COMMON SENSE INSTITUTE

OCTOBER 2024

UNLOCKING WORK: IMPACTS OF IMPROVING ACCESS TO AFFORDABLE CHILD CARE

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ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

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INTRODUCTION

A well-functioning, affordable child care system is essential to the economy. Yet, access to and affordability of quality child care continues to be a pressing concern in Colorado, hampering many parents from entering the workforce or remaining fully or consistently employed.

Because of its necessity for working parents, the child care system can have a significant impact on economic opportunities and upward mobility for families. Some parents who would otherwise prefer to work, must exit the workforce to raise children full-time due to the lack of child care access or affordability. Others maintain part-time work, potentially stalling their careers.

In the past several years, law makers have attempted to address the challenges in child care by enacting a number of bills to increase supply, address high operating costs, incentivize workers to move into child care, and improve affordability for parents.

These efforts have extended to the local level as well, most recently through the passage of SB24-002 which allows county commissioner boards to establish “areas of local concern” that can receive select tax incentives. These areas of concern can range from affordable housing to access to quality education, to child care. This legislation has the potential to add other reforms including 2023 legislation that expanded child care facilities eligible for property tax incentives.

While some of the child care challenges will remain, there is an opportunity for local governments to further enable the sustainability of the child care business model and to increase the productivity of their local workforce.

KEY FINDINGS

- **Licensed child care slots lagging**
  - There are 2 licensed child care slots for every 3 children under 6 in a household where all parents are in the labor force, creating a deficit of 88,500 slots.
  - 8 of 9 front range counties, home to 80% of the state's population, have deficits in child care slots ranging from 21% to 60% of the number of children who could use them.
- **Child care challenges are sidelining parents**
  - 10,200 mothers sidelined from the labor force due to child care could generate $3.787 billion in GDP and create 29,000 total jobs if their child care issues were resolved and chose to return to employment.
  - Nearly 1 in every 5, or 60,000 of the 330,000 moms with children under 6 do not participate in the labor force but will once their child reaches school age. This is because the labor force participation rate of mothers with younger children is 11.7 percentage points lower than it is for mothers with children 6-17.
- **Large number of recent bills presents some opportunities to address costs**
  - Rather than creating additional government and public funding streams, it is important to educate leaders on 25 recent state bills, including many for local governments to improve the financial sustainability of the child care business model. As an example, just 3 of the initially projected 56 child care centers, have taken advantage of the enhanced property tax exemption granted under HB22-1006. Local government can now declare child care a local need and enhance existing targeted state tax credits.

CHILD CARE STRAIN ON LABOR FORCE AND ECONOMIC MOBILITY

Finding available and affordable child care is a pressing concern for many Colorado parents, particularly those with younger children. The lack of adequate child care produces a range of negative outcomes for Colorado's workers and the state's labor force. While some choose to exit the labor force entirely, parents who remain in the labor force face high costs and productivity challenges.

Impact on Workforce

- **Access** - 88,464 fewer licensed child care slots than children under 6 with parents in the workforce.
- **Labor Force Participation** - 60,000 more moms with children under 6 would be in the labor force if they had the same participation rate as moms with children over 6.
- **Career Advancement** - In the U.S, 71% of parents with children under the age of 12, and 77% of parents with children under age 5 reported negative career impacts due to child care issues, according to 2018 data.
- **Affordability** - Colorado was ranked 8th in the country for the most expensive infant care and 11th for most expensive state to have a child.[i] An average Colorado family will spend 38% of their annual income on child care for an infant and a 4-year-old.[ii]

Access – Child Care Slots Versus Number of Kids

In 2023, there were 356,954 children under the age of six in Colorado. Of these children, an estimated 172,252 had both parents in the labor force, and another 95,253 lived with one parent, of which 78,633 were working.[iii] However, from October 2022 to September 2023, there were only 162,421 licensed child care slots available, including those offered by child care centers, home providers, and preschools.[iv] This gap left a shortage of 88,464 children under six whose parents were working but did not have access to a licensed child care slot. While many families utilized a network of friends, family and neighbors for care, this equates to a deficit of 35% of the number children who could use them.[v]

FIGURE 1

Child Care Slot Deficit in Colorado 2018-2023				
Year	Number of Kids Needing Child Care[vi]	Number of Child Care Slots[vii]	Child Care Slot Deficit	Year-Over-Year Change
2023	250,885	162,421	88,464	6,569
2022	239,664	157,769	81,895	22,999
2021	231,933	173,037	58,896	-39,175
2020*	250,527	152,456	98,071	-1,793
2019	246,035	146,171	99,864	-5,064
2018	255,155	150,227	104,928	N/A

*Due to Covid, there was not a 1-year ACS estimate in 2020, so a 5-year ACS estimate was used.

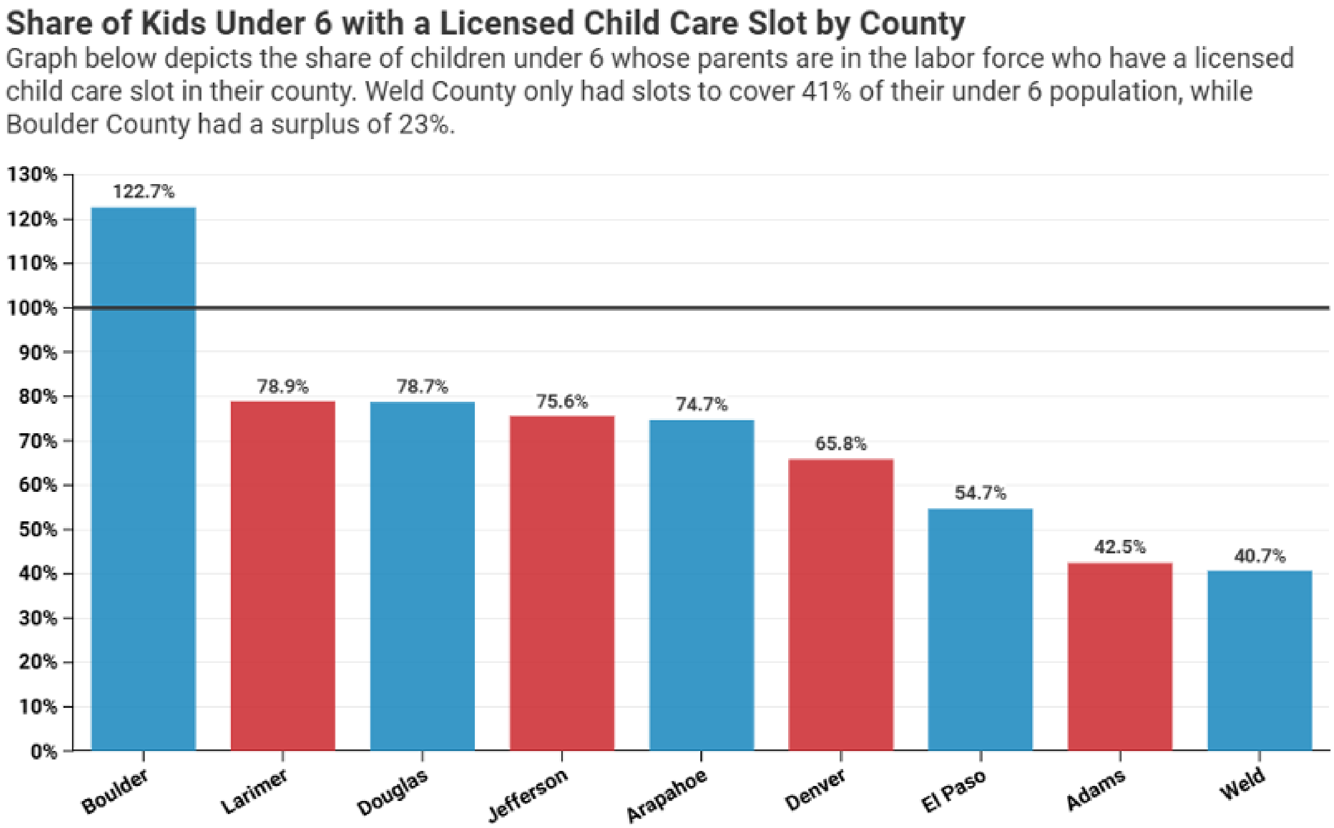
The Center for American Progress estimates that 51% of Coloradans live in a child care desert. 55% of the lowest income neighborhoods are in deserts, whereas 47% of the highest income neighborhoods are.[viii] Urban, suburban, and rural areas all experience deserts, with the greatest shortage occurring in the suburbs.

8 out of 9 counties examined for this report, which are home to 80% of the state, have deficits in child care slots, as shown in Figure 2 below.

FIGURE 2

Child Care Slots Surplus/Deficit by County - 2023			
County	Children Under 6 with All Parents in Labor Force *	Total Child Care Slots	Surplus/Deficit
Denver	34,280	22,567	-11,713
Arapahoe	28,910	21,608	-7,302
Jefferson	24,836	18,774	-6,062
El Paso	32,072	17,531	-14,541
Douglas	17,706	13,942	-3,764
Boulder	8,310	10,196	1,886
Larimer	12,339	9,736	-2,603
Weld	18,428	7,501	-10,927
Adams	29,758	12,636	-17,122

FIGURE 3



The shortage of child care slots is caused by a variety of challenges within the industry. Child care centers are expensive to operate because of zoning, insurance and labor costs representing a large share of their overall costs. The COVID pandemic led to 16,000 child care centers closing across the US (approximately 20% of the total) and created a reduction in capacity for many others.

Labor Force Participation - Sidelined Workers in Colorado

As shown in Figure 6, the average labor force participation rate for younger moms was 11.7 percentage points lower than moms with older children. Put another way, mothers with younger children were 15% less likely to be in the workforce than those with older children.

Many parents choose to raise a family full-time, however this gap shows the broad impact on the labor force for parents of young children. While some parents choose to exit the labor force exclusively due to child care issues, for many it is simply the primary factor among others. If mothers of younger children participated in the labor force at the same rate as those with older children, an additional 60,000 women in Colorado would be part of the labor force.

Of all parents out of the labor force who want a job, 17% of women with young children and 8% of women with older children cite child care problems as the reason they are not looking for work. 4% of men with children under 18 cite child care as the reason for not looking for work.[ix] Using these figures to estimate the number of workers sidelined in Colorado due to child care challenges is difficult. Just 5.7% of those outside the labor force indicated they wanted a job in August of this year.[x] For parents with young children who have exited the labor force, this figure is likely low, given the decision to leave is complex and motivated by multiple factors.

Economic Impacts of Sidelined Workers and Childcare Challenges

The economic impacts associated with costs and challenges due to child care arise in different ways.

Research by Ready Nation found the economic impact to Colorado parents, employers, and taxpayers stemming from insufficient child care for children under the age of three totaled over $2.7 billion annually.[xi] In this analysis, the economic impacts resulting from child care challenges are primarily driven by costs borne by parents who remain in the labor force.

- Half of Colorado parents report having made sacrifices that affect their employment situations and/or economic mobility due to the lack of affordable child care, including cutting their work hours, taking unpaid time off, leaving a job entirely, or not looking for a job to take care of children.[xii]
- The US Chamber of Commerce cited child care as a key contributor for why 1.6 million workers are marginally attached to the workforce.[xiii] Studies show that leaving the workforce or moving to part-time work can have a long-term effect on pay and opportunities for promotions.
- The Healthier Colorado 2023 Voter Opinion Survey found that a third of respondents indicated they had worked less because of expensive child care.[xiv]

To isolate the economic impacts associated with sidelined workers, it is possible to return to the 60,000 sidelined mothers with children under 6. If 17% of these mothers have left the workforce due primarily to child care, as reported by research from the Chicago Federal Reserve Bank, this leaves 10,200 mothers who would otherwise choose to be working in Colorado.[xv] Assuming the average annual county wage, the lost wages of these 10,200 women was over $640 million per year in just 9 counties, and $770 million across Colorado in total.[xvi]

FIGURE 4

Unrealized Wages for Coloradan Mothers with Kids Under 6 Who Would Work if not for Child Care Issues

Region	Potential Unrealized Wages	Number of Mothers by County
State	$769,840,913	10,200
9 - County Total	$644,122,426	8,098
Adams	$68,190,475	923
Arapahoe	$96,608,004	1,144
Boulder	$52,300,774	563
Denver	$119,911,648	1,240
Douglas	$55,145,124	665
El Paso	$87,130,786	1,301
Jefferson	$78,259,933	991
Larimer	$45,153,461	642
Weld	$41,422,221	628

If all 10,200 mothers had their child care issues resolved and returned to full employment, they would produce an economic impact of $3.787 billion dollars. That is the estimated increase to the state's Gross Domestic Product resulting from the 10,200 mothers returning to full employment.

To arrive at this impact, an economic simulation was run in the REMI PI+ model. Model inputs consisted of two variables.

- **Direct employment** – Employment was increased by 10,200 across all sectors proportionally to their share of the baseline. This captures the potential economic impact of mothers who were estimated to be outside the labor force due to child care but would otherwise prefer to be working.
- **Wage adjustment** – Total wages were adjusted to take into account the likelihood that mothers returning to work would earn less than the median wage. This was input into the model as an adjustment in wages toward the 25th percentile wage from the median wage, an approximate reduction of 46%. This approach mimics a similar approach described in a recent report by the North Carolina Department of Commerce.[xvii]

FIGURE 5

Economic Impacts of Sidelined Mothers Returning to Work	
Dynamic Impacts (REMI Results)	
Employment	+29,000
GDP	+$3.787 billion
Disposable Personal Income	+$1.872 billion
Direct Model Inputs	
Employment	10,200 newly employed
Wages	$180m wage reduction to account for newly employed earning less than median wage

FIGURE 6

Labor Force Participation Rates in Colorado for Women with Children Under 6 & 6-17

	Youngest Child Under 6	Youngest Child 6-17	Difference
2022	69.5%	80.8%	-11.3%
2023	68.5%	83.0%	-14.5%
2024	68.3%	77.6%	-9.3%

Not all parents can leave the labor force when they experience problems with child care, but half of Colorado parents report having made sacrifices that affect their employment situations and/or economic mobility due to the lack of affordable child care, including cutting their work hours, taking unpaid time off, leaving a job entirely, or not looking for a job to take care of children.[xviii]

FIGURE 7

County-level Child Care Statistics						
County	Children Under 6	Parents Living with Children Under 6	Parents Living with Children Under 6 as Share of County LF	Applicable Child Care Slots*	Child Care Slot Deficit/Surplus	Mother with Child Under 6 Who will Return to LF After Child is 7-17
Colorado	356,954	618,655	19.2%	162,421	(88,464)	60,046
Adams	41,373	67,611	23.5%	12,636	(17,122)	6,729
Arapahoe	43,786	75,558	20.2%	21,608	(7,302)	7,625
Boulder	13,164	23,620	11.8%	10,196	1,886	2,249
Denver	43,072	71,208	16.2%	22,567	(11,713)	7,095
Douglas	25,325	47,863	22.3%	13,942	(3,764)	4,415
El Paso	51,317	90,601	24.9%	17,531	(14,541)	8,647
Jefferson	30,803	54,720	16.1%	18,774	(6,062)	5,099
Larimer	18,329	33,886	15.9%	9,736	(2,603)	3,231
Weld	26,951	47,629	16.9%	7,501	(10,927)	4,721

Career Advancement

In a 2018 national survey, 71% of parents with children under the age of 12, and 77% of parents with children under age 5 reported negative career impacts due to child care issues. These negative impacts can range from working fewer hours, passing up a promotion, or choosing not to pursue upskilling opportunities.[xix]

In Colorado, 9% of parents with a child 17 or younger stated there was at least one week in the past year when they needed child care but were unable to get it.[xx] Leaving the workforce, either temporarily or permanently due to child care issues has an outsized effect on women that can affect their entire careers.

As cited in a previous report from this fellowship, a Motherhood Penalty clearly exists. In 2019, 75% of parents reported having at least some difficulty finding child care in the summer months because of both availability and cost.[xxi] Women with children are six times less likely to be recommended for hire than childless women and have 10% lower competency ratings compared to otherwise equally qualified candidates.[xxii]

Affordability – Income Versus Child Care Spending

To address child care affordability, it is important to consider both sides of the equation: both fees for parents and the operating costs for the centers.

37% of Colorado parents report having to cut into their savings or increase debt because of the cost of child care.[xxiii] In Colorado, the average annual cost of infant care is $15,325, or $1,277 per month. A minimum wage worker ($14.42/hour) would have to work 89 hours per month to pay for child care alone. This ranks Colorado as the state with the 8th most expensive infant care. Additionally, infant care is 9.8% more costly than the average rent, and 60.6% more than in-state tuition for a four-year public college.[xxiv]

Low-income families can apply for the Colorado Child Care Assistance Program (CCCAP), the funding for which originates from the federal government and is distributed at a county level across the state. Through its subsidy, CCCAP pays a portion of the cost of child care at licensed facilities or to qualified (unlicensed) providers on a sliding scale based on household income and family size.

But families and providers experience several challenges with CCCAP. Due to funding constraints prior to the pandemic, only 8% of income qualified families received CCCAP benefits. Though expanded funding during the pandemic increased CCCAP's impact, those funds have expired, effective September 30, 2024. Even when a family does get funding, they can struggle to find a center that accepts CCCAP payment.

Child care centers complain about the administrative burden of CCCAP billing and reimbursement. Additionally, the program historically does not pay for enrollment, and instead pays only for days the child attends the center. If the child is ill or does not attend for any reason, the center does not get paid. These fluctuations are challenging for centers with fixed costs regardless of attendance.

Alternatives that are less expensive to operate, such as licensed home child care and friends, family, neighbor (FFN) care could help improve access for families. The average annual price of infant care from a Family Child Care provider in Colorado was $12,750 compared to $19,573 for center-based care providers in 2023 – 54% less expensive.[xxv]

THE CHILD CARE BUSINESS MODEL DOES NOT PRODUCE AMPLE AND AFFORDABLE CARE

Previous CSI reporting has outlined the challenges to the financial sustainability of child care center business models.[xxvi] Though labor costs are the largest share of a child care center's budget, lowering labor costs through reduced staffing, shorter hours, or reduced wages, has adverse impacts on quality of care and teacher turnover which costs more in the long run.

The report modeled alternatives to reducing costs of operating a child care center by reducing debt service, rent and property taxes and found that higher enrollment capacity did not necessarily translate to improved profitability. That is because both rent and labor costs scale with the growth in students as there are regulatory constraints on the square feet per child. The most important factor is ensuring that enrollment is near capacity, regardless of level, at all times.

Child Care Workers

Any conversation about increasing supply must also include how centers will staff themselves. Across the US in September 2023, there were 39,400 fewer child care workers than in February 2020. However, if the number of childcare workers had continued at its pre-pandemic trajectory and the pandemic recession had not occurred, there would be 150,000 more jobs in the industry today.[xxvii] The field is one in which child care workers receive notoriously low pay, with child care careers falling near the bottom of all US occupations when ranked by pay.[xxviii] This leads many care providers to need public benefits despite being full-time employed. Nationally, child care workers are twice as likely to live in poverty as other workers' families.[xxix] Turnover is high in this profession and workers who leave the field often move to higher paying industries.

PRIOR LEGISLATION TO ADDRESS THE STRAINED CHILD CARE BUSINESS MODEL

Legislators have passed several bills to address the strains child care presents to Colorado communities. As mentioned above, in a prior report, CSI examined the child care business model in Colorado.[xxx] One of the key takeaways from the report was, "Rather than creating additional government and public funding streams, targeted policy and regulatory reform should be utilized to address the operating gaps in the child care business model, such as cost of care differentials for younger children, regulatory compliance, rent, and state/local taxes. This, in turn, will reduce the amount of additional public investment required."

Figure 8 shows 25 state legislative changes that focused on child care market reforms since 2021.

- 21 address the child care business model
- 4 emphasize decreasing costs for families
- 4 are temporary bills which have already sunset or will expire within a year.

FIGURE 8

Child Care Legislative Summary 2020-24				
Bill #	**Year**	**Summary**	**Impact to Family**	**Impact to Business Model**
SB20-126	2020	The act allows a homeowner in a community organized under the "Colorado Common Interest Ownership Act" to operate a licensed family child care home, as defined in state laws governing child care facilities, notwithstanding anything to the contrary in the community's governing documents.		X
HB20B-1002	2020	The bill created 2 emergency relief grant programs to allow the state to allocate and quickly distribute money to existing licensed and start-up child care providers in Colorado.		X
HB20-1053	2020	Bill shall streamline and align the early childhood professional credential, child care program licensing, and educator licensing to make requirements clear and consistent and to reduce the administrative and paperwork burden relating to credentialing and licensing of early childhood educators.		X

Bill #	Year	Summary	Impact to Family	Impact to Business Model
HB20-1427	2020	This bill raises taxes on cigarettes and tobacco products and establishes a new tax on nicotine products. Revenue from the taxes is distributed to fund K-12 schools, housing, preschool, health care, tobacco education, and other programs. With voter approval, the bill increases state revenue and expenditures on an ongoing basis.		X
SB21-236	2021	The act creates the following programs: The employer-based child care facility grant program; The early care and education recruitment and retention grant and scholarship program; The child care teacher salary grant program; And the community innovation and resilience for care and learning equity (CIRCLE) grant program.		X
HB21-1222	2021	The act requires that family child care homes be classified as residences for purposes of licensure and local regulations, including zoning, land use development, fire and life safety, and building codes.		X
HB21-1274	2021	The bill requires the Department of Personnel and Administration (DPA) to maintain, annually update, and post online an inventory of unused, state-owned, real property. The department must determine if any such property is suitable for the construction of affordable housing, child care, public schools, residential mental and behavioral health care, or renewable energy facilities		X
HB21-1304	2021	Creates the Department of Early Childhood.		X
SB21-167	2021	The act eliminates duplicate inspections if there has been an inspection in the last 12 months.		X
HB22-1010	2022	Creates a refundable income tax credit for low-income eligible early childhood educators. Credit Sunsets Jan 1, 2026.		X
HB22-1295	2022	Establishes the duties for the Department of Early Childhood and creates Colorado's Universal Preschool Program.		X
SB22-213	2022	The bill provides funding for a variety of early childhood programs and creates an advisory group and training program for family, friend, and neighbor (FFN) providers.		X
SB22-130	2022	The bill requires the Department of Personnel and Administration to develop and oversee a process by which certain state entities may enter into public-private partnerships.		X
HB22-1070	2022	The act allows an early childhood development service district to also include a portion of a special district, municipality, county, or other existing taxing entity.		X
HB22-1117	2022	The act expands the allowable uses of the revenue from a local marketing district's marketing and promotion tax and a county's lodging tax to include housing and child care for the tourism-related workforce, including seasonal workers, and for other workers in the community.	X	
HB22-1006	2022	Expands an existing property tax exemption to include property that is rented or leased and used as an integral part of a child care center.		X

Bill #	Year	Summary	Impact to Family	Impact to Business Model
HB23-1091	2023	A taxpayer who makes a monetary contribution to promote child care in the state is allowed an income tax credit that is equal to 50% of the total value of the contribution. The bill extends the child care contribution tax credit, currently set to expire after 2024, through 2027.	X	
SB23-269	2023	The bill creates a program in the Colorado Department of Early Childhood to provide a one-time bonus payment to providers participating in the Universal Preschool Program.		X
SB23-205	2023	The bill creates the Universal High School Scholarship Program to provide scholarships to students for postsecondary education, apprenticeships, or training related to an in-demand, high-priority postsecondary pathway. This would include ECE.		X
HB23-1246	2023	The bill creates two new programs to encourage the completion of credentials for specific occupations including ECE.		X
HB23-1290	2023	The bill increases TABOR-exempt revenue available to spend or save by $14.7 million in FY 2023-24 and $31.4 million in FY 2024-25. The additional revenue will be deposited into the Preschool Programs Cash Fund.		X
SB24-002	2024	Authorizes boards of county commissioners to offer county property tax credits or rebates as part of an incentive program to encourage improvements in areas of specific local concern related to the use of real property. Municipalities are authorized to offer an identical program with municipal property tax credits and rebates.		X
HB24-1237	2024	Creates 3 new programs to be implemented and administered by the division of housing in the department of local affairs: - The child care facility development toolkit and technical assistance program, the child care facility development planning grant program, and the child care facility development cash fund.		X
HB24-1312	2024	The act creates a refundable income tax credit that is available for income tax years commencing on or after January 1, 2025, but prior to January 1, 2029, for a qualifying resident individual (individual) working in the care workforce in the amount of $1,200 for a single filer and $2,400 for 2 joint filers.	X	
HB24-1223	2024	The bill makes changes to CCCAP related to the application process, licensing, eligibility, provider reimbursements, and parent fees.	X	

The plethora of bills speaks to the complexity of the child care system. A few of the bills (HB20B-1002, SB21-236) were temporarily enacted to help child care providers during the pandemic and have since sunset.

Bills to Increase the Supply of Child Care

In some communities Friends, Family and Neighbors (FFN) care is the best option for expanding access to child care. Support and education for FFN providers was the result of SB22-213.

Other bills attempt to increase home providers, making it easier to operate home child care centers (SB20-126 and HB21-1222) by allowing the centers to exist in homes that are part of a homeowner's association and ensuring homes continue to qualify as a residence for the licensure, zoning, building codes, etc.

Future child care center locations may be identified by creating an online inventory of unused, state-owned real estate (HB21-1274) and/or promoting the development of public/private partnerships to create additional child care options (SB22-130).

Local municipalities are encouraged to allocate taxes received from marketing and promotion and lodging toward housing and child care for the benefit of workers who support tourism (HB22-1117), while also allowing them to create a special district for the benefit of child care (HB22-1070). Though the latter requires voter approval, it also means the entities within the special district can accept gifts, grants, and donations.

HB20-1427, enacted when Proposition EE was passed by voters, generated the funding for the Preschool Programs Cash Fund to create the Universal Preschool Program. This program creates slots for preschoolers across the state and decreases the pressure on families to pay for private preschool.

Bills to Address the High Operating Costs

Some bills work to address the administrative burden of operating child care centers, such as SB21-167, which allows centers to forego an additional inspection if a satisfactory inspection has been completed in the prior 12 months.

To address the challenges larger child care centers face, there are attempts to decrease their operating costs through property tax exemptions (HB22-1006). The property owner must apply for the exemption for the portion of the property used for child care purposes, and then pass those savings on to the child care center through their rent.

HB24-1223 encourages child care centers to accept parents supported with CCCAP funding. One aspect of the bill pays providers based on enrollment, rather than attendance, which has been a barrier for centers to accept CCCAP in the past.

Bills to Address the Child Care Ecosystem and Worker Shortage

By establishing the Department of Early Childhood (HB21-1304) to support child care programs, workers and administrators, and families, this bill acknowledges the importance of early childhood education by assigning the industry its own department. Subsequently, this department was assigned responsibility for Colorado's Universal Preschool Program (HB22-1295).

Several attempts have been made to address the challenges of attracting workers into the field where the current workforce is aging out at a rate faster than the replacement level of new workers (HB20-1053). Other bills incentivize workers who are in the field by offering refundable income tax credits to eligible early childhood educators (HB22-1010). There are also bills which have helped incentivize individuals to become preschool providers by I) providing a one-time bonus payment (SB23-269 repeals 7/1/2025) when the Universal Preschool Program was implemented, II) establishing scholarships for students for post-secondary education for in-demand fields, including early childhood education (SB23-205 for 2024/2025 academic year) and III) a bill that directs the state board of community colleges and occupational education to expand the number of qualified professionals in child care and other in-demand careers (HB23-1246). There are also state workforce grants that overlap with child care workers such as Colorado's new Opportunity Now grant program which awarded over $55 million to support workforce training in 17 industries, including child care in March 2024.[xxxi]

Another incentive for child care workers and informal care providers was created with HB24-1312 which creates a refundable income tax credit of $1,200 for a single filer and $2,400 for joint filers.

SB24-002 authorizes county commissioners to offer property tax credits or rebates to encourage improvements in areas that house child care centers, among other special concerns. Such action could lead to increased safety around child care centers or encourage centers to move into areas they might not otherwise be able to. Additional local programs include activities to decrease barriers to entry for child care centers, such as a facility development toolkit and technical assistance program, and a development cash fund (HB24-1237).

Bills to Address Family Affordability

Fewer bills have been aimed directly at families, however, HB23-1091 temporarily allows families to receive an income tax credit equal to 50% of a qualifying child care contribution. Qualifying contributions include those to facilities, schools, or programs that provide child care among others.[xxxii] It does not apply to family tuition.

The creation of the Universal Preschool Program (HB23-1290) can help families offset some of the cost of child care during the preschool years, particularly if it is expanded in the future to allow full-time preschool for all families who wish to have it. Other bills already mentioned that directly relate to the creation of the Colorado's UPK program also directly support family affordability of child care including HB20-1427 and HB22-1295.

RECOMMENDATIONS

Any recommendations focused on improving child care access and affordability must start with addressing the business model constraints. Legislation passed thus far has nibbled around the edges of the challenges faced by this complex industry.

Local Government Solutions

- Explore opportunities presented in SB24-002 to identify areas of local concern and create further tax incentives to foster child care centers or to create public private partnerships with employers to support their workforce.
- Continue to support friends, family and neighbor care as an alternative to child care centers. These providers could address the gaps in many communities across the state.
- Raise awareness of existing property tax reduction opportunities for centers. A communication and education program will be needed to encourage the use of this exemption for the benefit of child care centers, as just 3 of the expected 56 centers have applied for the expanded 2022 property tax exemption.
- Consider renewal and expansion of existing state legislation to include greater opportunity for private contributions to offset costs of local child care facilities, such as through the donation of real estate.

Increase Child Care Workforce

- Consider expanding income tax credits for child care workers from the current $1,200 for a single filer.
- Continue free or low-cost programs to incentivize more workers to get the training needed to become child care providers.
- Loosen child care licensing requirements to allow FFN providers to care for slightly more children than currently allowed (4 unrelated children with no more than 2 children under the age of 2 years), particularly for before- and after-school care.

Improve Family Affordability/Decrease the Cost Burden of Child Care

- Disburse the CTC monthly rather than annually to help ease the monthly cost of child care.
- Consider mild reforms to child-teacher ratio requirements from toddler and beyond. A small shift in these ratios could have a large impact on the cost model for child care centers.
- Support Friends, Family, Neighbor networks by continuing to provide education, training and other support as an alternative solution for developing more child care centers across the state.

BOTTOM LINE

Access to early child care opportunities are predictive of educational attainment for children, which then corresponds to adult earnings and health. It also allows parents who need and want to, the ability to be more productive, and support their families. As anyone with small children knows, availability and affordability are a challenge, often leading to parents to decrease their work or leave the workforce entirely. Ensuring a robust child care ecosystem in Colorado is an investment in the future of our state.

The variety of legislative actions speaks to the complexity of problems the industry faces. Solutions will require addressing the supply of child care slots, while also finding ways to incentivize workers to join this field with notoriously low pay. Attempts to address access must also improve the affordability of this high fixed-cost service for families.

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