



CHILD CARE IN COLORADO

Making Care More Affordable for Working Families

Kinsey Alden Dinan ■ Nancy K. Cauthen | November 2007

NCCP National Center for
Children *in* Poverty
Columbia University
MAILMAN SCHOOL OF PUBLIC HEALTH

The National Center for Children in Poverty (NCCP) is the nation's leading public policy center dedicated to promoting the economic security, health, and well-being of America's low-income families and children. Using research to inform policy and practice, NCCP seeks to advance family-oriented solutions and the strategic use of public resources at the state and national levels to ensure positive outcomes for the next generation. Founded in 1989 as a division of the Mailman School of Public Health at Columbia University, NCCP is a nonpartisan, public interest research organization.

Child Care in Colorado: Making Care More Affordable for Working Families

by Kinsey Alden Dinan and Nancy K. Cauthen

In Colorado, as in other states across the country, the high cost of child care puts reliable, high-quality care out of reach for many families. Child care subsidies can help, but current policies reach only a fraction of those in need of assistance. Moreover, families who do receive subsidies can find themselves penalized for working and earning more as just a small raise can trigger a substantial loss in benefits. Using results from NCCP's Family Resource Simulator, this report illustrates these policy challenges and discusses possible solutions that would better help Colorado's low- to moderate-income workers meet their child care needs.

AUTHORS

Kinsey Alden Dinan, MA, is a research associate at NCCP, where her research focuses on employment and income supports. Her areas of expertise also include U.S. immigration policy and issues related to immigrant families.

Nancy K. Cauthen, PhD, is deputy director at NCCP, where she directs the Center's research on family economic security. She has written extensively on low-wage work and child poverty in the United States, the inadequacies of the federal poverty measure, and current policy debates affecting low-income children and families.

ACKNOWLEDGMENTS

This publication was made possible by the generous support of the Annie E. Casey Foundation.

Child Care in Colorado: Making Care More Affordable for Working Families

Kinsey Alden Dinan ■ Nancy K. Cauthen | November 2007

Nearly 250,000 of Colorado's children live in families that are low income, despite having a parent who works full-time, year-round.¹ One of the largest expenses these families face is the cost of child care. Reliable child care is critical for working parents at all income levels, but it is particularly critical for low-wage workers who lack workplace flexibility.² High-quality child care is also important for children's development. For low-income children, it can help bridge the achievement gap between them and their more affluent peers.³

Unfortunately, the high cost of care puts reliable, high-quality child care out of reach for many of the families who need it most. In fact, the cost is so high that many moderate-income families also struggle to afford quality settings. In Colorado, as in nearly every state across the country, center-based care for two children of any age costs more than the state's median rent.⁴

Colorado's child care subsidy program can make a significant difference. For the low-income families who receive them, child care subsidies can make high quality care affordable. But due to income eligibility limits and participation barriers, many families are excluded from the program despite being unable to afford high-quality care without assistance.

This report uses the National Center for Children in Poverty's Family Resource Simulator (see box) to examine the effectiveness of subsidized child care in Colorado in addressing the affordability challenge. The report analyzes subsidized child care in the context of other "work support" benefits, including tax credits, food stamps, and public health insurance.

Results show that for families who receive a child care subsidy, this benefit can help close the substantial gap between low earnings and basic expenses, while poten-

NCCP's Family Resource Simulator – A Tool for Assessing Work Support Policies

The Family Resource Simulator is an innovative policy analysis tool that simulates the impact of federal and state work support benefits on the budgets of low- to moderate-income families. The results illustrate how a hypothetical family's resources and expenses change as earnings increase, taking public benefits into account. The Simulator makes it easy to assess how effective a state's policies are at encouraging and rewarding work. NCCP also uses this tool to model the impact of hypothetical policy reforms.

The Family Resource Simulator is currently available, or under development, for 17 states – Alabama, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Iowa, Louisiana, Maryland, Massachusetts, Michigan, New York, Pennsylvania, Texas, and Washington – and the District of Columbia. Each state Simulator can profile families in up to seven localities. To use the Family Resource Simulator, see NCCP's website at <www.nccp.org>. Also coming soon to NCCP's website is the Basic Needs Budget Calculator, a related tool that shows how much a family needs to make ends meet without the help of work supports.

tially providing access to high-quality care.⁵ Yet families with subsidized care can find themselves penalized for working and earning more as just a small raise can trigger a substantial loss in benefits. This can leave families worse off than they were before, despite increased earnings.⁶ The following pages illustrate these policy challenges and discuss possible solutions that would better help Colorado's low- to moderate-income workers meet their child care needs.

High Cost Can Put Quality Child Care Out of Reach

Consider Teresa, a single parent with two children – one preschool-aged and one school-aged – living in Denver County, Colorado. Without child care assistance or other work supports, Teresa’s family would need close to \$45,000 a year to cover the cost of basic family necessities (see Figure 1).⁷ The largest expense – slightly higher even than the cost of housing – is the cost of child care. This budget assumes that the children are cared for in center-based settings while their parent works; the older child is in after-school care.⁸ High quality center-based care has been found to be associated with improved cognitive outcomes for children, and particularly for children ages 3 and 4.⁹ It is also by far the most common type of care used by families in Colorado’s child care subsidy program.¹⁰

To earn \$45,000 a year, Teresa would need a full-time, year-round job at \$21 an hour, which is more than three times the state’s minimum wage of \$6.85. And even \$45,000 reflects only a very bare-bones budget of housing, food, child care, health insurance, transportation, and other necessities. It does not cover out-of-pocket medical expenses (copayments and deductibles), enrichment activities, entertainment, or other expenses that improve a family’s quality of life. It does not allow for investments in a family’s future, such as savings for

a home, a child’s education, or a parent’s retirement. Nor does it provide any financial cushion to withstand a crisis.

Teresa works full-time, year-round, but earns just \$8 an hour – slightly under \$17,000 a year. To make ends meet, she needs child care assistance in addition to multiple other work supports. Without such benefits, Teresa faces a gap of more than \$20,000 between her annual earnings and her family’s basic needs. The cost of child care alone represents fully 75 percent of her earnings. In reality, of course, families cannot afford to spend this much of their income on child care. Instead, the high cost of care often forces low-income families to seek cheaper care that may be less reliable, of lower quality, and even less safe – putting both parents’ employment and children’s development at risk.

Child Care Subsidies Make Care More Affordable – For the Families Who Receive Them

To offset the high cost of care, Colorado’s Child Care Assistance Program provides subsidies that cover a substantial portion of the cost. Colorado also has a state child care tax credit, but its value is generally small – it provides no assistance to the neediest families, and the maximum benefit for families with annual income above \$35,000 is less than \$150 a year.¹² Other important supports for Colorado’s low-wage workers and their families include the federal Earned Income Tax Credit (EITC), public health insurance for children, food stamps, and housing vouchers.

In practice, few families receive more than one or two of the benefits for which they are eligible. One recent study found that only 5 percent of the country’s low-income working families (with incomes below twice the federal poverty level) received all four of the following benefits in 2001: the EITC, food stamps, public health insurance, and child care subsidies.¹³ In many places housing vouchers are virtually inaccessible to new applicants.¹⁴ A host of factors prevent eligible families from receiving assistance (see box). Further, families who are income eligible for benefits can be barred by other types

Figure 1. Basic Needs Budget for a Single-Parent Family of Three, Denver County, CO¹¹

	Annual	Monthly
Rent and Utilities	\$10,908	\$909
Food	\$5,402	\$450
Child Care	\$12,493	\$1,041
Health Insurance	\$2,768	\$231
Transportation	\$3,669	\$306
Other Necessities*	\$4,404	\$367
Payroll and Income Taxes	\$5,022	\$418
TOTAL	\$44,665	\$3,722

Hourly wage (40 hours/week, 52 weeks/year): \$21/hour

*Examples of “other necessities” include clothing, school supplies, household items, and personal care expenses.

Source: NCCP’s Basic Needs Budget Calculator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6, with children in center-based care (the older child in after-school care) and employer-based health insurance for all family members.

Benefit Access: Barriers to Participation

Inadequate funding is a major factor limiting benefit access among eligible families, but it is certainly not the only problem. The lingering association between welfare and work supports suppresses benefit participation in many ways. Families who have never received cash assistance are among the least likely to know about benefits or that they might be eligible. Many individuals are also reluctant to apply for benefits because of the stigma attached to them. The welfare office often remains the primary point of access for benefit application, staff attitudes toward clients are sometimes disparaging, and processes of income verification and submitting other documentation (e.g., fingerprinting) may feel invasive, humiliating, or intimidating. This is especially true for immigrants, who may fear interacting with government officials.¹⁵

In addition to stigma and fear of being treated poorly, the process of applying for benefits can be onerous. Long waits, limited office hours, the consequences of missing work, waiting lists for benefits, and confusion about how to apply all discourage benefit application. States or localities may overtly try to limit application and enrollment by limiting outreach or undertaking explicit efforts to reduce participation. Further, burdensome recertification requirements may lead families and individuals to lose benefits for which they are still eligible.

Source: Adapted from Nancy K. Cauthen. 2007. *Improving Work Supports: Closing the Financial Gap for Low-Wage Workers and Their Families*. Washington, DC: Economic Policy Institute.

of eligibility criteria, for example, restrictions regarding assets, citizenship status, and residency.

Child care subsidies in particular reach only a fraction of eligible families, and spells of subsidy receipt tend to be short. Nationally, an estimated 14 percent of children eligible for a subsidy under federal guidelines received assistance in 2000.¹⁶ Federal guidelines allow states to provide subsidies to families with income up to 85 percent of the state median, although most states apply substantially lower limits. Colorado counties set their own limits within a state-established range, and the state's Department of Human Services has reported that among eligible families with income below the lowest state-allowed limit, only 28 percent received a subsidy in 2003.¹⁷ Moreover, while all eligible families who apply for subsidies are currently being served, several Colorado counties have had waiting lists in recent years.¹⁸

Multiple work supports can make a tremendous difference for families who receive them. The EITC alone reduces the gap between Teresa's annual resources and expenses by just over \$4,000 a year (see Figure 2). With several additional benefits not including a child care subsidy, the gap between resources and expenses is cut nearly in half. Nonetheless, even with a full time job, the EITC, food stamps, and public health insurance for children,¹⁹ Teresa faces a staggering annual deficit of \$13,000. And despite child care expenses of more than \$12,000 a year, Teresa is ineligible for assistance from Colorado's state child care tax credit.²⁰

The Child Care Assistance Program brings Teresa's family much closer to making ends meet. With a child care subsidy in addition to the other benefits listed above, Teresa's budget gap is reduced to just under \$3,000. In states with more generous benefits, a child care subsidy in combination with tax credits, public health insurance, and food stamps would close the gap entirely for a parent with a full-time, \$8-an-hour job.²¹

The child care subsidy reduces Teresa's child care expenses to slightly less than 10 percent of her earnings. Research indicates that on average, low-income families who pay for child care spend about 14 to 15 percent of their income on care, while higher-income families spend about 6.5 to 7 percent.²²

Families Lose Subsidies Before They Can Afford the Full Cost of Care

Work support programs are typically means-tested, which means that workers like Teresa lose eligibility for benefits when they advance in the workforce and increase their earnings. In many cases, work supports are lost before families are able to make ends meet on earnings alone. And while some work supports phase out gradually – so that by the time the family loses eligibility, the benefit loss is small – others terminate quickly. When just a small increase in earnings leads to a sharp reduction in benefits, it is often referred to as a “cliff.”

For Teresa's family, the largest benefit cliff occurs when earnings exceed the eligibility limit for child care sub-

Figure 2. The Effect of Work Supports on Family Resources and Expenses with Full-Time Employment at \$8/hour: Single-Parent Family of Three, Denver County, CO²³

	Employment alone (no work supports)	Employment <i>plus</i> • EITC • state child care tax credit	Employment <i>plus</i> • EITC • state child care tax credit • food stamps • public health insurance	Employment <i>plus</i> • EITC • state child care tax credit • food stamps • public health insurance • child care subsidy
Annual Resources				
Earnings	\$16,640	\$16,640	\$16,640	\$16,640
Federal EITC	\$0	\$4,158	\$4,158	\$4,158
State Child Care Tax Credit	\$0	\$0	\$0	\$0
Food Stamps	\$0	\$0	\$4,146	\$3,353
Total Resources	\$16,640	\$20,798	\$24,944	\$24,151
Annual Expenses				
Rent & Utilities	\$10,908	\$10,908	\$10,908	\$10,908
Food	\$5,402	\$5,402	\$5,402	\$5,402
Child Care*	\$12,493	\$12,493	\$12,493	\$1,558
Health Insurance*	\$2,768	\$2,768	\$677	\$677
Transportation	\$3,669	\$3,669	\$3,669	\$3,669
Other Necessities	\$4,404	\$4,404	\$4,404	\$4,404
Payroll and Income Taxes	\$472	\$472	\$472	\$472
Total Expenses	\$40,116	\$40,116	\$38,025	\$27,089
Net Resources (Resources minus Expenses)	-\$23,476	-\$19,317	-\$13,080	-\$2,938

*This chart shows income and expenses from the perspective of the family. Because health insurance and child care benefits are paid directly to the provider, families experience them as reduced expenses rather than increased income.

Source: Analysis based on NCCP's Family Resource Simulator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6.

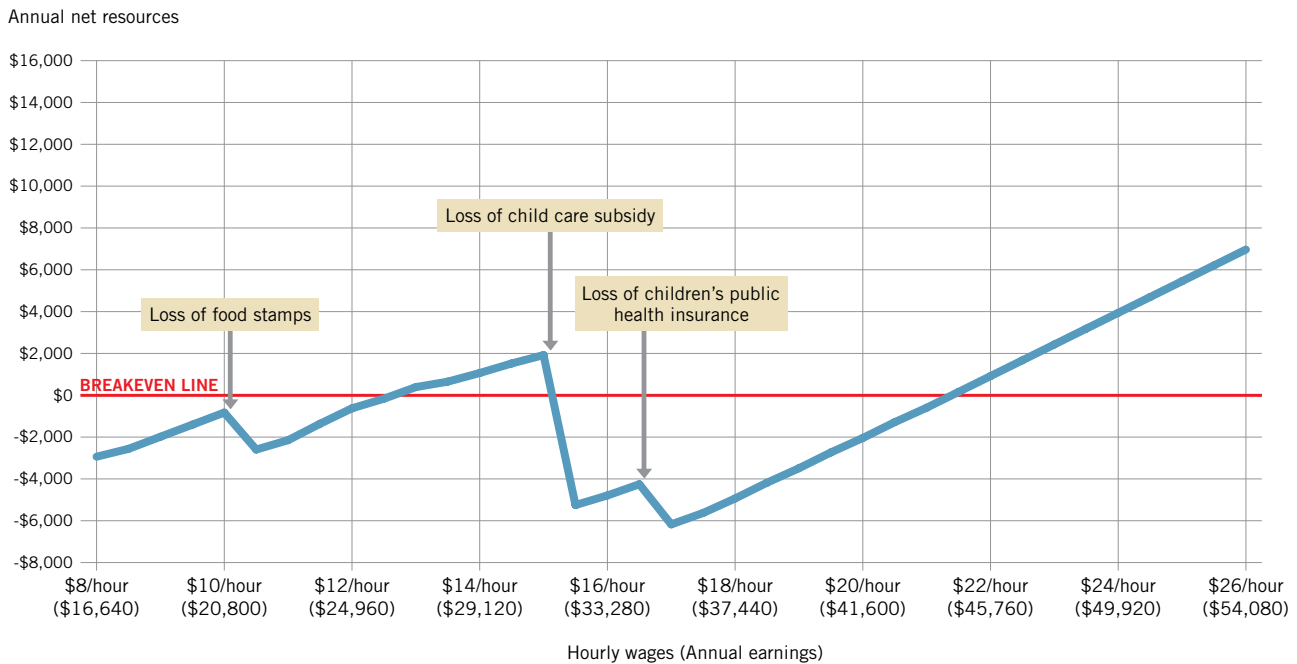
sidies. Wide variation exists across Colorado's counties in eligibility criteria for subsidies, within the state-established range of 130 to 225 percent of the federal poverty level. Until April of 2007, Denver County's eligibility limit was 185 percent of poverty. This is the median county limit and represents about \$32,000 a year for a family of three.

Applying these rules, Figure 3 shows how net family resources – that is, resources after subtracting the cost of basic expenses – change as Teresa's earnings increase. This scenario assumes that Teresa's family receives the following benefits when eligible: the EITC, the state child care tax credit, public health insurance for children, food stamps, and a child care subsidy. Teresa herself is ineligible for public health insurance throughout the earnings range shown; Colorado's public health insurance eligibility limit for parents is 60 percent of the poverty level – just over \$10,000 a year for a family of three.

As Teresa's wages increase beyond \$8 an hour, her financial situation initially improves. But when her hourly wage increases to approximately \$10, the family suffers a setback due to the loss of food stamps. With her remaining work support benefits, Teresa can finally afford her family's basic expenses when her wages reach \$13 an hour. But further increases in earnings jeopardize her family's budget. Most damaging is the loss of the family's child care subsidy when her hourly wage reaches \$15.50. This is long before Teresa is able to afford the cost of unsubsidized care, and her family's net resources fall well below the "breakeven line" – that is, the point where family resources equal expenses.

Largely as a result of this loss, as Teresa's wages double from \$8 to \$16 an hour, her family actually loses ground. And with another raise to \$17 an hour, Teresa's children lose public health insurance, so she has to pay a higher premium for family coverage through her

Figure 3. Net Family Resources Under March 2007 Child Care Policies: Single-Parent Family of Three, Denver County, CO²⁴



Annual net resources: Annual resources minus annual expenses.

Annual earnings: Assuming full-time work (40 hours/week, 52 weeks/year).

Breakeven line: The point where the family's resources, including earnings and benefits, equal the family's basic expenses.

Work supports: When eligible, the family receives the EITC, the state child care tax credit, food stamps, public health insurance for children, and a child care subsidy. The parent is ineligible for public health insurance for herself throughout this earnings range.

Source: Analysis based on NCCP's Family Resource Simulator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6.

employer.²⁵ Teresa's family is not able to make ends meet again until her wages exceed \$21 an hour.

The inability to gain financial ground through hard work and higher earnings can have serious consequences for low-income families. If workers feel compelled to turn down small raises or additional hours of work to retain their child care benefits, they may lose future opportunities for promotion. On the other hand, if by accepting a raise they are forced to move their children into cheaper child care, they interrupt the stability and continuity of their children's lives. Moreover, less reliable or lower quality care could put the parent's job at risk if unreliable care results in missed days of work; it could also jeopardize the children's well-being.

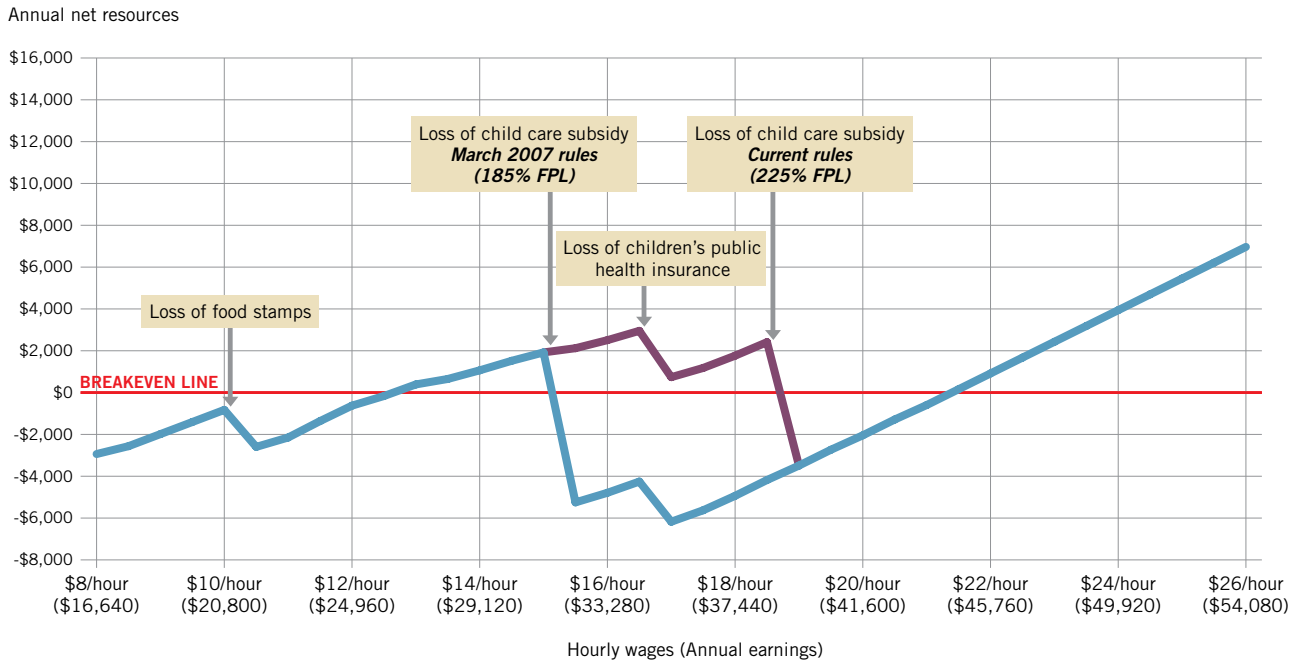
Expanding Eligibility for Subsidies Can Help

Earlier this year, a number of Colorado counties, including Denver, significantly increased income limits for child care subsidies. In Denver County the income eligibility limit is now at the state maximum of 225 percent of poverty – or about \$39,000 a year for a family of three. Figure 4 illustrates the impact of this change by showing net resources for Teresa's family under both Denver's previous and current child care subsidy eligibility limits.

Under Denver's new rules, the child care cliff is smaller. Families with subsidies contribute to the cost of care by paying a copayment that increases as income rises. Thus when Teresa's family loses the subsidy at 225 percent of poverty, they have already assumed a larger share of the full cost of care in the form of a larger copayment.

Even with the higher eligibility limit, the loss of child care assistance leaves Teresa unable to afford her family's

Figure 4. Net Family Resources with Increase in Child Care Subsidy Eligibility: Single-Parent Family of Three, Denver County, CO²⁶



Annual net resources: Annual resources minus annual expenses.

Annual earnings: Assuming full-time work (40 hours/week, 52 weeks/year).

Breakeven line: The point where the family's resources, including earnings and benefits, equal the family's basic expenses.

Work supports: When eligible, the family receives the EITC, the state child care tax credit, food stamps, public health insurance for children, and a child care subsidy. The parent is ineligible for public health insurance for herself throughout this earnings range.

Source: Analysis based on NCCP's Family Resource Simulator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6.

basic expenses, but her family is able to recover from the situation more quickly. Under the old rules, the family lost child care assistance when Teresa's wages reached \$15.50 an hour, and she then faced a gap between earnings and expenses until increasing her hourly wage to \$21 an hour – that is, an additional \$5.50 an hour. In contrast, with the higher eligibility limit, the family does not lose its child care subsidy until Teresa earns \$19 an hour, so she needs only another \$2 an hour to make ends meet again.

Across Counties, Loss of Child Care Benefits Triggers Financial Setback

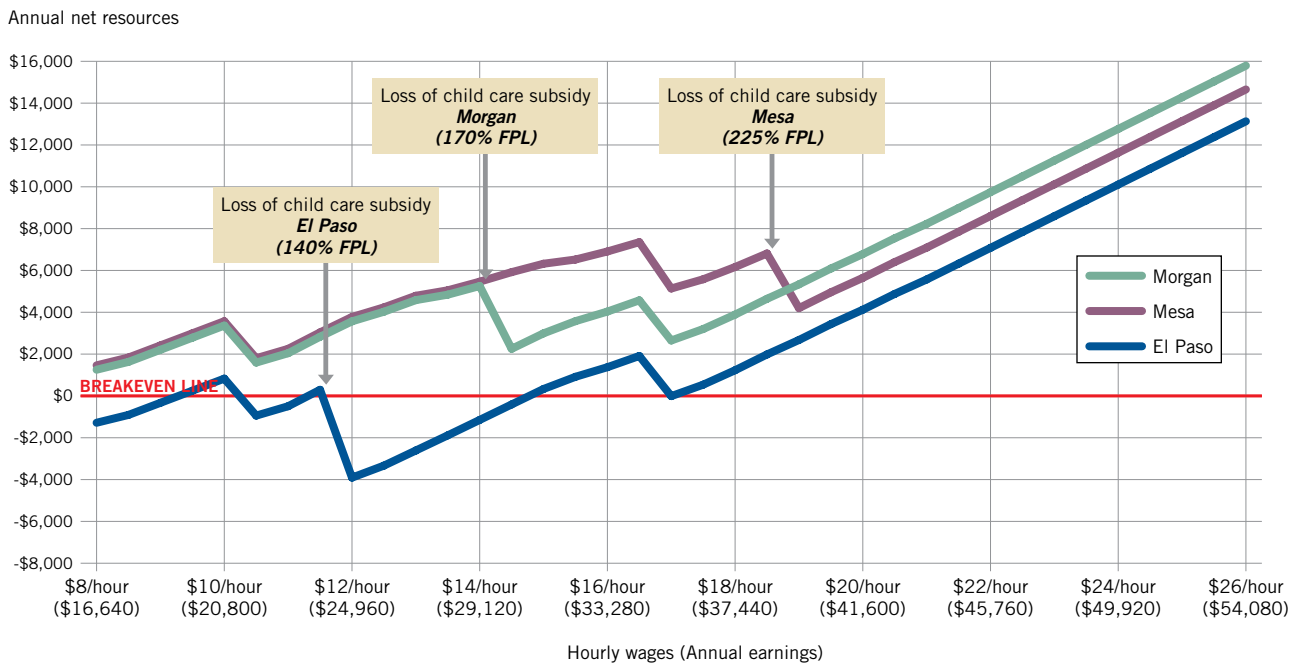
The variation in income limits for child care subsidies across Colorado's counties has important implications for the state's low-income families. Figure 5 illustrates changes in net family resources as parental earnings increase in El Paso, Mesa, and Morgan counties. The examples continue to assume a single parent with two

children (one school-aged and one preschool-aged) who receives a child care subsidy and multiple other benefits – the EITC, the state child care tax credit, food stamps, and public health insurance for children – when eligible.

The cost of basic family expenses varies across these counties (for basic needs budgets, see Appendix A). In Mesa and Morgan counties, a full-time job paying \$8 an hour plus multiple work supports is enough for a family of three to make ends meet. In El Paso County, on the other hand, the cost of living is somewhat higher (although lower than in Denver). The same set of benefits and full-time employment at \$8 an hour leaves the El Paso family facing an annual shortfall of about \$1,300 between resources and basic expenses.

In each county, the family experiences a series of benefit losses as earnings increase, and the loss of child care subsidies consistently triggers the largest financial set-

Figure 5. Net Family Resources Under Current Child Care Subsidy Eligibility Levels Across Three Colorado Counties: Single-Parent Family of Three²⁷



Annual net resources: Annual resources minus annual expenses.

Annual earnings: Assuming full-time work (40 hours/week, 52 weeks/year).

Breakeven line: The point where the family's resources, including earnings and benefits, equal the family's basic expenses.

Work supports: When eligible, the family receives the EITC, the state child care tax credit, food stamps, public health insurance for children, and a child care subsidy. The parent is ineligible for public health insurance for herself throughout this earnings range.

Source: Analysis based on NCCP's Family Resource Simulator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6.

back. In El Paso, this loss sends the family back below the breakeven line, unable to afford even minimum family necessities. In all three counties, the loss of child care subsidies and other benefits makes it difficult for families to get ahead by working and earning more. In Mesa, for example, the family's annual net resources increase by only \$2,100 as hourly wages double from \$10 to \$20. That is, out of an annual earnings increase of more than \$20,000, the family sees just over \$2,000 in additional net resources.

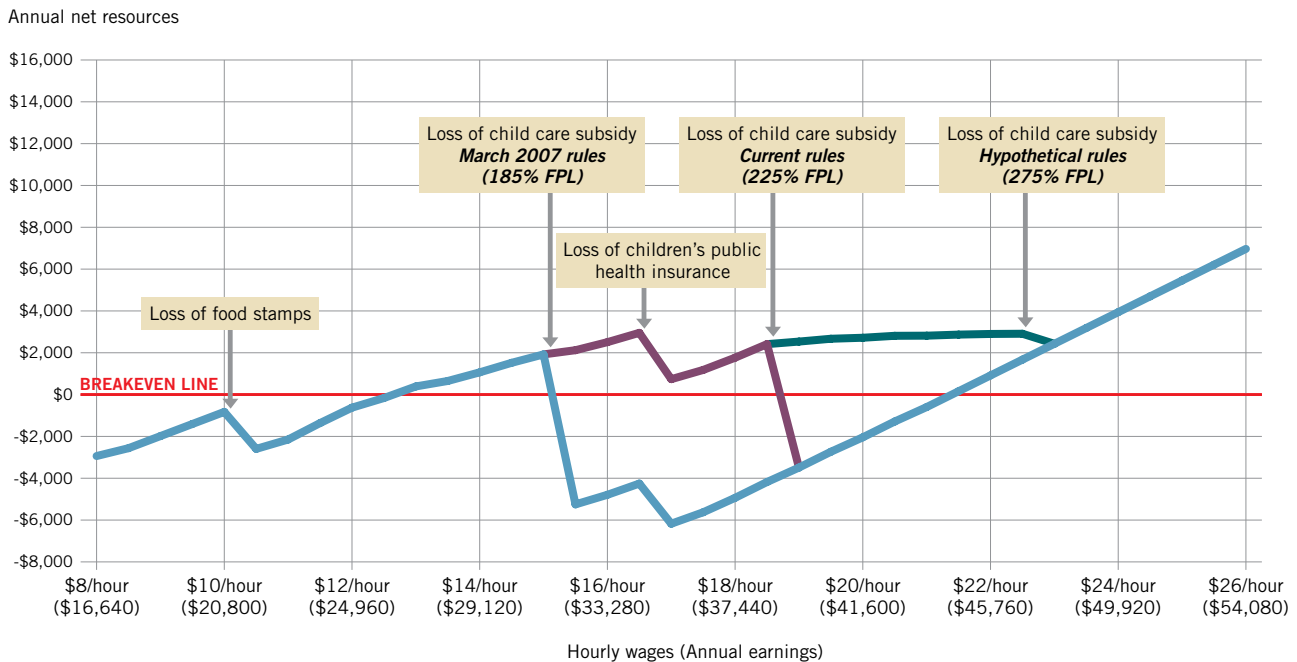
But this example also shows that with higher income eligibility limits, counties can phase-out child care assistance more gradually by having families assume a larger share of the cost before they lose the subsidy completely. Of the three counties, Mesa has the highest income eligibility limit for child care subsidies and the smallest child care cliff,²⁸ while El Paso has the lowest eligibility limit and the largest cliff.

Reforms Needed to Make Child Care Affordable for More Colorado Families

Colorado's Child Care Assistance Program can provide valuable support to low-wage workers who struggle to provide for their families. But the program reaches only a fraction of those in need of assistance. Part of the problem is income eligibility limits that exclude many families who are unable to afford high quality care without subsidies. And for those with subsidies, if a small increase in parents' earnings puts them over the subsidy eligibility limit, their families may actually be worse off, despite higher earnings.

Colorado could make child care more affordable for low- and moderate-income workers by expanding access to child care subsidies among eligible families and by raising the income limit for assistance. Denver has taken an important step in this direction. But even with the increase in eligibility, families' earnings are still too low

Figure 6. Net Family Resources Showing Impact of Hypothetical Change in Child Care Subsidy Policy: Single-Parent Family of Three, Denver County, CO²⁹



Annual net resources: Annual resources minus annual expenses.

Annual earnings: Assuming full-time work (40 hours/week, 52 weeks/year).

Breakeven line: The point where the family's resources, including earnings and benefits, equal the family's basic expenses.

Work supports: When eligible, the family receives the EITC, the state child care tax credit, food stamps, public health insurance for children, and a child care subsidy. The parent is ineligible for public health insurance for herself throughout this earnings range.

Source: Analysis based on NCCP's Family Resource Simulator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6.

for them to afford the full cost of care when they lose a child care subsidy. This puts families in the untenable position of having to choose between absorbing a financial loss despite increased earnings or putting their children in cheaper care that may be of lower quality and less reliable.

Federal rules allow states to extend child care subsidies to families with income up to 85 percent of the state's median income – the equivalent of about 300 percent of the poverty level in Colorado. Figure 6 illustrates the potential impact of raising the income limit for child care subsidies in Denver closer to this level. In this example, the income limit has been raised to 275 percent of poverty – about 75 percent of state median income – with family copayments rising at an increased rate once earnings exceed the current eligibility limit.

Raising the income eligibility limit for subsidies can substantially reduce the child care cliff and ensure that

families with subsidies can continue to make ends meet as they work and earn more. As seen Figure 6, for example, the loss of child care assistance at 275 percent of poverty would not send the family's net resources below the breakeven line. The family would remain able to afford basic expenses, with a small surplus left at the end of year. In addition to raising income limits, other steps to expand access to child care subsidies are critical. The participation barriers that result in low coverage rates need to be addressed.

Another way to phase out child care assistance more slowly would be to expand Colorado's state child care tax credit so that it meaningfully offsets the high cost of care for families without subsidies. Tax credits are easier to access and typically have much higher participation rates than other types of benefits. A more generous credit could also assist families who have subsidies, but struggle to cover the program's copayments along with their family's other basic needs. For working families

with preschool-aged children, expanded access to free or subsidized full-day prekindergarten programs would make a substantial difference as well.³⁰

Colorado's current child care policies assist only a small portion of families who potentially need help with the cost of child care. And the families who do receive subsidized care may face untenable choices, such as turning down a raise or choosing cheaper – and potentially lower-quality, less-safe, and less-reliable – care for their children. To provide affordable child care that meets the needs of working parents and their children, Colorado needs to reform its policies so that low- to moderate-income workers can afford high quality child care and their families can get ahead if they work hard and earn more.

Endnotes

1. Low-income is defined as twice the federal poverty level, or \$34,340 a year for a family of three in 2007. Full-time work is defined as working at least 50 weeks in the previous year and for at least 35 hours during the majority of those weeks. Source: NCCP analysis based on the U.S. Current Population Survey, Annual Social and Economic Supplements, March 2004, 2005, and 2006, representing information from 2003, 2004, and 2005.
2. Research suggests that access to affordable child care can improve income and employment outcomes among low-income parents. See Sharmila Lawrence and J. Lee Kreader. 2006. *Parent Employment and the Use of Child Care Subsidies*. New York, NY: National Center for Children in Poverty, Mailman School of Public Health, Columbia University.
3. Jane Knitzer. 2007. Testimony before the House Committee on Ways and Means. Hearing on the Economic and Societal Costs of Poverty, January 24. Available at <www.nccp.org/publications/pub_705.html>.
4. National Association of Child Care Resource and Referral Agencies. 2006. *Breaking the Piggy Bank: Parents and the High Price of Child Care*. Arlington, VA: National Association of Child Care Resource and Referral Agencies.
5. Unfortunately, having a child care subsidy does not guarantee access to care that is of high quality.
6. Nancy K. Cauthen. 2006. *When Work Doesn't Pay: What Every Policymaker Should Know*. New York, NY: National Center for Children in Poverty, Mailman School of Public Health, Columbia University.
7. The findings presented in this report are based on analysis of data from NCCP's Family Resource Simulator <www.nccp.org/tools/frs> and the related Basic Needs Budget Calculator, which is under development. Unless otherwise indicated, results reflect policy rules that were in effect as of June 2007 (except for taxes, which reflect tax year 2006). They are based on the following assumptions: children are in center-based care settings while their parent works (the older child is in after-school care); family members have access to employer-based health insurance when not enrolled in public coverage. For more information about how family expenses are calculated, see Appendix B.
8. The Family Resource Simulator estimates the cost of care based on the provider payment rates set by Colorado's counties for use in the child care subsidy program. In Denver, where the program has a tiered rating system, the Simulator uses the 3-star rates, which are just above the county's median rates (according to Colorado's 2005 Market Rate Survey) for center-based care for a preschool-aged child (full-day) and a school-aged child (part-day). Source for market rate survey data: Personal e-mail communication with Leslie Bulicz, Colorado Department of Human Services, Division of Child Care, February 1, 2007.
9. See Mark Greenberg. 2007. "Next Steps for Federal Child Care Policy." *The Future of Children*, 17 (2): p. 77, citing Eugene Smolensky and Jennifer Appleton Gootman (eds.). 2003. *Working Families and Growing Kids: Caring for Children and Adolescents*. Washington, DC: National Academies Press, p 134; Susanna Loeb, Bruce Fuller, Sharon Lynn Kagan, and Bidemi Carrol. 2004. "Child Care in Poor Communities: Early Learning Effects of Type, Quality, and Stability." *Child Development*, 75 (1): pp. 47-65.

10. U.S. Child Care Bureau. 2007. Table 6 - Child Care and Development Fund: Average Monthly Percentages of Children Served in All Types of Care (FFY 2005). Available at <www.acf.hhs.gov/programs/ccb/data/ccdf_data/05acf800/table6.htm>. Accessed August 6, 2007.
11. See Endnote 7. Note that “payroll and income taxes” take into account the Child Tax Credit and the Child and Dependent Care Tax Credit, but not the federal Earned Income Tax Credit or the state child care tax credit. Refundable earned income tax credits and refundable child care tax credits are considered work supports, and when the family receives them (as indicated in the text), they are included in family resources.
12. While the maximum value of the state child care tax credit is theoretically \$1,050 a year, the credit is structured such that most recipients receive far less. Although theoretically refundable, Colorado’s credit is unavailable to the neediest families because it is calculated as a percent of the *nonrefundable* federal child and dependent care credit. This means that families with income too low to have a federal income tax liability are ineligible for both the federal and state credits. Maximum benefit levels also decline quickly as income increases. Colorado has a state earned income tax credit on the books as well, but it has been suspended for the past several years.
13. Note that this analysis included all low-income working families with children under age 18; with the exception of children with disabilities, only children under age 13 are eligible for subsidies. Source: Sheila Zedlewski, Gina Adams, Lisa Dubai, and Genevieve Kenney. 2006. *Is There a System Supporting Low-Income Working Families?* Washington, DC: The Urban Institute.
14. In Denver, families can apply only by lottery during a two-day period each January; in 2006, about 10 percent of applicants received vouchers by the end of the year. NCCP also contacted housing authorities in six other Colorado counties: four were accepting applications, but had waiting lists of one to five years (Eagle, Mesa, Morgan and Pueblo); waiting lists in the other two counties were closed (Alamosa and El Paso). Source: Personal email and telephone communication with staff at the housing authorities of Alamosa, Brush (Morgan County), Denver, Garfield (Eagle County), Colorado Springs (El Paso County), Fountain (El Paso County), Grand Junction (Mesa County), and Pueblo. April 5-13, 2007.
15. Kinsey Alden Dinan. 2005. *Federal Policies Restrict Immigrant Children’s Access to Key Public Benefits*. New York, NY: National Center for Children in Poverty, Mailman School of Public Health, Columbia University.
16. Jennifer Mezey, Mark Greenberg, and Rachel Schumacher. 2002. *The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000*. Washington, DC: Center for Law and Social Policy.
17. The Colorado School Readiness Indicator’s Task Force. 2004. *Colorado’s School Readiness Indicators: Making Progress for Young Children*. Denver, CO: The Colorado School Readiness Indicator’s Task Force, p. 55.
18. Personal e-mail communication with Leslie Bulicz, Colorado Department of Human Services, Division of Child Care, March 27, 2007, and October 5, 2007.
19. With \$16,640 in annual income, Teresa earns too much to be eligible for public health insurance for herself in Colorado.
20. The credit is structured such that families with income below the federal income tax threshold are ineligible for benefits. See Endnote 12 for details.
21. Kinsey Alden Dinan and Nancy K. Cauthen. 2007. *Supporting Work in Illinois: The Challenges Ahead*. New York, NY: National Center for Children in Poverty, Mailman School of Public Health, Columbia University.
22. Note, however, that despite the higher percentage, low-income families spend substantially less in terms of actual dollars. Source: Mark Greenberg. 2007. “Next Steps for Federal Child Care Policy.” *The Future of Children*, 17 (2): pp. 73-95.
23. See Endnote 7.
24. See Endnote 7.
25. This example assumes that Teresa has access to employer-based coverage, so premiums are relatively low. In reality, only a minority of low-wage workers has employer-based health benefits; without such benefits, Teresa’s family would likely be uninsured as they would be unable to afford coverage on the open market.
26. See Endnote 7.
27. See Endnote 7.
28. At 225 percent of poverty, Mesa’s income limit for child care subsidies is the same as Denver’s. But the cost of child care in Mesa is significantly less than in Denver. Thus the copayments paid by families with subsidies (which are the same in all Colorado counties) reflect a higher proportion of the full cost of care in Mesa. As a result, the loss of assistance leads to a smaller financial setback for the family (compare Mesa’s results in Figure 6 to Denver’s results in Figure 4).
29. See Endnote 7.
30. As of 2006, the Colorado Preschool and Kindergarten Program served about 14 percent of the state’s 4-year-olds and two percent of the state’s 3-year-olds. The program is targeted at at-risk children, and primarily provides half-day services. Source: W. Steven Barnett, Jason T. Hustedt, Laura E. Hawkinson, and Kenneth B. Robin. 2006. *The state of preschool 2006*. New Brunswick, NJ: National Institute for Early Education Research.

Appendix A: Basic Needs Budgets Across Four Colorado Counties

Basic Needs Budget for a Single-Parent Family of Three, Colorado

	Denver County	El Paso County	Mesa County	Morgan County
Rent and Utilities	\$10,908	\$9,420	\$7,224	\$6,960
Food	\$5,402	\$5,402	\$5,402	\$5,402
Child Care	\$12,493	\$7,983	\$9,205	\$7,859
Health Insurance	\$2,768	\$2,768	\$2,768	\$2,768
Transportation	\$3,669	\$3,904	\$3,949	\$4,493
Other Necessities*	\$4,404	\$4,002	\$3,409	\$3,338
Payroll and Income Taxes	\$5,022	\$2,379	\$1,725	\$1,216
TOTAL	\$44,665	\$35,858	\$33,681	\$32,034
Hourly wage (40 hours/week, 52 weeks/year)	\$21	\$17	\$16	\$15

* Examples of “other necessities” include clothing, school supplies, household items, and personal care expenses.

Source: NCCP’s Basic Needs Budget Calculator, Colorado 2007. Results based on a single parent with two children, ages 3 and 6, with children in center-based care (the older child is in after-school care) and employer-based health insurance for all family members. For more information about how family expenses are calculated, see Appendix B.

Appendix B: Methodology for Calculating Expense Estimates

NCCP’s Family Resource Simulator is a web-based tool that allows users flexibility in determining the cost of basic family expenses. The Simulator provides cost estimates for housing, food, child care, transportation, health insurance, and other necessities. These estimates are calculated based on a methodology that draws on the Self-Sufficiency Standards developed by Diana Pearce for Wider Opportunities for Women and on the Economic Policy Institute’s Basic Family Budgets. Users of the web-based tool may also enter their own cost estimates.

For the analyses in this report, the Simulator’s default estimates were used. These estimates were calculated following the methodology described below, except where costs were offset by in-kind benefits – e.g., child care subsidies or public health insurance. In those cases, expenses were calculated based on program rules. For example, the cost of child care for a family with a subsidy reflects the copayment the family would pay in Colorado’s child care assistance program.

Rent and Utilities	The cost of rent and utilities is estimated based on the Fair Market Rent (for a two-bedroom unit) determined by the U.S. Department of Housing and Urban Development.
Food	The cost of food is estimated based on the Low-Cost Food Plan developed by the U.S. Department of Agriculture.
Child Care	The cost of child care is estimated based on the provider payment rates for center-based care in Colorado’s child care assistance program (in Denver, where there is a tiered rating system, 3-star rates are used). The Family Resource Simulator assumes that a 3-year-old needs full-time care while the parent(s) work and a 6-year-old needs part-time (e.g., after-school) care.
Transportation	In all Colorado counties, the Simulator assumes that the family uses private transportation. Cost estimates are calculated based on the Economic Policy Institute’s Basic Family Budget methodology, which relies on data from the 2001 National Travel Household Survey, the 1990 Nationwide Personal Transportation Survey, and the IRS cost-per-mile rate (for more information, see www.epinet.org/datazone/fambud/fam_bud_calc_tech_doc.pdf).
Health Insurance	The cost of health insurance is estimated based on the average employee contribution for employer-based coverage in Colorado’s private sector, according to the Medical Expenditure Panel Survey (MEPS) conducted by the federal Agency for Healthcare Research and Quality (for more information, see www.meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp). Estimates reflect state averages for “family coverage” for a family plan and “single coverage” for a single parent (when children are covered by public insurance).
Other Necessities	The cost of other necessities is estimated based on the Economic Policy Institute’s Basic Family Budget methodology, which relies on data from the Consumer Expenditure Survey (for more information, see www.epinet.org/datazone/fambud/fam_bud_calc_tech_doc.pdf). It equals 27 percent of the sum of the family’s (unsubsidized) housing and food costs.
Payroll and Income Taxes	The cost of payroll and income taxes is calculated following federal and state tax regulations. Income tax calculations take into account the Child Tax Credit and the Child and Dependent Care Tax Credit but not the federal Earned Income Tax Credit or the refundable state child care tax credit. These credits are considered work supports and when the family receives such benefits (as indicated in the text), they are included in family resources.

