



## Child Care Assistance, Licensing, and Ratings in Colorado

By Julia Group

The quality 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, briefly describes the licensing of child care centers, and explains where to find child care quality ratings.

### 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 aged 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 nonrefundable, meaning it can only be used to reduce a tax liability and cannot increase a tax refund. In addition to child care expenses, the credit may also

be claimed for the costs of caring for a spouse or other dependent 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 equal to or less than \$60,000 to claim a tax credit for work-related child care expenses. For income tax years after 2019, the credit amount is equal to 50 percent of the credit claimed on the individual's federal tax return.<sup>1</sup>

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 aged 12 years 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).<sup>2</sup> 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 eligibility standards and prioritizing which families receive assistance. Counties are directed to prioritize child care assistance for certified foster parents.<sup>3</sup> 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

<sup>1</sup>Section 39-22-119, C.R.S.

<sup>2</sup>Section 26-2-801, *et seq.*, C.R.S.

<sup>3</sup>Section 26-2-805 (9)(f), C.R.S.

incomes of up to 185 percent of the federal poverty level (FPL), but not exceeding 85 percent of the state median income may be eligible for CCCAP. Parents must be participating in an eligible activity such as work, job searching, or education to receive assistance.

**Colorado Preschool Program.** The Colorado Preschool Program (CPP) is a state-funded program that provides funding directly to preschool programs for eligible at-risk children to attend half- or full-day preschool. Participating preschools can be child care programs or any other nonprofit or for-profit program as long as they are not faith-based. Head Start programs, the federally funded early care and education program for low-income children, can also participate in CPP.

The CPP is administered by the Colorado Department of Education (CDE) and managed by local school districts. School district participation in CPP is voluntary. Any school district that wishes to participate is required to establish a preschool district advisory council responsible for implementation of the CPP program in their schools.<sup>4</sup> To determine at-risk status, a variety of factors are considered 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 29,360 slots in CPP statewide.<sup>5</sup>

## Child Care Licensing and Quality

**Facility licensing.** Most types of facilities where children receive care must be licensed by DHS. The license type and specific regulations depend on the nature and size of the facility.

A wide range of facilities that serve five or more children a day are licensed as child care centers. These child care centers may operate out of a place of residence or out of an independent facility. 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.

**Inspections required for licensing.** Prior to receiving a license from DHS and at least every two years after, all child care facilities, except family child care homes, must be inspected and have approved inspection reports from the local health department or the Colorado Department of Public Health and Environment (CDPHE) and the local fire department.

**Child care quality.** Colorado Shines is a rating system for child care centers run by DHS. This program assigns ratings to child care centers on a scale of one to five. All child care centers are rated, with a licensed program automatically being assigned a Level 1. To advance to higher levels a program must demonstrate success in areas such as workforce qualifications and professional development, the learning environment, and child health. Child care ratings are available on the Colorado Shines webpage [here](#).<sup>6</sup>

## Facilities Exempt From Licensure

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 or centers associated with places of business or worship providing short-term care while parents are on the premises.

Child care providers operating out of their homes are known as family child care homes. These facilities are exempt from licensure if less than 24-hour care is provided to children who are all related to each other and/or the caregiver. They are also exempt if care is provided to no more than four children total, regardless of the children's relation to the caregiver. Two of the four children may not be under the age of two.

<sup>4</sup>Section 22-28-105, C.R.S.

<sup>5</sup>Section 22-28-104.3, C.R.S.

<sup>6</sup><https://www.coloradoshines.com/families>