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Child Care Assistance Program Changes

HB14-1317

Rich Jones, Director of Policy and Research

Testimony to the House Public Health Care and Human Services Committee

March 18, 2014

Thank you for the opportunity to testify to the committee today.

I am Rich Jones, director of policy and research with the Bell Policy Center. The Bell is a non-partisan, non-profit research and advocacy organization founded on progressive values and dedicated to making Colorado a state of opportunity for all.

The Bell Policy Center supports HB14-1317, which will make important changes to the Colorado Child Care Assistance Program (CCCAP). This legislation will increase the affordability of child care for low-income working families, expand access to child care in hard-to-serve areas, ensure that families throughout Colorado have access to CCCAP when they are enrolled in post-secondary education or workforce training and mitigate the “cliff effect” that holds families back from advancing toward self-sufficiency.

This bill takes a broad approach at restructuring CCCAP and makes a number of innovative changes to help support low-income working parents better access CCCAP while ensuring that more Colorado kids benefit from higher quality child care. These thoughtful changes are the result of a great deal of study and debate on the part of a wide range of stakeholders.

I am going to focus my testimony on how this bill will help mitigate the cliff effect. The Bell Policy Center has studied the cliff effect in CCCAP and how it limits the ability of families to advance economically. The cliff effect occurs when families increase their incomes, moving closer to self-sufficiency, but go over the CCCAP eligibility limit in their county and then lose their child-care benefits. In many cases, the income eligibility limits are set below the level of income needed to reach self-sufficiency. Often, the value of the lost CCCAP benefits is greater than the increase in pay from a raise, promotion or additional hours worked.

As a result, many families make the economically rational decision to keep their incomes low enough to stay eligible for CCCAP. This means they turn down raises, refuse promotions and decline opportunities to work additional jobs or more hours. This makes sense over the short run, but it hurts their ability to advance toward self-sufficiency. These are not choices that parents should be forced to make and are not choices that promote a healthy economy.

In a 2010 study, researchers at the University of Denver surveyed and interviewed CCCAP recipients in Alamosa, Denver, Eagle and El Paso counties (counties with a large number of CCCAP recipients and/or high child-care costs).¹ The study found that about one out of three (34

percent) of those surveyed took actions to stay eligible for CCCAP. They did this because the economic value of the benefits to their family exceeded the potential increase in income.

The Bell Policy Center staff conducted a series of focus groups in 2012 and 2013 with CCCAP recipients in Denver, Akron and Colorado Springs and heard similar stories. Several participants said they turned down hours at work, promotions or raises because the value of these increases was not worth losing their CCCAP benefits. In addition, many of the recipients were unsure about the amount of additional income they could receive and remain eligible for benefits, so they were reluctant to take actions to increase their income for fear of losing benefits. They were very concerned that losing CCCAP benefits would hinder their ability to provide care for their children and continue working.²

HB14-1317 has several provisions that will mitigate the cliff effect:

1. By setting a uniform statewide eligibility limit for CCCAP at 165 percent of the Federal Poverty Level (\$32,654 for a family of three), it will ensure that working families can better afford child care even when they get small increases in earnings. Once families are receiving CCCAP, income eligibility will generally be set above the entry-level rate. This will allow families to remain eligible when they receive minor increases in earnings and ensure they are closer to self-sufficiency when they lose benefits, thus mitigating the steepness of the cliff.
2. It also directs counties to make eligibility, authorization and administration policies more accessible and readable for a layperson. The parents in our focus groups said they worried about eligibility limits, and several expressed frustration with the lack of communication with the county staff. One parent told us she was *“scared to earn too much and lose benefits – could earn more, not sure where the cutoff is.”* Making this information more accessible and transparent to CCCAP families will help them better manage their budgets and could encourage some to earn more and thus move closer to self-sufficiency.
3. Finally, it directs the State Board of Human Services to develop a parent co-payment formula that asks parents to pay an increasing share of income toward child-care costs while allowing them to retain a portion of the increase in income. In a recent analysis of the current parent co-payment schedule, we found that potential adjustments in the fee schedule for families with two or more children in CCCAP could either eliminate or greatly reduce the benefit cliff in many counties. Directing the board to develop and refine a co-payment schedule could go a long way toward creating a sliding scale for families that will encourage them to earn more without the fear of losing more in CCCAP benefits than they gain in earnings. It could turn the cliff into more of a hill and help families gradually transition off CCCAP.

Again, we support HB14-1317 in its entirety and urge you to pass it today.

We thank Representative Duran for bringing this bill to you today and thank the committee for the opportunity to share our thoughts with you.

If you would like more information or if I could answer any questions, please contact me at jones@thebell.org or via telephone at 303.297.0456, ext. 244.

¹ East, J., & Roll, S. (2010). Child care and low-income families: Coping with the cliff effect. Denver, Colo.: Women’s Foundation of Colorado. p.10-11

² Insights from Participants: Colorado Child Care Assistance Program (CCCAP), The Bell Policy Center PowerPoint Presentation, August 2013.