

**Schedule 13**

**Funding Request for the FY 2018-19 Budget Cycle**

Department of Human Services

Request Title

R-22 Reduce Micro Grants to Increase Access to Child Care

Dept. Approval By:

*Melissa Wavelit*

Supplemental FY 2017-18

Change Request FY 2018-19

OSPB Approval By:

*[Signature]*

Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18	FY 2018-19		FY 2019-20
		Initial Appropriation	Supplemental Request	Base Request	Change Request Continuation
	Total	\$250,000	\$0	\$250,000	(\$250,000) (\$250,000)
Total of All Line Items Impacted by Change Request	FTE	0.0	0.0	0.0	0.0 0.0
	GF	\$0	\$0	\$0	\$0 \$0
	CF	\$0	\$0	\$0	\$0 \$0
	RF	\$0	\$0	\$0	\$0 \$0
	FF	\$250,000	\$0	\$250,000	(\$250,000) (\$250,000)

Line Item Information	Fund	FY 2017-18	FY 2018-19		FY 2019-20
		Initial Appropriation	Supplemental Request	Base Request	Change Request Continuation
	Total	\$250,000	\$0	\$250,000	(\$250,000) (\$250,000)
06. Division of Early Childhood, (A)	FTE	0.0	0.0	0.0	0.0 0.0
Division of Early Care and Learning --	GF	\$0	\$0	\$0	\$0 \$0
Micro Grants to	CF	\$0	\$0	\$0	\$0 \$0
Increase Access to	RF	\$0	\$0	\$0	\$0 \$0
Child Care	FF	\$250,000	\$0	\$250,000	(\$250,000) (\$250,000)

CF Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	<b>If Yes, see schedule 4 fund source detail.</b>
RF Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	
FF Letternote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	
Requires Legislation?	Yes	No	<input checked="" type="checkbox"/>	
Type of Request?	Department of Human Services Prioritized Request			
Interagency Approval or Related Schedule 13s:	None			

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### ***Cost and FTE***

- The Department proposes a reduction of (\$250,000) total funds, including (\$250,000) of federal funds in FY 2018-19 in Child Care and Development Fund (CCDF) and beyond due to a lack of participation/uptake in a micro grant program targeting the child care provider population.
- This request eliminates the funding and discontinues the program.

### ***Current Program***

- In FY 2015-16, the Legislature approved a Department request for CCDF spending authority to create a micro grant program to increase access to licensed, quality child care across the State.
- The Department based its request on an identified need for funding to cover start-up costs for rural family, friend, and neighbor (FFN) child care providers.

### ***Problem or Opportunity***

- Although the Department modeled the program after similar initiatives in other states, several factors made it difficult to replicate the model in Colorado.
- Economies of scale and logistics made it difficult to administer a statewide program within the available budget, and the cost of administration consumed a significant portion of funding.
- The Department is aware that initial investment is one of the barriers to opening a child care facility; however, the micro grant program did not provide enough financial support to offset the other challenges of opening and operating a new business.

### ***Consequences of Problem***

- Based on data and expenditures for FY 2016-17, the Department does not believe the micro grant program is viable and has stopped issuing grants. As a result, the program will not show any expenditures in FY 2017-18.

### ***Proposed Solution***

- The Department requests to reduce its budget by (\$250,000) total funds in FY 2018-19 and beyond for the child care micro grant program.
- The Department strived to explore all possible options in order to continue the micro grant program in an effective and meaningful way. However, the Department has determined that the program is unable to meet its intended goals due to administrative and logistical challenges.
- This change request will, in part, help mitigate the anticipated shortfall in CCDF and contribute toward the fund's long-term sustainability.

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**COLORADO**  
Department of Human Services

John W. Hickenlooper  
Governor

Reggie Bicha  
Executive Director

FY 2018-19 Change Request January 1 2018

**Department Priority:** R-22

**Request Detail:** Reduce Micro Grants to Increase Access to Child Care Change Request

Summary of Incremental Funding Change for FY 2018-19	Total Funds	Federal Funds
Reduce Micro Grants to Increase Access to Child Care	(\$250,000)	(\$250,000)

**Problem or Opportunity:**

The Department requests a reduction in spending authority of (\$250,000) total funds/Child Care and Development Fund (CCDF) in FY 2018-19 and beyond due to a lack of participation/uptake in a micro grant program targeting the child care provider population.

The Department submitted a FY 2015-16 request for funding to create a micro grant program intended to increase access to licensed, quality child care across the State. The Department based its request on an identified need for funding to cover start-up costs for rural family, friend, and neighbor (FFN) child care providers. Since corporate providers do not typically operate in rural and underserved areas due to insufficient population density, family incomes, and business economies of scale, smaller community-based providers often have the potential to fill the gap in the availability of licensed care.

As a key Department goal is to ensure access to licensed child care in all Colorado communities, the Department's proposed solution to this identified need was to create a micro grant program that would provide monetary assistance to FFN child care providers. The Legislature approved the request for \$250,000 to fund the micro grant program annually starting in FY 2015-16, using CCDF spending authority.

During FY 2015-16, ninety-seven applications were received, and all were awarded funding. Table 1 shows a breakdown of the number of micro grant applications the Department received and the total amount of funding awarded by county.

<b>Table 1: Micro Grant Awards by County</b>		
<b>County</b>	<b>Number of Applications Received</b>	<b>Total Amount Awarded</b>
Adams	11	\$6,980.75
Arapahoe	13	\$8,727.37
Boulder	5	\$3,535.19
Broomfield	3	\$2,431.85
Denver	4	\$3,859.07
Douglas	7	\$6,168.70
El Paso	9	\$6,972.78
Garfield	1	\$300.26
Grand	1	\$334.71
Jefferson	4	\$4,108.60
Kit Carson	1	\$873.76
La Plata	1	\$1,836.05
Larimer	13	\$13,842.75
Mesa	5	\$3,425.51
Morgan	2	\$2,146.12
Prowers	1	\$527.17
Routt	2	\$3,464.42
Summit	3	\$1,308.13
Weld	10	\$8,304.71
Yuma	1	\$750.48
<b>TOTAL:</b>	<b>97</b>	<b>\$79,898.38</b>

Child care providers had the opportunity to apply for funding for materials and/or required provider trainings. Applicants applying for funding for materials had the option to choose among a variety of kits containing items focused on a specific theme, including infant safe sleep, health and safety, literacy, and toddler rest and relaxation. Applicants applying for funding for trainings could get reimbursed for qualifying expenses related to obtaining their license. These expenses included, but were not limited to, equipment, access to training, and site capital improvements. Only those applicants who obtained their license from September 15, 2015, to May 30, 2016, or had a pending application at Office of Early Childhood (OEC), received this reimbursement. Providers had to submit proof of expenditures such as: itemized receipts, copies of checks, bank statements, or credit card statements showing the dates that items were purchased.

In addition, applicants could request funding that would help them prepare for a pre-licensing inspection. In order to pass pre-licensing inspections, child care providers with pending licenses needed to demonstrate they have complied in full with all the regulations and rules from the State to provide a quality and safe environment to children. Providers applying for funding in this area could be reimbursed for some equipment, site capital improvement, health and safety items and educational materials.

The Department modeled the program after similar initiatives in other states. However, several factors made it difficult to replicate that model within Colorado. First, economies of scale and logistics made it difficult to administer a statewide program within the available budget. The cost of administration consumed a significant portion of funding. In addition, the need for statewide coverage made the program too difficult to administer with a single contract FTE. As a result, the outreach and marketing did not result in additional facilities being opened. Although the program did provide tangible benefits in terms of safety and quality improvements for individual providers, it did not have the desired impact of increasing overall capacity.

The second challenge the Department faced in administering the program related to the size of the grants. The program was designed to award grants between \$1,000 and \$5,000, with an average award of approximately \$2,500. In practice, this amount proved to be an insufficient incentive for prospective providers to launch a new business, particularly in the child care deserts that the Department targeted. The Department is aware that initial investment is one of the barriers to opening a child care facility. Unfortunately, the micro grant program did not provide enough financial support to offset the other challenges of opening and operating a new business.

***Proposed Solution:***

The Department requests a reduction in spending authority of (\$250,000) in Child Care and Development Fund (CCDF) FY 2018-19 and beyond due to a lack of participation/uptake in a micro grant program targeting the child care provider population.

The Department has strived to explore all possible options in order to continue the micro grant program in an effective and meaningful way. However, the Department has determined that the program is unable to meet its intended goals due to administrative and logistical challenges. As such, it requests to conclude the program and to reduce CCDF spending authority by (\$250,000), the amount allocated to fund the program.

**Anticipated Outcomes:**

The Department is requesting a negative change request to eliminate the funding for the micro grant program. Since the time the Department implemented the program, growth in other programs funded with Child Care and Development Fund (CCDF) has increased significantly, and the Department has concerns about the long-term sustainability of the fund. This negative change request will, in part, help mitigate the anticipated shortfall.

**Assumptions and Calculations:**

The Department requests to reduce CCDF spending authority at a level commensurate with the amount of CCDF the Department currently receives for the micro grant program. Therefore, the Department is submitting a negative change request for (\$250,000) CCDF/total funds.

Table 2 provides a breakdown of the funding already appropriated to the Micro Grants to Increase Access to Child Care line item in the Long Bill as well as the funding change requested by the Department.

<b>Table 2: Long Bill Appropriation and Requested Funding for FY 2018-19 and Beyond</b>						
<b>Line Item:</b>	<b>FTE</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reapp. Funds</b>	<b>Federal Funds</b>
<b>Micro Grants to Increase Access to Child Care</b>						
FY 2017-18 Appropriation (HB 17-254)	0.0	\$250,000	\$0	\$0	\$0	\$250,000
Current Request	0.0	(\$250,000)	\$0	\$0	\$0	(\$250,000)
<b>FY 2018-19 Total Requested Appropriation</b>	<b>0.0</b>	<b>(\$250,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$250,000)</b>
FY 2019-20 and Beyond Requested Appropriation	0.0	\$0	\$0	\$0	\$0	\$0