SHORT TITLE: COLORADO CHILD CARE ASSISTANCE PROGRAM CHANGES

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<thead>
<tr>
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<tbody>
<tr>
<td>State Revenue</td>
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<tr>
<td>State Expenditures</td>
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<td>General Fund</td>
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<td>Cash Funds</td>
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<td>Federal Funds</td>
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FTE Position Change

| Appropriation Required: $4.8 million - Multiple agencies (FY 2014-15)** |

* This summary shows changes from current law under the bill for each fiscal year.

** $4.8 million represents the minimum appropriation required to implement the bill in FY 2014-15. To fully fund the bill, an appropriation of $12.6 million in FY 2014-15 is required, which includes $7.9 million to provide CCCAP subsidies to all new and expanded eligibility categories.

Summary of Legislation

The reengrossed bill, as amended by the Senate Health and Human Services Committee, makes several changes to the Colorado Child Care Assistance Program (CCCAP) in the Department of Human Services (DHS). These changes are summarized below.

Provider rates. The DHS is required to set provider rates for each county every two years. Counties may opt out of the state-established rates and negotiate their own rates with child care providers. Counties setting their own rates must solicit feedback from various stakeholders, including early childhood councils, child care resource and referral agencies, and child care providers. By July 1, 2016, both state- and county-established rates must include a system of tiered reimbursement that provides higher reimbursement to facilities with higher quality ratings. Subject to available appropriations, the DHS must contract for a study to compare private payment tuition rates for child care and CCCAP rates and determine if the CCCAP rates provide equal access as required under federal law.

Parent co-payments. The bill limits the co-payment amount for CCCAP families with incomes below 100 percent of the federal poverty level (FPL) to no more than one percent of the family's gross monthly income. The DHS must promulgate rules outlining the formula for determining parental co-payments. The co-payment formula must gradually increase the parent share as family income approaches self-sufficiency income levels. Beginning on July 1, 2016, the formula must include a tiered reduced copayment structure for children attending high quality care.
**Payment for child absences and holidays.** The bill requires counties to reimburse providers for absences and holidays based on the quality rating of providers in the state’s five-tier rating system, as follows:

- at least 6 days per year for the lowest rating level;
- at least 10 days per year for the second lowest rating level; and
- at least 15 days per year for the top three levels.

**Income eligibility changes.** Subject to available appropriations, counties are required to provide child care assistance to families with incomes up to 165 percent of the federal poverty level (FPL). At their discretion, counties may serve any family so long as its income does not exceed the federal income limit of 85 percent of state median income.

**Eligible activities.** Subject to available appropriations, the bill expands the activities in which a parent may be participating in order to be eligible for CCCAP. A parent who is not employed but who is enrolled in a post-secondary education program or workforce training program is eligible for CCCAP for a period of up to two years. The bill also expands the period in which an unemployed parent is eligible while actively engaged in job search activities.

**Colorado Works transition.** Subject to available appropriations, when a family is transitioning off of Colorado Works, counties must directly enroll the family in CCCAP without requiring a separate application. If the county has a waiting list for CCCAP, they may choose to place the family on the waiting list or provide the CCCAP subsidy immediately. Families cannot be directly enrolled in CCCAP if they are leaving Colorado Works due to a program violation or no longer meet CCCAP eligibility criteria.

**Exit income eligibility.** The exit income eligibility level is the level at which a county may deny further benefits to a family enrolled in CCCAP. The DHS must establish rules for the exit income eligibility level at which the county may deny benefits for that family. For counties that set their initial CCCAP income eligibility level at less than 185 percent of the FPL, the rules must require the county to set exit income eligibility level at a higher level than the initial eligibility level.

**Child care authorization.** Current program regulations on the authorization of child care for families enrolled in CCCAP link hours of child care with parents’ work schedules. The bill requires that child care be authorized based on maintaining continuity of care for children with the least disruption to the child and that the care schedule not be linked directly with a parent’s employment, education, or workforce training schedule.

**Waiting lists.** The bill required counties to maintain a current and accurate waiting list of parents who have inquired about receiving a CCCAP subsidy and are likely eligible for assistance based on self-reported income and an eligibility criteria. Counties may enroll families off of the waiting list based on local priorities and may require applicants to restate their intention to be on the waiting list every six months in order to maintain their place on the list.

**Evidence of income.** In determining eligibility and calculating co-payment amounts, counties must request evidence on 30 days of income, but may, on a case-by-case basis, request up to 12 months if the 30 days of evidence does not accurately reflect family income. A family may choose to provide evidence up to 12 months of income for these purposes.
**Presumptive eligibility.** Current law allows child care providers to conduct a pre-eligibility determination of CCCAP applicants, submit documentation to the county, and provide care for the family. If the family is later found to be ineligible, the provider is not reimbursed. The bill expands this pre-eligibility determination to counties, which allows families applying through a county who are presumed eligible to begin receiving care, even if certain documentation or aspects of the application are still pending.

**Eligibility for families receiving food assistance.** Subject to available appropriations, counties must determine families deemed eligible for the Supplemental Nutrition Assistance Program (SNAP) as eligible for CCCAP if they meet all other program eligibility criteria. Counties may use eligibility determination information from other public assistance programs and systems in determining CCCAP eligibility.

**Program analysis and reporting.** On or before December 1, 2016, and each December thereafter, the DHS is required to prepare a report on CCCAP and submit the report to the relevant committees of the General Assembly.

**Other provisions.** The bill makes various other changes to CCCAP. Child care providers are authorized to accept CCCAP applications and transmit them to counties on behalf of families. Counties are required to post eligibility, authorization, and administration policies and procedures in an accessible and user-friendly manner and to submit these policies to the DHS for compilation. In addition, counties are allowed to contract or provide grants for child care providers to operate a set number of CCCAP slots for up to a 12-month period.

**Background**

CCCAP provides subsidies to eligible families to offset the costs of child care. Families must meet income and eligibility requirements in order to receive a subsidy. While the state sets certain program requirements and provides funding to counties for CCCAP, counties have wide discretion in setting income eligibility and authorized activities in order to manage the program within available funding in that county. The DHS was appropriated $77.3 million for CCCAP in the FY 2014-15 Long Bill, with funding primarily from federal Child Care Development Funds, General Fund, and local funds.

**State Expenditures**

The bill increases costs in the DHS by at least $4.8 million in FY 2014-15, $7.8 million in FY 2015-16, and $9.8 million in FY 2016-17. Beyond these minimum amounts to implement the bill, an additional $7.9 million per year is required if funding is to be provided to counties to serve all the new and expanded eligibility categories under the bill.

Costs are phased in over several fiscal years, with costs in FY 2016-17 representing the full implementation of the bill. Costs in the first year are primarily General Fund, as well as cash funds and federal funds. Future year costs are entirely General Fund. Table 1 provides an overview of costs in the bill, described in more detail in the sections below.
### Table 1. Expenditures Under HB 14-1317

<table>
<thead>
<tr>
<th>Cost Components</th>
<th>FY 2014-15</th>
<th>FY 2015-16</th>
<th>FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCCAP Funding to Counties*</td>
<td>$3,150,000</td>
<td>$7,750,000</td>
<td>$9,750,000</td>
</tr>
<tr>
<td>Information Technology System Costs</td>
<td>1,387,841</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Market Rate Survey</td>
<td>255,000</td>
<td>55,000</td>
<td>55,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$4,792,841</td>
<td>$7,805,000</td>
<td>$9,805,000</td>
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* CCCAP costs in Table 1 do not include the $7.9 million in estimated costs to fund eligibility categories that are served subject to available appropriation.

**CCCAP funding to counties.** The bill increases the amount of CCCAP funding required by counties by at least $3.2 million in FY 2014-15, $7.8 million in FY 2015-16, and $9.8 million in FY 2016-17. These costs are driven by several different provisions of the bill including payments for a minimum number of child absences and holidays per year, limited parental co-payments, and tiered reimbursement to providers based on quality of care. The costs of these changes are described in Table 2 and the discussion below.

**Assumptions on CCCAP funding.** The fiscal note assumes that the changes to county CCCAP programs required under the bill and not subject to available appropriations will be fully funded. However, it should be noted that the General Assembly has discretion to set county funding levels under CCCAP and could choose to have counties implement the bill with lower amounts of funding than estimated in the fiscal note. If such a funding decision is made, counties would be required to reduce the number of children served in order to implement the bill based on available appropriations and prioritize which types of families to serve in order to stay within available appropriations.

### Table 2. Increased CCCAP Funding to Counties Under HB 14-1317

<table>
<thead>
<tr>
<th>Cost Components</th>
<th>FY 2014-15</th>
<th>FY 2015-16</th>
<th>FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased number of Paid Absences</td>
<td>$350,000</td>
<td>$350,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>Limitation on Parental Co-Payments</td>
<td>2,800,000</td>
<td>2,800,000</td>
<td>2,800,000</td>
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<tr>
<td>Tiered Reimbursement</td>
<td>0</td>
<td>4,600,000</td>
<td>6,600,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,150,000</td>
<td>$7,750,000</td>
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*Increased number of paid absences.* The bill requires counties to pay providers a minimum number of absences based on the quality rating of the provider. This cost is estimated at $350,000 per year beginning in FY 2014-15. While many counties have already implemented paid absences and holidays in their CCCAP programs; some counties do not pay for absences at all. This cost is calculated by increasing the number of paid absences in counties offering fewer than the required number of paid absences per year, based on the estimated child care population in each quality tier, up to the number of days required under the bill. Costs are calculated using the daily rate paid in that county for full-time infant care in a child care center.

*Limitations on parental co-payments.* Limited co-payments by parents is expected to reduce revenue to CCCAP providers by about $2.8 million statewide. In order to maintain provider participation, the fiscal note assumes that this funding loss would be offset by an increase in CCCAP funding to counties, which would be passed on to providers. The cost of the lower co-payments is based on fees paid by parents in FY 2012-13. Beginning in FY 2016-17, this cost
will likely increase once a tiered co-payment schedule is introduced to lower the co-payment for families choosing higher quality providers; however, this increase beyond the baseline level is not known at this time.

**Tiered reimbursement.** The bill requires tiered reimbursement rates to be implemented in all counties by July 1, 2016, according to rules established by the DHS. Costs for tiered reimbursement, estimated at $4.6 million initially, are assumed to begin July 1, 2015 (FY 2015-16). Costs for tiered reimbursement will increase in future years as more facilities become rated or improve their quality rating in response to the tiered reimbursement incentive. Using the amount of care provided in FY 2012-13, the $4.6 million estimate is based on the following:

- three-star facilities provide 22 percent of care and will receive an additional $5 per day per child;
- four-star facilities provide 12 percent of care and will receive an additional $7 per day per child; and
- no five-star facilities initially provide care (but will receive an additional $10 per day per child, if such care is provided).

**Information technology costs.** The DHS must make changes to the Child Care Automated Tracking System (CHATS), the Colorado Benefit Management System (CBMS), and the Automated Child Support Enforcement System (ACSES) at a one-time cost of $1.4 million in FY 2014-15, as described below.

**CHATS.** Changes to CHATS are estimated to cost $1,216,781 in FY 2014-15, paid with federal funds. These changes are required to adjust the CHATS interface with CBMS and other systems, adjust payment and rate functions in the system, and other modifications. These costs are based on the need for 11,592 hours of programming and analyst time at an average rate of about $105 per hour. This work will occur in FY 2014-15 and last about 10 to 12 months.

**CBMS.** The bill requires changes to CBMS to ensure that parents transitioning off Colorado Works are properly enrolled in CCCAP, if eligible. These changes will cost $130,448, based on 1,052 hours of programming and staff time at the contracted rate of $124 per hour. Costs in the DHS include $31,100 General Fund, $4,189 cash funds, $44,529 reappropriated funds from the Department of Health Care Policy and Financing (HCPF), and $50,630 federal funds.

**ACSES.** Changes to ACSES are necessary due to corresponding system changes in CHATS. These costs are estimated at $40,612, paid with $12,184 General Fund, $2,843 cash funds, and $25,585 federal funds. These costs are based on the need for 386 hours of programming and analyst time at an average rate of about $105 per hour. This work will occur in conjunction with the CHATS system changes above.

**Market rate survey.** The DHS will have costs of a cost of $255,000 in FY 2014-15 to contract for a study on the differences between private provider rates and CCCAP rates. Costs are estimated to be $55,000 per year in FY 2015-16 and FY 2016-17 for contract staff in the DHS to conduct the additional reporting and analysis on the CCCAP program required under the bill by 2016. The fiscal note does not include additional funding for the rate-setting processes in the DHS, as the required biennial market rate survey and process for establishing state rates for CCCAP are similar to current law.

**Increased eligibility (Subject to available appropriations).** The bill includes various other eligibility provisions, such as requiring CCCAP eligibility to be set higher than 165 percent of the FPL and expanding eligibility during participation in job search activities, post-secondary
education, and workforce training, that are required to be served by counties, subject to available appropriations. While exact demand for CCCAP under these eligibility categories is not known, the fiscal note estimates the costs for these groups to be $7,850,000, based on the following:

- $2.3 million from increasing job search eligibility from 30 to 60 days, based on 220 clients receiving 22 days of child care each month at a rate of $35 per day;
- $5.0 million to expand eligibility for persons in postsecondary education and workforce training, based on 800 clients receiving 180 days of care at a rate of $35 per day; and
- $0.5 million to expand eligibility to 165 percent of the FPL in all counties, based on expanding eligibility in 12 counties that set their eligibility at less than 165 percent of FPL so the number of clients served in the expansion income range matches the caseload mix in other counties that already serve these clients.

As stated above, the minimum costs required to implement the bill are $6.9 million in FY 2014-15. This does not include the $7.9 million required to fully fund the costs of new and expanded eligibility categories in the bill that counties are to provide subject to available appropriations. If this additional $7.9 million is provided to serve all newly eligible populations, the total costs of the bill will be $12.6 million in FY 2014-15, $15.7 million in FY 2015-16, and $17.7 million in FY 2016-17. If funding for additional eligible clients is not provided, more families will be placed on waiting lists and clients will be served based on counties' prioritization on the use of their CCCAP allocations.

Local Government Impact

The bill affects county costs and workload for CCCAP in several ways, as discussed below.

**CCCAP costs.** The bill increases CCCAP costs for counties to pay for additional holidays and absences each year and to pay for tiered reimbursement. However, to the extent that appropriations are included in the bill, counties will receive additional CCCAP funding to offset most of these costs.

**Caseload management and other workload.** Counties will have additional workload to manage waiting lists and prioritize services across a wider range of potentially eligible clients. If funding is not provided to cover the costs of expanded eligibility under the bill, counties may be required to reduce the number of children served in their CCCAP programs or provide additional county funding. The bill will likely encourage more applicants to apply for CCCAP, which could increase county workload for eligibility determination tasks. Counties will also be required to post CCCAP policies and procedures in a user-friendly manner and comply with various other provisions of the bill.

**Administrative simplification.** Some provisions of the bill simplify aspects of CCCAP program administration. For example, using the state-established provider rates will likely take less effort for county staff than establishing and negotiating rates with providers themselves. Also, the bill reduces the number of months of evidence of income that must be presented, which could simplify parts of the eligibility determination process and reduce the need for follow-up with clients presenting insufficient documentation.
Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

At a minimum, the bill requires appropriations of $4,792,841 for FY 2014-15, as follows:

• $3,150,000 General Fund to the DHS for county CCCAP allocations;

• $255,000 General Fund to the DHS for the CCCAP market rate study;

• $1,216,781 in federal funds to the DHS for CHATS modifications, of which the whole amount is reappropriated to the Governor's Office of Information Technology;

• $130,448 to the DHS for CBMS modifications, including $31,100 General Fund, $4,189 from the Old Age Pension Fund, $44,529 from reappropriated funds, and $50,630 from federal funds, of which the whole amount is reappropriated to the Governor's Office of Information Technology;

• $44,529 to HCPF for CBMS modifications, including $21,813 General Fund, $276 from the Children's Basic Health Plan Trust, $115 from the Old Age Pension Health and Medical Cash Fund, and $22,325 from federal funds, of which the whole amount is reappropriated to the DHS; and

• $40,612 to the DHS for ACSES modifications, including $12,184 General Fund, $2,843 from the Family Support Registry Fund, and $25,586 federal funds, of which the whole amount is reappropriated to the Governor's Office of Information Technology.

In addition to the above appropriations, if funding is to be provided to counties to offer services to all newly eligible populations, an appropriation of $7,850,000 General Fund to the DHS for county CCCAP allocations is required in FY 2014-15.

Currently, the bill includes appropriations totaling $9,882,132 in FY 2014-15. These appropriations include the minimum required appropriations estimated above, plus an additional $5,129,903 out of the $7,850,000 for county CCCAP allocations estimated as being required to serve populations subject to available appropriations.

State and Local Government Contacts

Human Services    Governor's Office of Information Technology    Counties