

Child Care Allocation Proposed Legislation
Intent / Purpose of the Proposal

During the 2018 legislative session, the Legislature, at the recommendation of the Joint Budget committee staff, passed HB 18-1355, which significantly altered the manner in which Child Care services are financed and administered in the State of Colorado. While the changes have resulted in some positive service delivery results, they have also caused irreconcilable discrepancies between the amount of funding needed to administer the program in individual counties and the amount of funding actually allocated to each county.

CDHS, with the assistance of the Child Care Allocation Workgroup, has made attempts to mitigate these discrepancies with numerous adjustment factors, as allowed under the statute. However, the impacts of the discrepancies continue to exist and are impacting counties more and more each year, as temporary mitigation attempts, such as the attribution of “floors”, which limit the annual impact of the changes on an individual county’s allocation.

There are two components of HB 18-1355 which have contributed to the discrepancies noted:

- (1) The formula by which appropriated funds are allocated between the counties allows for only two permanent factors; (a) the number of children eligible to participate in CCCAP, and (b) the appropriate reimbursement. Limiting the formula to these two factors ignores the impact of some other key factors that significantly affect the amount that each county will actually spend on the program; (a) the availability of quality care in the county, (b) cultural factors that may encourage or discourage a parent’s decision to allow others to watch their children during young, formative years, (c) cultural and philosophical factors that may encourage or discourage a parent’s decision to rely on public assistance, and (d) the availability of employment or employment-related activities in the county which would necessitate reliance on child care assistance; among many other factors.

The formula used to allocate Child Care funding prior to the passage of HB 18-1355 included “Utilization Factor”, which served as a surrogate for these other factors in order to estimate how many children or families were eligible for CCCAP assistance, but also how likely those families were to access those services. In the absence of that factor, the current formula tends to allocate too much funding to counties who have a population with a lower than average likelihood of accessing CCCAP services and too little funding to counties whose population has a greater likelihood to do so.

- (2) HB 18-1355 set a state-wide minimum eligibility level of 185% of poverty. In response to HB 18-1355 and based on their analysis of need, CDHS adjusted that minimum eligibility level for sixteen counties to 225% of poverty, for six counties to 265% of poverty, due to those counties having a higher cost of living standard than the average in the State of Colorado. As a result, these twenty-two counties are compelled to serve applicants who qualify under these higher thresholds. No such adjustment was accommodated for those counties whose cost of living standard was lower than the state-wide average.

Prior to the passage of HB 18-1335, counties were given the discretion to adjust their own eligibility levels, based on their knowledge of the demographics and needs of their own community. The formulaic approach does not take all of this into consideration and, therefore, distributes allocation to some counties who are compelled to serve applicants at a higher income level, but whose population earning that higher level of income are not motivated to apply for such assistance, while not distributing funding to other counties who experience relatively high applicant levels.

Two relatively simple amendments to the statutes affected by HB 18-1335 would go a long way toward resolving these issues:

- (1) Allow CDHS, with the assistance of the Child Care Allocation Workgroup, to consider a Utilization Factor, similar to the one that was used prior to the passage of HB 18-1335. This would enable the distribution to consider not only the volume of eligible population and service delivery cost of each county when allocating the funds, but also the likelihood of the eligible population to actually apply for the services.
- (2) Allow counties to set their own eligibility levels, expressed as a percentage of the Federal Poverty Level. This would enable counties to react to demographic and economic occurrences in their area to prioritize services toward those in greatest need of those services, while controlling expenditures to an acceptable level.