



## EXECUTIVE SUMMARY

# CHILD CARE AFFORDABILITY IN COLORADO:

## An investigation into child care costs and recommended strategies for improving affordability

After decades of research, it is clear that access to high-quality child care promotes children's healthy development, supports working families and benefits society through positive economic impacts. Unfortunately, the high cost of child care throughout the United States and in Colorado forces many parents to settle for low-quality care or inhibits them from accessing licensed care altogether. The Women's Foundation of Colorado, Qualistar Colorado and the Colorado Children's Campaign have produced this report after a year of investigation into issues of child care affordability with the goal of outlining actionable next steps in improving affordability for Colorado families.

In order to determine how affordability might be improved, it is necessary to understand why the price of care appears so high in Colorado. To that end, this report identifies the primary factors that contribute to the high price of child care, examines the variation in family incomes, and applies the measure of affordability as the average price of child care compared to median income in each Colorado county.

**High-quality child care is expensive to provide.** Most child care programs cannot charge prices high enough to cover all their costs because families would not be able to afford it. That fact makes it difficult to set prices based on an actual budget that considers revenues and expenses. Providers risk sacrificing quality if they lower their prices and can no longer afford to invest in staff, facilities and equipment. The price of child care varies according to factors such as the ages of children, the type of care setting and geography.

**A primary factor that contributes to the high price of child care is personnel costs.** Child care is a labor-intensive industry and personnel costs are by far the largest expense category within child care programs' budgets even though child care professionals are not highly compensated. Because most child care centers are open 11 or 12 hours per day in order to serve working families, multiple shifts of qualified staff are needed. Requirements for staff-to-child ratios and group size also result in the need for large numbers of staff. In addition to personnel costs are the operational and facility costs associated with maintaining healthy and safe environments for young children. Facility costs are significant because child care programs must ensure that their environments adequately support children's developmental needs. Things such as flooring, equipment, and materials must be replaced at the first sign of wear and tear. Some child care business infrastructure costs are high relative to other industries, such as annual licensing fees and background checks on staff members.

Because families' incomes vary, child care prices have differing impacts on families. **Child care affordability is particularly out of reach for families headed by single mothers.** Married couples with children using center-based care pay anywhere between 7.5 percent (San Juan County) and 20.3 percent (Saguache County) of their income for infant care and between 5.5 percent (San Juan County) and 16.7 percent (Routt County) of their income for preschool-age care. Single mothers pay between 19.9 percent (Teller County) and 94.5 percent (Gunnison County) of their income for infant care and between 11.9 percent (Ouray County) and 85.6 percent (Gunnison County) of their income for preschool-age care.

Financial assistance from outside sources is limited, so child care programs must rely on families to cover the vast majority of their costs. The factors that tend to produce higher quality care, such as sound health and safety practices and high teacher qualifications, are also those that incur higher costs. Colorado is an established leader in some of these areas and is striving to improve in others, as evidenced by recent increases in the education requirements for both teachers and directors. **Any attempts to improve affordability by sacrificing quality would be counterproductive to the goals our state has for young children.** The fact that most families cannot pay more than they already do for care, however, means that solutions to the child care affordability issue must lie elsewhere.

In response to the financial challenges faced by both child care programs and families, many efforts are underway in Colorado and across the country to improve child care affordability. While some innovative strategies are in the design phase, others are being implemented with at least some success. The Women's Foundation of Colorado, Qualistar Colorado and the Colorado Children's Campaign have identified the following strategies as worthy of pursuing in an effort to help families access and afford the care they need.

## **PROMISING STRATEGIES FOR IMPROVING CHILD CARE AFFORDABILITY IN COLORADO**

- 1. Expand access to the Colorado Child Care Assistance Program (CCCAP).** There are three policy changes to CCCAP that policymakers must fund to help more families afford child care. The first is to raise income eligibility limits and fund those increases so they can be fully implemented. Second, recent policy changes to copayments for low-income families must be adequately funded in order to truly reduce families' copayments. Finally, reimbursement rates (the rates at which child care programs are compensated for caring for children participating in CCCAP) must be raised in order to improve access to affordable child care and enable providers to sustain their businesses and invest in quality.
- 2. Invest in and expand other statewide and local initiatives that support families' child care needs.** Colorado has several state and local initiatives designed to support the early care and learning of young children, including the Colorado Preschool Program, the Denver Preschool Program and similar programs in Boulder County, Summit County and the City of Aspen. These programs provide tuition support for families and quality improvement resources to child care programs. Investing in these programs and replicating these in other communities can help extend families' access to child care and preschool.
- 3. Expand federal investments in child care affordability.** Despite the increasing cost of child care, total federal funding for child care assistance has declined over the past decade. The federal Child Care and Development Block Grant (CCDBG), the primary source of funding for CCCAP and various quality improvement initiatives, must receive additional funding to meet increasing costs due to inflation and increased need. Congress' recent passage of the CCDBG Reauthorization bill is a huge first step in employing this affordability strategy.
- 4. Provide incentives for businesses to adopt family-friendly practices that help employees address child care needs.** Family-friendly policies allow workers to maintain job stability while addressing their families' needs. By providing subsidized on-site child care facilities, employers can help families afford child care. Other family-friendly policies include allowing flexibility in employees' work schedules such as part-time positions, flex-time, and working from home. Executives Partnering to Invest in Children (EPIC) has developed an employer's tool kit to aid businesses in implementing these policies.
- 5. Explore innovative practices to improve efficiency and help families afford child care costs.** Care for some children is supported by a variety of funds, such as CCCAP, Colorado Preschool Program, local initiative dollars, federal funds, and parent tuition. Child care programs are most often responsible for mixing these different funding streams, tracking the usage of funds, and completing the paperwork and reporting to the various funding entities. This results in higher administrative costs for child care programs. By having the funds "blended and braided" at a state or local agency level, such as is being considered in the state of Washington, child care programs can deliver the same full-day, quality services at a lower administrative cost.
- 6. Provide families with accessible information on child care options and sources of assistance.** Families should know how to access information on finding child care and financial resources. Many resources exist, such as the statewide network of Child Care Resource & Referral (CCR&R) coordinated by Qualistar Colorado, 2-1-1 Colorado, and Colorado's Program Eligibility and Application Toolkit (PEAK). Organizations such as Qualistar Colorado and 2-1-1 Colorado can assist families with child care affordability by making their services known through outreach and consumer education efforts.

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