funds Requirements | Total | 6,473,633 | 0 | 6,473,633 | 2,197,194 | 2,197,194 |
| | FTE | 1.0 | 0.0 | 1.0 | 0.0 | 0.0 |
| | GF | 3,000,000 | 0 | 3,000,000 | 1,757,755 | 1,757,755 |
| | CF | 0 | 0 | 0 | 439,439 | 439,439 |
| | RF | 0 | 0 | 0 | 0 | 0 |
| | FF | 3,473,633 | 0 | 3,473,633 | 0 | 0 |
| | MCF | 0 | 0 | 0 | 0 | 0 |
| | MGF | 0 | 0 | 0 | 0 | 0 |
| | NGF | 3,000,000 | 0 | 3,000,000 | 1,757,755 | 1,757,755 |

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 and Title XX Social Services Block Grant-
 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

- The Department requests a \$2.2 million in FY 2014-15 and beyond to provide grant funding for materials and training for Colorado Child Care Assistance Program (CCCAP) providers. Of this amount, \$1.8 million is General Fund and \$439,400 is from matching county funds.

Current Program

- The Office of Early Childhood's Department of Early Care and Learning is charged with licensure of nearly 9,000 child care providers in the State of Colorado. The Office also administers several Federal and State programs ensuring and enhancing the quality of child care, including Race to the Top, Child Care Grants for Quality and Availability and Federal Targeted Funds Requirements, and the School Readiness Quality Improvement Program.

Problem or Opportunity

- Colorado has recently received \$44 million in Federal Race to the Top funds. Race to the Top funds will, in part, be devoted to ensuring that every licensed child care provider in Colorado is quality rated. This request is to make additional General Fund moneys available to Colorado child care providers in the form of grants for training and materials immediately following the quality rating process. The Race to the Top funds are insufficient to provide all facilities funds to address deficiencies raised in the quality ratings process.

Consequences of Problem

- Without this additional investment, Colorado will be missing an opportunity to improve the quality of services provided to children in child care settings. Improving the quality of early childhood care and education will help children be more prepared and successful when they enter school.

Proposed Solution

- These funds will be given directly to providers who have undergone the quality rating process to address issues identified in the quality ratings process through employee training and grants for materials. Funds availability will be determined by size of the facility and scope of the issues identified in the quality ratings process. Race to the Top funds also provided funds to monitor quality improvement ratings, and facility ratings will be tracked by funds provided in Race to the Top funds. In addition, results to K-12 education will also be tracked by Race to the Top funds.

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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-2
Request Detail: Investing in Early Care Providers

| Summary of Incremental Funding Change for FY 2014-15 | Total Funds | General Fund | Cash Funds |
|---|------------------------|-------------------------|-----------------------|
| Child Care Grants for Quality | \$2,197,194 | \$1,757,755 | \$439,439 |

Request Summary:

The Department requests a \$2.2 million increase in FY 2014-15 and beyond to provide grant funding for materials and training for Colorado Child Care Assistance Program (CCCAP) providers. Of this amount, \$1.8 million is General Fund and \$439,400 is from matching county funds.

Problem or Opportunity:

A primary goal of the Office of Early Childhood is to provide safe, stable and high quality child care. This request will improve the quality of child care through the allocation of \$1.8 million in General Funds. These funds will be targeted to Colorado Child Care Assistance Program (CCCAP) providers in the form of grants for developmental materials for children and training and technical assistance to child care providers; however, all rated facilities will be eligible for grant funds.

An increased need for quality child care, coupled with stagnant funding, has essentially reduced levels of available federal assistance to providers. A lack of support, funding and coordination at the State level has required counties to respond with their own strategies including: lowering eligibility limits for child care assistance, increasing the parental fee for the cost of education and child care, and reducing the emphasis on quality initiatives. These local efforts are contrary to Colorado's vision of early childhood, where programs are coordinated at the state level to maximize funding and support.

This request is part of a larger initiative to address the issues listed above and increase the quality of child care in Colorado, specifically increasing quality care for families accessing the CCCAP. The creation of the Office of Early Childhood (OEC) and the alignment of early childhood programs through H.B. 13 – 1117 allow the State, through OEC, to lead new quality initiatives and provide financial support for child care, while also tracking improvements to ensure CCDF subsidized care is high quality. In addition to the funding from H.B. 13-1117, the State was awarded \$44.9 million from the Race to the Top Early Learning Challenge Funds. This convergence of new infrastructure, availability of Race to the Top funds, and new research on the economic benefit of quality early childhood education poises Colorado to literally “race to

the top” in education. This request builds on the efforts and strategies supported in the Race to the Top funding, and continues these efforts beyond the funded scope of Race to the Top grant.

Insufficient Resources to Invest in Quality Improvement

Currently, few child care facilities in Colorado are quality rated or receive support for quality improvements. As of August 2013, 81% of roughly 2,000 licensed child care providers are not quality rated. CCCAP provider reimbursement is minimal; therefore those providers seeking to improve quality are unable to do so without diverting funds from operational maintenance and sustainability. As a result, CCCAP child care facilities often deliver poor to mediocre care, even in those facilities accepting children from families that pay market rate for child care. The low quality of child care results in children that are unprepared or underprepared to realize their full potential. In an effort to remedy this, Colorado applied for and received 75 percent of requested federal Race to the Top – Early Learning Challenge Grant funds.

The main focus of the Race to the Top funds is to provide quality ratings and to establish measures to track the progress of children in rated care facilities. Currently, the cost of obtaining a quality rating is a prohibitive barrier for entry to the quality improvement process, especially for the nearly 3,000 family child care homes in Colorado as of 2013. While all licensed child care facilities will receive a quality rating through Race to the Top in conjunction with licensing, and the rating process by itself in Colorado has led to improvements, only 7-10% will receive the funding necessary to implement the quality improvements recommended. The current funding opportunities for implementation of quality improvement are often conditionally limited, as in the School Readiness Quality Improvement Program (SRQIP), where only programs feeding into low-performing elementary schools may participate in SRQIP. Also, while counties are permitted to spend a portion of their CCCAP allocation on quality, investment in quality is optional beyond a certain threshold and varies significantly by county in design and scope.

While these funds provide an entry point to the quality improvement system for providers, this leaves Colorado providers at an impasse. Some quality investments, such as the provision of developmental materials, may be absorbed by providers at nominal cost as a normal cost of business. To other providers, quality ratings provided by Race to the Top present business and educational opportunities that they may not be able to capitalize on, especially to smaller providers. To afford investments in quality, many providers would be forced to pass the cost of quality improvements on to families via increased tuition fees. The already high cost of child care, paired with a threat of declining enrollment causes child care providers to express caution about increasing tuition fees.ⁱ This caution is not unwarranted. The cost of child care has nearly doubled over the last 20 years, and a recent report by the National Association for Child Care Resource and Referral Agencies (NACCRRA) reveals that Colorado is ranked as the fourth most expensive state in the nation for full time infant care, and the ninth most expensive state for full-time care of a four-year-old child.ⁱⁱ In communities across Colorado, the cost of sending both an infant and a toddler to a child care center can be more than mid-range rent payments. Families with children under the age of 5 pay between \$6,300 and \$16,400 for annual child care, depending on geographic location and the age of the child. Meanwhile, the average annual price for tuition and fees in public four year colleges in Colorado stands at just over \$6,000.

Limited Professional Development Opportunities to Improve Quality of Care and Education

Teacher education and staff retention is another barrier to provider investment in quality improvements. Child care is one of the lowest paying fields in the nation, and the national median annual income for child care workers is \$19,500, which averages to \$9.38 per hour.ⁱⁱⁱ Colorado, while higher than the national median, at a median of \$24,900 is far below the state's median household income of \$56,765. Often, low pay leads child care workers to leave the field to seek better pay elsewhere or to forgo education beyond that which is required. The Department currently supports two programs utilizing the federal Child Care Development Block grant to address this discrepancy in child care worker education. The Colorado Center for Social Emotional Competence and Inclusion addresses the needs of child care facilities to serve children with challenging behaviors and promotes the positive development of social/emotional skills in young children. This program provides training, technical assistance and coaching to child care facilities implementing the Pyramid Plus model within their centers.^{iv} However, like other CCDF programs, this is conditionally limited and may include fees for participation. Especially in this area, the State is not poised to realize the substantial economic and educational gains to be had following quality ratings provided by Race to the Top.

In this existing child care system, many Colorado children enter Kindergarten unprepared or underprepared to realize their full potential. Researchers estimate that before ever entering kindergarten, cognitive scores for children of low-income families are likely to average 60 percent lower than those in the highest socioeconomic groups, something that remains true through high school.^v Children who enter Kindergarten underprepared are more likely to score poorly on third grade and fifth grade assessments.^{vi} Research shows children who score poorly on third grade assessments are also more likely to perform poorly on eighth grade assessments, and are less likely to graduate from high school, to attend or complete college, to be employed as an adult, and are more likely to be engaged with the criminal justice system as an adult.^{vii} Given the recent infusion of Federal support, the State and counties stand to reap substantial benefits in education at a far lower cost until December 2016 if child care providers can capitalize on quality assessment ratings.

Proposed Solution:

To better meet the goal of providing safe, stable and high quality child care, the Department is moving forward with Colorado's next generation Tiered Quality Rating and Improvement System. The next generation TQRIS will be embedded in child care licensing, so that every licensed provider will have a rating tied to their license. Quality rating and improvement, as the name implies, has two components.

- The first component is the rating of a program using a high fidelity system of observation and evaluation, which will be included for licensed providers by Race to the Top funds.
- The second component is investment in a facility's material supplies, physical facilities, training, coaching, and education that improves the quality of care the children receive, and ultimately the outcomes in scholastic performance for the children in the program.

To achieve these goals, the Department is requesting \$1.8 million in General Funds and \$439,400 in county matching funds for a total of \$2.2 million to support a system of quality improvement. The proposed grant will build on the successes of the current quality improvement programs within the state by providing

financial incentives, coaching and technical assistance, professional development, and additional resources for quality improvements and technological support as outlined below. All licensed providers will be eligible.

Material Supplies

Child care facilities need a wide array of materials to support a high quality learning environment. Incentive grants would enable providers to purchase, replenish, or replace essential learning materials. Some examples of these materials include paints, paint brushes, easels, and construction paper. Materials may also include fine motor skill development tools such as puzzles, peg boards, crayons, scissors, interlocking blocks, beads, string, and small sensory materials. Artwork that can be displayed at a child's eye level is another type of material that plays a crucial role in a child's development through observation. General art supplies, musical equipment, sand and water tables, dramatic play equipment like toy kitchens or costumes, and nature and science learning materials are other types of items a facility should have to ensure a balanced and quality environment. In addition, it is anticipated that grants for material supplies will create additional capacity, and may even allow providers to service populations they previously have not due to financial barriers in obtaining supplies. Grants for material supplies are simple, lower cost solutions shown to be vital in the development of children.

Coaching and Technical Assistance

The proposal provides facilities with technical assistance, including coaching and mentoring, to supplement current efforts and to support implementation of the Tiered Quality Rating Improvement System (TQRIS). Technical assistance will take place at the child care facility, allowing coaches to work directly with child care providers. Technical assistance includes time for planning and implementing coaching visits, and maintaining data on participating facilities. Technical assistance and coaching has been a proven method for changing behaviors and encouraging child care staff to implement best practices for the care and education of young children. Coaching will play an integral role in preparing and assisting facilities earn points towards their quality rating, including family engagement, learning environment, and child health.

Professional Development

The Department partners with the Colorado Department of Education Professional Development Office to develop educational supports and training, including webinars on topics germane to the operation of high quality child care programs. Whereas existing programs throughout the State offer assistance to college attendees, these development options target child care workers who are unable to utilize professional development programs due to limiting factors. Topics will include:

- Leadership/management training to ensure child care administrators are aware of and following best practices for operating a small business;
- Emotional intelligence training to ensure staff understand how their personal attitudes and expectations impact the functions of their classrooms;
- Expanding quality for infants and toddlers;

- Expanding Pyramid Plus;
- Topics deemed interesting or necessary based on the Child Care Programs: Survey of Needs and Funding (completed in August 2013) and anecdotal feedback from quality improvement coaches and licensing specialists; and
- Additional webinars will be offered to licensed child care providers who have entered the adverse licensing process. The webinars will help the provider to successfully complete their probationary period.

Additional Resources

Virtual toolboxes will be created for child care facility staff, administrators, Friends, Family and Neighbor (FFN) caregivers, Family Child Care Home providers, and technical assistance professionals. The toolboxes will be accessible through the professional development website currently under development (by the Department of Education through a contract with the Department).

A key factor that is emerging through research into child outcomes is family engagement. Children whose families are engaged in a meaningful way at the child care facility attended by their child outperform children whose families were not engaged. This is a two-generation model that focuses on providing supports, training, and resources to children and parents as they navigate early childhood education.

Anticipated Outcomes:

Fed chairman, Ben Bernanke, was recently quoted as saying “Economically speaking, early childhood programs are a good investment, with inflation-adjusted annual rates of return on the funds dedicated to these programs estimated to reach 10 percent or higher. Very few alternative investments can promise that kind of return.” The Denver Pre-School Program has recently published empirical data that supports the success of these investments. The **Transitional Colorado Assessment Program (TCAP)** is Colorado’s standards-based assessment designed to provide a picture of student performance to schools, districts, educators, parents and the community. For 2013, data suggests that significant numbers of third grade students in Colorado are not proficient in the following subject areas.

| 2013 TCAP ASSESSMENT | | | |
|--|----------------|----------------|-------------|
| | Reading | Writing | Math |
| % of Proficient 3rd Grade Students | 66% | 43% | 41% |
| <i>Source: http://www.cde.state.co.us/assessment/coassess-dataandresults</i> | | | |

While only a small number of child care providers are currently rated for quality, an investment by the Denver Pre-School Program (DPP) for the quality rating and improvement of pre-schools has already produced significant outcomes. Denver Pre-School Program presently funds ratings and improvement for 257 licensed facilities. Data for the first cohort, now taking the third grade TCAP assessment provided to

all third graders, illustrates a 5.5% difference for reading at advanced or proficient levels between Denver Pre-School Program students, and non-Denver Pre-School program students (rates below). In addition, Denver Pre-School Program boasts kindergarten readiness rates of 90% on literacy and math assessments.

| Percentage of Students Reading at Advanced or Proficient Levels | |
|--|-------|
| Denver Pre-School Program Students | 63.8% |
| Non Denver Pre-School Program Students | 58.3% |
| <i>Source: Denver Pre-School Program Longitudinal Study</i> | |

The greatest strength of the Denver Pre-School Program is the financial investment for pre-school providers to reduce the burden of improving and sustaining quality. Investments include coaching and training on the quality ratings tools, quality improvement coaching, classroom supplies and materials, and professional development and educational scholarships. Coaching has proven to be a particularly important factor in improving the quality of early learning facilities. In a recent administration of the *SEEDS to Success Modified Field Test: Impact Evaluation Findings*, child care facilities receiving coaching scored 1.52 points higher (on a 7 point scale) on the Early Childhood Environment Ratings Scales assessment than facilities that did not receive coaching. We would anticipate similar results for participating programs.

Increasing the number of Colorado child care facilities that receive support for quality improvement means better readiness for children entering school. Quality child care interventions have proven the most effective in the lowest income families. To ensure the interventions are successful, scores of the children from facilities receiving quality improvement funds will be tracked using the Results Matter program and the statewide school readiness assessment. The long term effects of quality can continue to be tracked in third grade reading, math, and writing TCAP assessments. The success of the proposal will also be measured by the number of child care facilities receiving a quality rating of level 3 or higher in the Quality Rating and Improvement System. Quality improvement is a multiyear process and requires multiyear funding. The Department projects that 25 percent of participating programs will receive a rating of 3 or higher in the first year. These levels are expected to increase to 40 percent and 50 percent in the second and third year. Initial results from the Denver Pre-School program indicate that these are realistic expectations for quality interventions.

Funding this request means child care providers will have the resources and knowledge available to invest in and sustain quality improvements, without placing additional burden on families and facilities through increased tuition and fees. Existing programs targeting quality in Denver, Colorado, and the nation have proven successful. This request will broaden the scope and availability of quality enhancements to the entire CCCAP population, whereas improvements to date have been limited geographically or by scope. In addition, parents receiving CCCAP subsidies will have choice and access to high quality care options, and will increase the number of children from low-income families in high quality care settings. Most importantly, this request will ensure that children entering the public school system will have a strong foundation to build their educational success upon.

Assumptions and Calculations:

This proposal is modeled on the highly successful quality incentives program administered by the Denver Pre-School program, whose quality incentives have resulted in increasing and sustaining the quality of early childhood pre-school programs. This proposal will cost a total of \$2.2 million in order to implement the above programs, as distributed below:

Financial Incentives for classroom materials

\$1.2 million to provide grants of between \$1,075 and \$1,800 per classroom. The amount of the award will be dependent on a variety of factors, including:

- the demonstrated need of the facility;
- county demographics including the number of CCC AP families; and
- the ability to generate matching funds.

The Department will target these grants towards facilities serving a high number of CCCAP families. However, any licensed childcare center can apply for quality improvement funding.

Coaching and Technical Assistance

\$1.0 million for a minimum of 175 classrooms throughout the state to receive one hour of coaching weekly for up to one year. The cost is \$120 per 1-hour session, including travel, materials, and preparation for each visit. It is anticipated that as providers receive incentives for materials, grants will transition to be more proportionally weighted to coaching and technical assistance. See attached calculations.

Financing

The total request of \$2,197,200 is funded with \$1,757,755 from the General Fund and \$439,439 in county matching funds. The General Fund quality improvements grants will require a 20% county match. Counties may use any available non-State funding source for match, including local funds, grants and donations, and appropriate federal funds.

Table 1: Assumptions and Calculations

| CALCULATION DETAILS | | | Request |
|--|------------|---------------------|---------------------------|
| Description | Facilities | Average Grant Award | FY 2014-15 |
| Quality Improvement Grants | | | |
| Number of licensed child care centers ⁽¹⁾ | 2,000 | | |
| • 33% of classrooms ⁽²⁾ | 667 | \$1,782.90 | \$1,189,194 |
| • Average grant ⁽³⁾ | | | |
| <p>(1) The Department proposes first year grants be offered to centers, as they are the first facilities to receive a quality assessment.</p> <p>(2) It is assumed that approximately 33 percent of centers will participate at some level.</p> <p>(3) The School Readiness Quality Improvement Program (SRQIP) assessment indicated the cost to fully equip one classroom at \$1,782.90 (cribs, tables, chairs, training, educational materials, furnishings, etc.).</p> <ul style="list-style-type: none"> • The grants are targeted towards CCCAP facilities, but any licensed facility can apply for a grant. • The grants amounts are average estimates. Actual grants will be based on need and appropriateness. • The grants are per classroom. A facility can apply for multiple grants | | | |
| Coaching and Technical Assistance | | | |
| Number of targeted facilities ⁽⁴⁾ | 175 | | |
| • Number of sessions per year ⁽⁵⁾ | | 48 | |
| • Cost per visit ⁽⁶⁾ | | \$120.00 | \$1,008,000 |
| <p>(4) Coaching assistance will be provided to 175 sites.</p> <p>(5) Research indicates that one visit per week for up to one year will increase a facilities quality rating by 1 to 2 levels. The calculation allows for holidays and vacations, resulting 48 visits per year.</p> <p>(6) The cost of each one-hour coaching session is \$120 which includes travel, materials, one hour preparation per visit.</p> <ul style="list-style-type: none"> • The grants are targeted towards CCCAP facilities, but any licensed facility may request coaching assistance as funding allows. • Coaching is provided to individual classrooms. A facility may request assistance for multiple classrooms. | | | |
| Total Funds | | | <u>\$2,197,194</u> |
| General Fund | | | <u>\$1,757,755</u> |
| County Matching Funds | | | <u>\$439,439</u> |

ⁱ Child Care Licensing Data

ⁱⁱ National Association for Child Care Resource and Referral Agencies. (2012). *Parents and the High Cost of Child Care, Child Care Aware.*

ⁱⁱⁱ United States Government Accountability Office (2012, February). *Early Child Care and Education: HSS and Education are Taking Steps to Improve Workforce Data and Enhance Worker Quality.*

^{iv} 2012 Pyramid Plus Annual Report

^v Lee, V. E. & Burkam, D. T. (2002). *Inequality at the starting gate: Social background differences in achievement as children begin school.* Washington, D.C.: Economic Policy Institute.

^{vi} *Denver Pre-School Program Longitudinal Study, 2008-2009 Cohort Report*, Published August 7, 2013, by Augenblick, Palaich, and Associates; *Abbott Preschool Program Longitudinal Effects Study: Fifth Grade Follow-Up*; Published March 13, 2013, National Institute for Early Education Research Rutgers—The State University of New Jersey;

^{vii} *Into Adulthood: A Study of the Effects of Head Start*, by Sherri Oden, Lawrence Schweinhart, and David Weikart with Sue Marcus and Yu Xie (2000); *Head Start's Lasting Benefits*, Infants and Young Children, 2005, W. Steven Barnett.