

QUALITY CHILD CARE IN COLORADO: A COST STUDY

PART 2: COLORADO'S EARLY CARE AND EDUCATION ECOSYSTEM

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ECOSYSTEM OVERVIEW

Families

Families and young children in Colorado are at the center of a complex system intended to support parental and child development needs. This system includes early care and learning providers, early childhood professionals, and an infrastructure of regulations, funding, licensing structures, and quality ratings. In theory, families have a wide range of options to choose from, but the reality can be quite different. Cost, supply, and quality can vary considerably based on geographic location, age of the child, and what families can actually afford. Research also shows that families of color experience disparities in access to high quality care.¹ During the pandemic, these disparities were highlighted in Colorado, with Black and Indigenous families having less access to care than white families.²

Early Care and Education Providers

Early care and education providers range from more informal caregivers – often referred to as family, friend, and neighbor (FFN) providers – to more structured programs in centers, preschools, or public school-based settings. The extent to which providers can or do engage with the system’s infrastructure is partly dependent on where they fall within this continuum. More informal programs may have little engagement, while those with greater structure are likely to have more.

Early Childhood Workforce

Early childhood professionals who work within this structure are at the core of caregiving and early education. These are the individuals who work directly with children and families as directors, teachers, and caregivers, among other titles and roles. The workforce is as wide-ranging as the providers, if not more so. Levels of education, training, and experience vary widely, and may include talented individuals who have not finished high school to those who may have a master’s or doctoral degree. Like the providers, the extent to which they can or do engage with formal systems of intended support can differ, based on the individual’s circumstances and the type of provider they are connected to.



CONTINUUM OF EARLY CARE AND EDUCATION PROVIDERS

MORE INFORMAL

Family, Friends and Neighbors (FFN)

Care by family members, friends, or neighbors, either with or without a fee

Family child care homes

Licensed or qualified exempt care for children within a home setting

Child care centers

Licensed care for children in a setting that is not a home

Community-based preschools

Licensed programming, typically for 3-5-year-olds, based in a community setting (e.g., church, child care center, stand-alone site)

K-12 school-based preschools

Licensed programming, typically for 3-5-year-olds, based in a K-12 setting

MORE FORMAL

SYSTEM INFRASTRUCTURE

The key elements of the early care and learning infrastructure include:

- **Funding streams and related programs**
- **Licensing**
- **Quality rating improvement system (QRIS)**

Funding

Public funding sources include the Colorado Child Care Assistance Program (CCCAP), the Colorado Preschool Program (CPP), Preschool Special Education, and Head Start/Early Head Start. Of approximately 396,000³ children under the age of six in Colorado, only 16 percent receive funding through these sources. Public funding covers approximately 28 percent of child care costs in the state. The remaining 72 percent is paid primarily by parent fees.⁴

Licensing

Child care licensing operates out of the Office of Early Childhood (OEC), which is housed within the Colorado Department of Human Services (CDHS). This office is responsible for licensing more than 5,000 family child care homes and non-child care facilities that provide less than 24-hour care. This includes overseeing health and safety inspections and background checks and setting training requirements.

Quality Rating Improvement System (QRIS)

Colorado Shines is the state's system for encouraging and supporting providers to deliver high-quality services. All licensed providers are automatically rated a Level 1 on a 5-point scale (5 is the highest level). Providers who meet additional criteria can raise their ratings. Participating in the rating system beyond Level 1 is voluntary, and prior to the pandemic approximately half were at that level.⁵

Other Infrastructure

Additional early care and learning infrastructure elements include:

- early childhood mental health consultation
- health consultation
- regional early childhood councils
- Child Find (developmental screening and assessment)
- birth-3 early intervention
- home visiting services

QRIS RATING LEVELS AND CRITERIA

Level	Criteria	% at Level
1	<ul style="list-style-type: none">• Licensed for health and safety standards	48%
2	<ul style="list-style-type: none">• Licensed and in good standing• Quality improvement plan in place• Staff registered in Professional Development Information System (PDIS)• Quality Indicator Program Assessment completed	26%
3-5	<ul style="list-style-type: none">• Licensed and in good standing• Completed all Level 2 requirements• Rated on a points system based on workforce, family engagement, management, learning environment, and child health factors	26%

PUBLIC FUNDING FOR EARLY CARE AND EDUCATION IN COLORADO

Colorado Child Care Assistance Program (CCCAP):

Provides financial assistance to qualified families to help cover child care costs.

Numbers Served:

~11,000

Colorado Preschool Program (CPP):

Provides early learning services for children ages 3-5 with certain factors that put them at risk of school failure.

Numbers Served:

~23,000

Preschool Special Education (Part B 619):

Provides early learning services for 3- and 4-year-old children experiencing learning and developmental challenges.

Numbers Served:

~15,000

Head Start:

Provides federally-funded early care and learning services for children birth-5 who meet income thresholds.

Numbers Served:

~13,000

MIXED DELIVERY

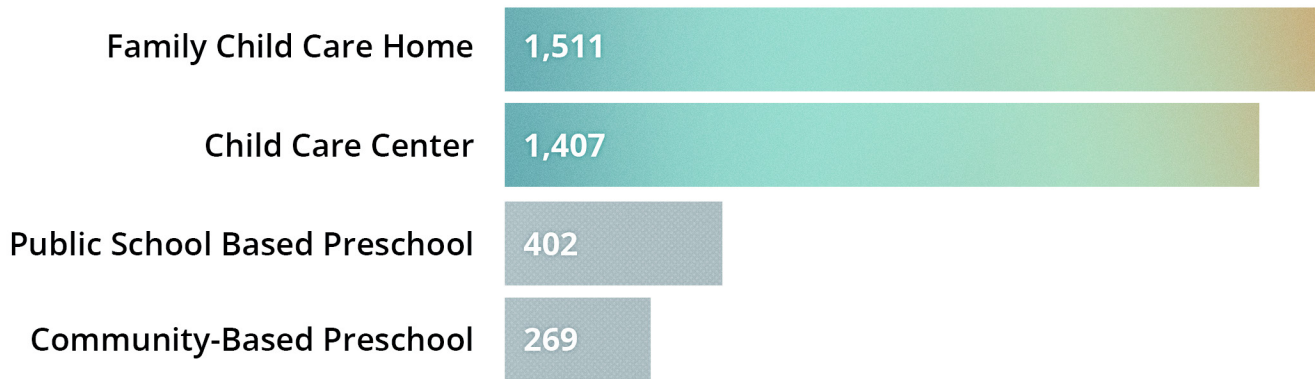
Early care and learning services in Colorado are delivered by both community- and public school-based providers across provider types, including child care centers, family child care homes, community preschools, school-based preschools, and FFNs. This is often referred to as mixed delivery.

Statewide, family child care homes and child care centers make up the largest proportion of licensed facilities for children birth-5 (81 percent combined). Public school- and community-based preschools represent 19 percent of the licensed providers.⁶ The number of facilities licensed do not reflect the number of children enrolled in each of those settings. Family child care homes, by design, serve a smaller number of children each than do centers or preschools.

These figures do not account for FFN providers, which are estimated to serve approximately 40 percent of children in care⁷ and may be used more frequently by Black and Latinx families.⁸

Family use of the mixed delivery system can vary based on factors such as the age of their child and income. It is not unusual for families to use more informal and home-based care when children are infants and toddlers, and then transition to more formal settings as children enter preschool. Similarly, FFN care and Family Child Care Homes tend to be less costly to families than center-based care, especially when children are infants and toddlers and care is more expensive.

THE LARGEST NUMBER OF LICENSED FACILITIES ARE FAMILY CHILD CARE HOMES & CHILD CARE CENTERS



FUNCTIONALITY OF THE CURRENT SYSTEM

Colorado's current system has challenges that impact family access to care and the ability of providers to sustain operations and retain a qualified workforce. There are also inherent equity considerations that tend to benefit some providers, workforce, and families more than others.

Family Access

Colorado is in the top ten least affordable states nationwide for infant, toddler, and four-year-old care in center- and home-based settings. Nationally, the average annual cost of care for a four-year-old is \$8,672 in a center and \$7,148 in a family child care home. In Colorado, those costs are significantly higher, at \$12,095 and \$9,953, respectively.⁹

The supply of care is also an issue. Colorado has 94,000 fewer licensed slots for early care and learning than children under age six with working parents.

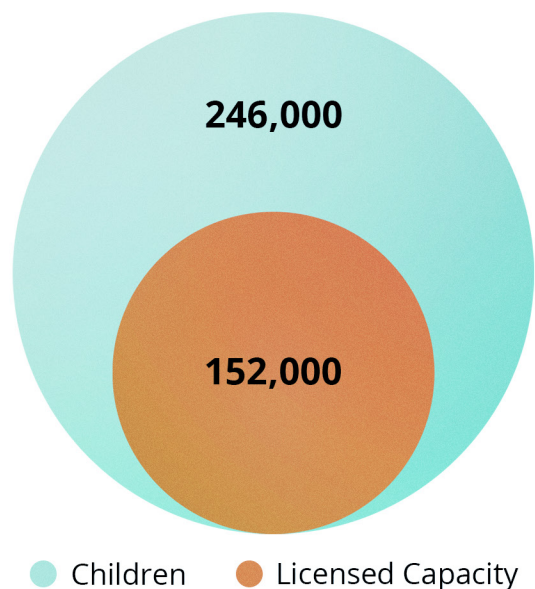
Provider Sustainability

The normal market rules of supply and demand do not function effectively in

the early care and learning system. Even though demand is high and supply is low, providers are operating on very thin profit margins.¹⁰

During the pandemic, this situation has become even more challenging. Nearly 10 percent of providers shut down during initial closures, and enrollment dropped by over half. Those who did not have access to some form of public dollars, like CCCAP, CPP, or the Denver Preschool Program (DPP), were 1.6 times more likely to have closed.¹¹

NUMBER OF CHILDREN UNDER AGE 6 WHO NEED CARE VS. LICENSED CAPACITY



Workforce Retention

An ongoing stress on the system is the lack of qualified early educators to fill open positions. Before the pandemic, more than 60 percent of child care directors statewide said that finding qualified staff was a top challenge.¹² The pandemic created additional vacancies when almost a quarter of the workforce was furloughed or laid off. Of those that came back, less than half (45.2 percent) were sure that they would stay in their position for the next two years.¹³

The primary factor driving the difficulties recruiting and retaining early childhood professionals is the low pay workers receive. The median annual salary for early childhood lead teachers is just above minimum wage¹⁴, and many make so little that they qualify for public assistance programs, like SNAP and WIC.¹⁵ Combined with growing demands on the workforce to meet high quality standards and training levels, the turnover rate for early childhood educators is about four times higher than for K-12 educators.¹⁶

Equity Considerations

All the factors that impact the functioning of the early care and education system are often worse for families and workforce of color. During the pandemic, a third of Black and Asian parents had trouble accessing care, compared with a quarter of white, non-Hispanic families.¹⁷ Many children are also in settings that do not reflect their language or culture, with over half of the workforce reporting that they do not speak the same language as the children they care for and educate.¹⁸

Research shows race and ethnicity factors can also impact the opportunities of the early educators. According to a

2017 study of the Colorado workforce, “Latina teachers are less likely to be in lead teaching and leadership roles and are more likely to be in assistant teaching roles than are white, non-Latina teachers.”¹⁹

“A typical early care and education business operating at a level 3 on the Colorado Shines quality rating system has to cover an average annual gap between revenues and expenses of over \$37,000.”

– Bearing the Cost of Early Care and Education in Colorado

POLICY AND STRUCTURAL INNOVATIONS

Colorado has initiated significant changes to the early care and learning system that have the potential to address some of the challenges inherent in the current structure:

- During the 2021 legislative session, the legislature passed, and the governor signed, HB21-1304, establishing a new, cabinet-level Department of Early Childhood;
- Voters passed Proposition EE to provide “funding for expanded preschool, including at least ten hours per week of free preschool for every child in their final year before kindergarten”;
- With funding from a federal Preschool Development Grant (PDG), the OEC initiated a set of strategies to impact the cost and quality of care in the state.

Department of Early Childhood

The Colorado legislature and governor created a new Department of Early Childhood to build on programmatic successes such as CPP and CCCAP, while also addressing systemic challenges, including fragmented regulations and funding streams. A Transition Working Group and related advisory group and subgroups have met since the passage of HB21-1304 to provide recommendations on how to structure the new department to achieve intended goals.

One of the primary goals of the new department is to align funding and regulation of early childhood programs and to streamline access to services for families. As such, key recommendations submitted to the legislature and governor in November 2021²⁰ include moving the following core programs and functions from the OEC and Colorado Department of Education (CDE) to the new department:

- All programs currently located in the Office of Early Childhood
- All services administered by the Early Childhood Workforce Development team
- The Colorado Preschool Program, which will be unified with the new universal preschool program

Preschool Special Education (Part B 619) will remain at CDE, and the Child and Adult Care Food Program (CACFP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) will stay at the Colorado Department of Public Health and Environment (CDPHE). These programs may be revisited for movement to the new department in 2025.

Universal Preschool

The new universal preschool program has the potential to change the availability and type of early learning services in Colorado. A core proposal from the draft recommendations developed by the Transition Working Group in 2021 is to create local leads that will be “empowered and charged to solve local challenges, foster partnerships, create alignment across all local entities, and allocate funding equitably across providers in their communities”²¹

These local leads will create a new infrastructure for allocating significant early care and learning resources. They are intended to “ensure every child is offered a universal preschool spot, every family can easily navigate enrollment, and all funding is maximized.” Leads could be any public or non-profit organization that local communities collaboratively identify.

Additional recommendations are designed to support family access, provider participation, high-quality programming, a strong workforce, and cross-agency partnerships.

DRAFT UNIVERSAL PRESCHOOL RECOMMENDATIONS

Local Leads	Create a local administrative structure to coordinate administration of universal preschool.
Unified Application	Develop a single, user-friendly application for families to access preschool services.
Eligibility and Prioritization	Create a base per-child rate for universal preschool, with flexibility to adjust for children with the greatest need.
Quality and Evaluation	Create a unified definition of and standards for quality preschool; evaluation program quality and child outcomes.
Workforce	Simplify the process to enter the field, define competencies, and increase compensation.
Special Education	Keep administration of preschool special education at CDE; create a strong partnership between DEC and CDE to unify preschool programming.

Preschool Development Grant (PDG) Strategies

Through a federal Preschool Development Grant, the OEC has pursued strategies that may impact the funding and quality of early care and education services. Through slot contracts, they are streamlining the process for counties to pay CCCAP providers for a pre-determined number of slots they provide rather than based on child attendance, which is currently common practice. Providers have consistently said that the current attendance-based reimbursement system is a barrier to participation in CCCAP.²²

OEC has also updated the state's Quality Rating Improvement System (QRIS) framework. The new system has been designed to:

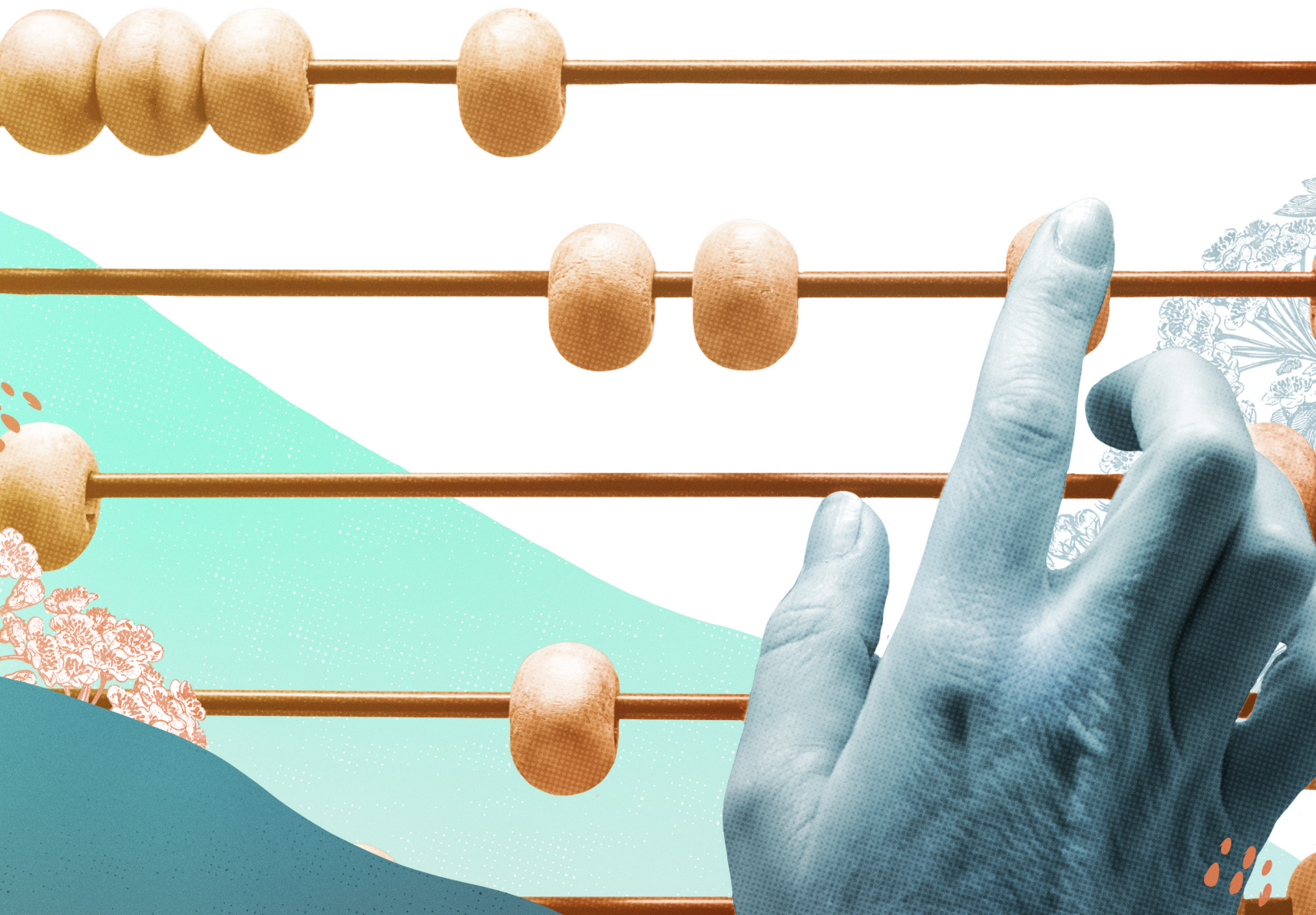
- Simplify scoring, eliminate redundant indicators, and streamline verification;
- Recognize the unique circumstances of family child care homes;
- Align with the latest research on quality in early care and education.²³

For providers who participate in CCCAP or other programs that base reimbursement rates on quality ratings, the revised scoring system may impact their income and sustainability. For those that don't currently participate, the simplified rating system may encourage participation.

LEVERAGING THE COST OF CARE MODEL

The Bell Policy Center has supported the development of a cost of care model that can assess the impact of different factors (e.g., participation levels, quality, and wages) on the supply and demand of early care and education in the state. The model is interactive and allows users to adjust assumptions to see the impact of policy and program decisions by county and statewide. Over the next several months, Colorado will make decisions around the new Department of Early Childhood and implementation of universal preschool that will have significant cost implications. Counties and other local entities may also explore the use of slot contracts and ratings-based reimbursement strategies as ways to increase child care access and provider sustainability. In Denver, for instance, the Denver Preschool Program (DPP) has been participating in conversations about the development of the model so they might use it to update their own subsidy strategy for providers that participate in the program.

The Cost of Care Model can be an important tool for helping decision makers understand the potential outcome of different decisions and for encouraging dialogue about goals and solutions. If you are interested in accessing the model to inform your own policy planning, please contact the Bell Policy Center at the information below.²⁴



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- 24** To explore the Colorado Cost of Care Model, contact Julie Pecaut at the Bell Policy Center, pecaut@bellpolicy.org.