



IN THE KNOW:

The Colorado Child Care Assistance Program (CCCAP)

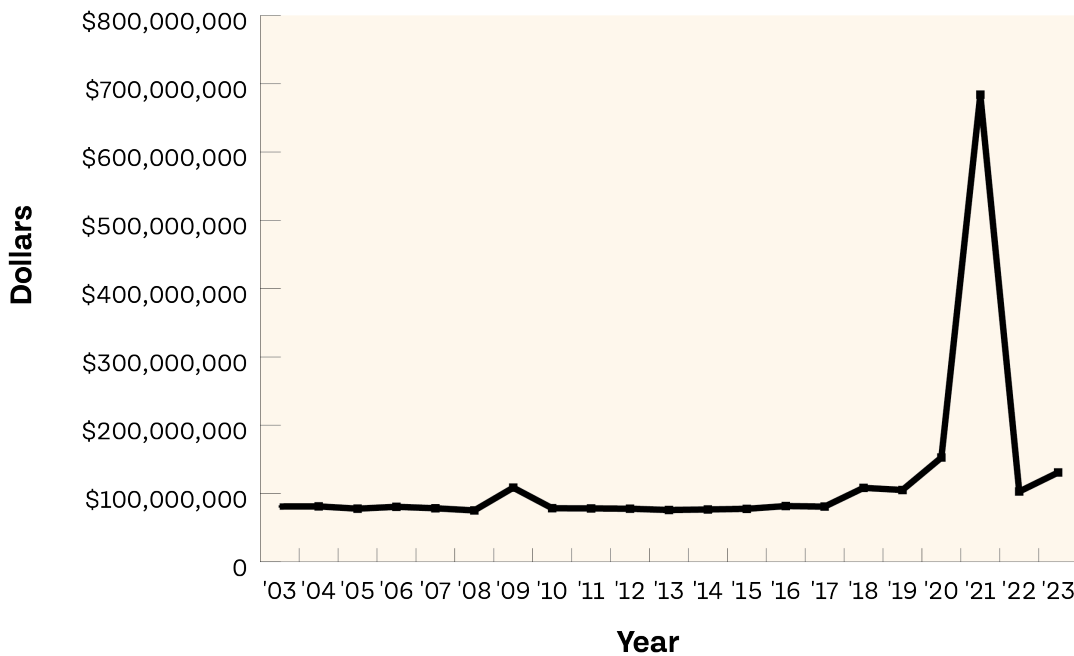
[The Colorado Child Care Assistance Program](#), known as CCCAP, is a child care subsidy for families with low incomes that are unhoused, working, searching for work, in school, or in a training program. [Child care is unaffordable](#) for many Colorado families and CCCAP is a crucial program that helps families most in need of affordable child care. In 2020, CCCAP served over [17,000 children](#), but this number only represents a small portion of the eligible population. As the state continues to make progress on the affordability of child care with programs such as [Universal Preschool \(UPK\)](#), CCCAP plays an important role in increasing the affordability of care for children, from birth through 12 years of age.

HOW IT WORKS

CCCAP requires cooperation across federal, state, and local governments, providers, and families. It is a federally-funded program through the Child Care Development Fund (CCDF), though the state and counties also contribute to the program.

- **FEDERAL GOVERNMENT:** The funds for CCCAP come from CCDF, authorized under the Child Care and Development Block Grant Act (CCDBG), and is distributed to states for the express purpose of child care subsidies for low-income families. In 2023, Colorado received over \$130 million of federal funds from CCDF. As shown below, this allocation, with some gradual increases, has largely stayed stagnant, with exceptions in 2009 and 2021 during economic recessions and the COVID-19 pandemic when the federal government deployed emergency funds.

CCDF Fund Allocation: Colorado (Inflation Adjusted)



Source: Bell Analysis of CCDF State Allocation Data

It should be noted that in addition to supporting the CCCAP subsidy, the CCDF funding shown above also supports [quality improvement activities and child care licensing](#).



Apart from providing the funds, CCDF has a set of broad guidelines for states to follow, such as ensuring subsidies are sufficient to ensure equal access to a range of care providers and that parent copayments remain affordable. Those guidelines also allow for state flexibility and control.

- **STATE GOVERNMENT:** As mentioned above, the state contributes to CCCAP too, though less than the federal funds received. The lead agency in Colorado responsible for distributing CCCAP funds to counties is the Colorado Department of Early Childhood (CDEC). CDEC distributes the funds to each county’s department of human services. The state sets baseline eligibility rules for each county based on income. The funds from the American Rescue Plan Act (ARPA) expanded the eligibility thresholds, which enabled an estimated [3,000 additional families](#) to access affordable care. The expanded threshold changes are set to [expire in 2025](#).

Importantly, CDEC is responsible for setting the licensed provider reimbursement rates for each county outlined in the Colorado Market Rate Survey, which the state conducts every three years to ensure adequacy of these rates. However, reimbursement rates are often [cited by providers as inadequate](#) in covering the costs of providing care and is a limiting factor in increasing provider participation in CCCAP.

- **LOCAL GOVERNMENT:** Although the state is responsible for setting eligibility guidelines, counties have the right to identify priority populations and target their CCCAP allocation as they choose. Though, according to the [2022/2024 State Plan](#), no counties have done this. Counties do identify the reimbursement rates for Qualified Exempt providers, who are non-licensed family, friend, and neighbor (FFN) providers who have met certain requirements.
- **PROVIDER AND FAMILY:** Providers and families also play an important role in CCCAP. In addition to the CCCAP payment to providers, families are responsible for paying a co-payment, or parent fee. The fee is set statewide on a sliding scale based on income and number of hours a child is in care. Copays are reduced when families place their children in centers rated as “high quality” by the state’s Quality Rating Improvement System (QRIS). However, it is important to recognize that the distribution of [quality providers](#), as measured by the QRIS, is not equitable and in many cases parents do not have the choice to attend what is considered a high-quality care provider.

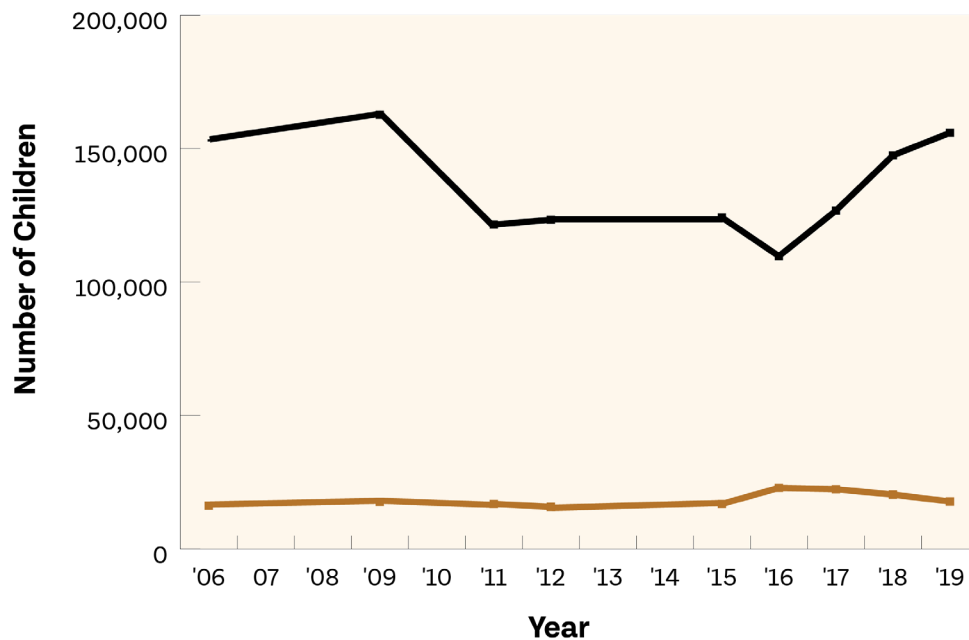
OPPORTUNITIES AND CHALLENGES

CCCAP is layered within a complex early childhood education (ECE) ecosystem. Importantly, CCCAP allows for the blending and braiding of funds. Meaning, CCCAP can be used in addition to other funding sources a family may use, such as the Colorado Universal Preschool Program and Head Start. This allows families most in need to gather the necessary funding to afford child care. This is particularly important as child care is a high cost to families. Notably, it also highlights the patchwork of funding, and the burden parents face in affording child care.

In addition to its importance in increasing access to child care for families with low incomes, child care subsidies are recognized as an important poverty reduction strategy. [Access to child care subsidies increases](#) the ability of parents to work, enhances income, and reduces poverty. Receiving subsidies also is associated with selecting higher-quality care which further supports child development.

Despite the benefits, with current funding levels, Colorado is unable to serve all who are eligible. According to CDEC’s CCCAP legislative report to the Joint Budget Committee, in fiscal year 2022-2023, [only 10 percent](#) of the income eligible population was served. This trend has been long-standing, as shown in the next graph. The need for CCCAP has fluctuated but remains much higher than those served by CCCAP, which has stayed mostly constant. While the 2020 data has not been published, it is possible that the additional funds awarded through ARPA affected how many children were served by CCCAP.

Number of CCCAP Eligible Children vs. Number of Children Utilizing CCCAP



Source: Bell Analysis of CCDF Allocation Data and CCDF Eligibility and Receipt Data

Funding levels also affect the rate at which providers are reimbursed. As was mentioned above, providers state that the reimbursement rates are insufficient in covering the cost of providing care and is a financial barrier to their participation as they bear the remaining cost of providing care that CCCAP does not cover. Providers also note the added administrative duties to participate in the program as a barrier.

In addition to challenges for provider participation, families face challenges in accessing CCCAP. Families participating in CCCAP note that the [process to qualify and maintain benefits is arduous](#). Some CCCAP providers [note that they do not have any CCCAP children enrolled](#). This may be due to limited funding and ability to serve the eligible population as demonstrated above, the process for applying and verifying eligibility for families, and likely a mix of both.

Additionally, very few Qualified Exempt providers participate in CCCAP. [One percent](#) of children using CCCAP are in FFN care. For many reasons, including the burdensome process and distrust of government as many [FFN providers are also immigrants](#), FFN providers may be hesitant to become Qualified Exempt. This is important as FFN providers often provide care for families with lower incomes, or families of color, and therefore these children may not benefit from CCCAP to the same extent.

KEY CONTEXT

- The U.S. Department of Health and Human Services defines affordable child care as care that costs [7 percent of a household's income](#) or less. Using Colorado's CCAP tiered income eligibility thresholds – which range from 200 percent of the [Federal Poverty Level](#) (FPL) and below, and up to 270 percent of the FPL – and the [average annual cost](#) of child care in Colorado, a family of

four that is CCCAP eligible would pay between 20 and 27 percent of household income on child care if they did not have assistance. With CCCAP, parents and families have a maximum copayment of [10 percent of gross income](#).

- According to the [2022 Market Rate Survey](#), which is a federally required survey the state conducts every three years to help establish child care subsidy rates, 57.4 percent of child

care providers surveyed report participating in CCCAP. However, 25 percent of these respondents also noted that they do not have any CCCAP children currently enrolled in their program.

- [Reimbursement rates are often cited as too low](#), and a major barrier to providers participating in the program. This is especially true for rural areas.