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Number 15-01

A Legislative Council Publication

January 2015

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## CHILD CARE ASSISTANCE AND REGULATION IN COLORADO

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The quality and affordability of child care and early childhood education (ECE) are key concerns for parents and policymakers alike. Whether daycare, preschool, or another setting, child care and ECE allow parents to remain in the workforce and improve the school readiness of children. This *issue brief* provides an overview of the financial assistance available to families needing child care and describes the state's licensing and regulation of child care.

### Financial Assistance for Child Care

Financial assistance for child care and ECE is available in the form of federal and state tax credits, state subsidies to low-income families, and state funding for ECE programs serving at-risk children.

**Federal Child and Dependent Care Tax Credit.** For children ages 12 and younger, parents may claim a federal tax credit of up to \$3,000 for one child or up to \$6,000 for two or more children. The amount of credit that may be claimed is based on income level. The exact credit amount, up to the caps above, ranges from 20 percent of eligible child care expenses for households with adjusted gross income over \$43,000 to 35 percent of expenses for households with incomes below \$15,000.

To claim the credit, child care expenses must be work-related and the household must have earned income for that year. The federal tax credit is not refundable and the credit received cannot exceed a family's tax liability for the year. In addition to child care expenses, the credit may also be claimed for the costs of caring for a spouse or other dependant person who is physically or mentally unable to care for himself or herself.

**Colorado Child Care Tax Credit.** At the state level, the Colorado Child Care Tax Credit allows families with incomes of up to \$60,000 to claim a tax credit for work-related child care expenses. The amount of the state tax credit is directly linked to the federal credit and based on household income, as shown in Table 1.

**Table 1**  
**Colorado Child Care Tax Credit Amounts**

Federal Adjusted Gross Income	Colorado Child Care Tax Credit Amount
Up to \$25,000	50% of federal credit
\$25,001 - \$35,000	30% of federal credit
\$35,001 - \$60,000	10% of federal credit
More than \$60,000	No credit allowed

Source: Colorado Department of Revenue

Unlike the federal credit, the Colorado Child Care Tax credit is refundable, so families may receive the credit in the form of a tax refund even if it exceeds their tax liability for the year. The state credit is only available for child care expenses for children ages 12 and younger, and not for care provided to other dependents (spouses, older children) who may be eligible for the federal credit.

**Colorado Child Care Assistance Program.** Low-income families may qualify for child care subsidies through the Colorado Child Care Assistance Program (CCCAP). This program is overseen by the Colorado Department of Human Services (DHS) and administered by counties. Under CCCAP, counties receive an allocation of state funding and are responsible for setting exact eligibility standards and prioritizing which families receive assistance. CCCAP is not an entitlement, and families may be placed on a waiting list if a county does not have sufficient funds to serve all applicants. Generally, families with incomes of

upto 165 percent of the federal poverty level (FPL) may be eligible for CCCAP, and parents must be participating in an eligible activity such as work, job search, or education to receive assistance.

**Colorado Preschool Program.** The Colorado Preschool Program (CPP) is a state-funded program that provides funding for eligible at-risk children to attend half- or full-day preschool or full-day kindergarten. The CPP is administered by the Colorado Department of Education (CDE) and managed by local school districts. To determine at-risk status, a variety of factors are used, including eligibility for free or reduced price meals, need for language or social development, receipt of other social services, the presence of an abusive adult in the child's household, or substance abuse by parents. Currently, the state funds 28,360 slots in CPP statewide, with each slot equal to a half day of kindergarten or preschool. A school district may use one slot to enroll a child in half-day preschool or extend a child from half-day to full-day kindergarten, or two slots to place a child in full-day preschool.

## Licensing and Regulation of Child Care

The DHS regulates child care in Colorado through the licensing of child care facilities and employees. In addition to initial licensing of child care businesses, the department also receives and investigates incident reports and complaints about child care facilities. Information on specific child care facilities, including licensing history, facility capacity, and the results of any investigations and complaints can be viewed on the [DHS website](#).

**Facility licensing.** Most types of facilities where children receive care must be licensed by the DHS. The license type and specific regulations depend on the nature and size of the facility. The two most common types of facilities, child care centers and family child care homes, are described below.

**Child care centers.** A wide range of facilities that serve five or more children for less than 24 hours a day are licensed as child care centers. For young children up to age five, these facilities may include infant and toddler nurseries, day care providers, preschools, and certain non-school-based kindergartens. For older children, child care centers include school-age child care programs, before- and after-school

programs, and day camp and summer camp programs.

**Family child care homes.** Child care providers operating out of their homes are known as family child care homes. These facilities provide care for less than 24 hours in a place of residence for two or more children. The children in care are from different families and not related to the provider in whose residence care is provided.

**Exemptions.** Certain child care providers may apply for an exemption from state licensing requirements. Examples of providers eligible for an exemption include centers providing religious instruction or operating for a single skill-building purpose; centers associated with places of business or worship providing short-term care while parents are on the premises; persons offering care infrequently and on an irregular basis; and facilities licensed and monitored by another government agency.

**Occupational licensing.** The DHS is also responsible for licensing and facilitating criminal history background checks of employees at child care facilities. Child care center directors must be licensed in order to operate a facility. Early childhood teachers responsible for a single group of children may pursue a voluntary license, but it is not required for employment. All adults over the age of 18 employed by a licensed child care facility must undergo a criminal history background check.

**Incident reporting and investigations.** When a child injury or other serious incident occurs at a child care facility, the provider must report it to the DHS. Parents and members of the public may also submit complaints or incident reports concerning a child care facility. Following a report or complaint, the DHS conducts an investigation. If deficiencies in meeting child care regulations are found or an allegation is substantiated, a facility may face several consequences. Negative findings against a child care facility are noted in its public licensing record. In the event of serious or repeated incidents, the DHS may also suspend or revoke a facility's license.