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THE ECONOMIC IMPACTS OF LOST CHILD CARE ASSISTANCE IN COLORADO

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ABOUT THE AUTHORS



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As the Coors Economic Mobility Fellow for Common Sense Institute Colorado, she engages in critical policy discussions aimed at fostering economic opportunity and equity. She is also a sought-after speaker, known for her ability to inspire audiences with actionable insights on compassionate leadership, social enterprise, and building organizations that thrive.

Tamra is the author of two books: *The Third Law*, an award-winning exploration of the societal and internal barriers marginalized women face in breaking cycles of poverty, and *Followship: 16 Lessons to Become a Leader Worth Following* (2025), which offers a roadmap for leaders seeking to inspire trust, loyalty, and transformation.

Through her writing, speaking engagements, and coaching, Tamra equips leaders with tools to embrace their responsibilities, navigate challenges, and create meaningful impact. Whether addressing policymakers, business leaders, or aspiring changemakers, Tamra's message is clear: leadership is not just about achieving success—it's about inspiring others to follow with purpose and to become leaders worth following themselves.

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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 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.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit of academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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INTRODUCTION

Child care assistance is work support. The Colorado Child Care Assistance Program, or CCCAP, allows low-income parents who are working, getting an education, training, or looking for work to gain access to quality, affordable care by providing a subsidy to the cost. The requirement that parents be working, in school, or in training to qualify for the subsidy means that CCCAP supports parents who are working to improve their lives and financial futures. By providing child care support to low-income working families, this funding helps accomplish larger goals: encouraging work and economic growth in Colorado.

Federal and state policymakers have recently enacted several significant changes that will increase the need for child care assistance funding, yet these changes have not yet been paired with actual funding allocations. Specifically, a federal rule, *Improving Child Care Access, Affordability, and Stability*, was enacted in March 2024 under the Biden Administration and will go into full effect in August 2026. The cost of the new mandates, combined with the decline in funding post-COVID, has left Colorado and its counties in a lurch, particularly in light of recent budget constraints, and has led 24 counties to freeze new CCCAP enrollments or create waitlists.

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KEY FINDINGS

Funding Changes Threaten the CCCAP Program

The CCCAP program is funded through a mixture of local, state, and federal dollars, although the majority comes from the federal government. A March 2024 federal rule will dramatically increase costs for the program without providing additional funding. This cost increase coincides with American Rescue Plan Act (ARPA) funding drying up in Colorado, leaving CCCAP in peril.

- During the three most recent fiscal years (FY 2024-26), an average of 71% of CCCAP's total funding came from the federal government.
- ARPA federal funding was a significant contributor to this pool of funding, but these funds have since largely dried up.
- The March 2024 rule mandates an increase in the subsidization rate from the CCCAP program. This change, coupled with increases in child care costs, will increase Colorado's program costs by over \$20 million in the next three years, a budget gap the state would need to fill.
- With the new requirements, the state's average annual cost per child is expected to increase from \$6,000 to \$18,000. With no additional funding, the number of children who can receive child care assistance will have to be decreased by 64%, from more than 30,000 children to just 10,000.

CCCAP Funding Declines Have Begun Putting Child Care Out of Reach for Many

Colorado's 10 largest counties all have CCCAP enrollment freezes in place. The number of children whose enrollment in the program is currently frozen across the state has increased by **130%** from 4,700 in April 2025 to 11,000 as of October 1, 2025.

Denver County saw the largest growth in frozen CCCAP enrollments from 83 children in April, to 1,072 this month, a **1,200% increase**.

The average growth in the number of children with their CCCAP enrollment frozen was 259% across the 10 counties over this period.

Employed Parents Losing CCCAP Will Struggle to Continue Working, Hurting the Economy

Employed parents who rely on affordable child care through CCCAP will likely need to reduce their employment or stop working altogether to take care of their children. CSI modeled two scenarios for reduced employment among parents utilizing CCCAP:

- A 20% reduction in employment among parents with a child receiving CCCAP (a 2,667-person decline) and a connected decline in revenue to child care providers, which found that by 2029:
 - Total employment in Colorado would decline by 7,300 jobs;
 - GDP would decline by \$1.1 billion; and
 - Disposable personal income would decline by \$670 million.
- A 40% reduction in employment (a 5,333 person decline), which found a connected decline in revenue to child care providers and found that by 2029:
 - Total employment in Colorado would decline by 14,600;
 - GDP would decline by \$2.2 billion; and
 - Disposable personal income would fall by more than \$1.3 billion.

CCCAP BACKGROUND

CCCAP is a child care subsidy program designed to help low-income families with children from birth through age 13 afford child care so they can work, go to school, engage in job training, or look for work. The program is administered through the Colorado Department of Early Childhood (CDEC), and funding is distributed at the county level. Each county sets its own eligibility requirements for families but must help families with incomes less than 185% of the federal poverty level.ⁱ In 2025, 185% of the federal poverty level is an income of \$59,478 annually for a family of four.ⁱⁱ Families remain eligible until their income exceeds 85% of the state's median income. In 2025, 85% of Colorado's median household income for a family of four is \$119,575.ⁱⁱⁱ

There are 500 county workers across the state who administer CCCAP to 2,462 child care providers.^{iv} During the COVID-19 pandemic, the program received a boost from federal relief funds, which allowed CCCAP to expand access for parents to go to work. This federal funding source has since dried up and combined with new mandates from the federal and state governments, the CCCAP program is in a funding crisis, leading counties to implement freezes or waitlists for new CCCAP applicants, meaning families hoping to newly enroll their children will be unable to in these counties. The crisis has also led to a loss of child care benefits for those who miss their re-enrollment deadline.

Figure 1 shows the number of children who received child care assistance through CCCAP in fiscal years 2019-20 through 2022-23 in the state's most populous counties. The percent change reflects the difference between the first year and the last year of the reporting period.

FIGURE 1.

Number of Children Receiving CCCAP at Any Point During the Fiscal Year					
	Unduplicated Child Count				
County	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Change
Adams	3,248	2,556	2,332	2,513	-22.6%
Arapahoe	3,829	2,971	3,003	3,071	-19.8%
Boulder	1,843	1,637	1,718	1,788	-3.0%
Denver	5,192	4,363	4,372	4,471	-13.9%
El Paso	4,540	3,781	3,684	3,972	-12.5%
Jefferson	1,969	1,541	1,582	1,692	-14.1%
Larimer	1,061	837	959	1,162	9.5%
Mesa	1,243	965	962	933	-24.9%
Pueblo	1,104	997	949	1,098	-0.5%
Weld	1,539	1,242	1,404	1,535	-0.3%
Statewide	29,210	24,055	23,971	25,864	-11.5%

Historically, CCCAP has served only about 10% of those who qualify, but before the current crisis created by the cessation of federal COVID-19 relief funding and the new mandates that go into effect in 2026, more than 30,000 Colorado children received assistance through CCCAP.

During fiscal year 2023-24, the average number of months a family utilized CCCAP when declaring employment was 9.3, whereas the average months of uninterrupted care was 7.8. (The average length of time families are authorized for CCCAP support is 35 months.)

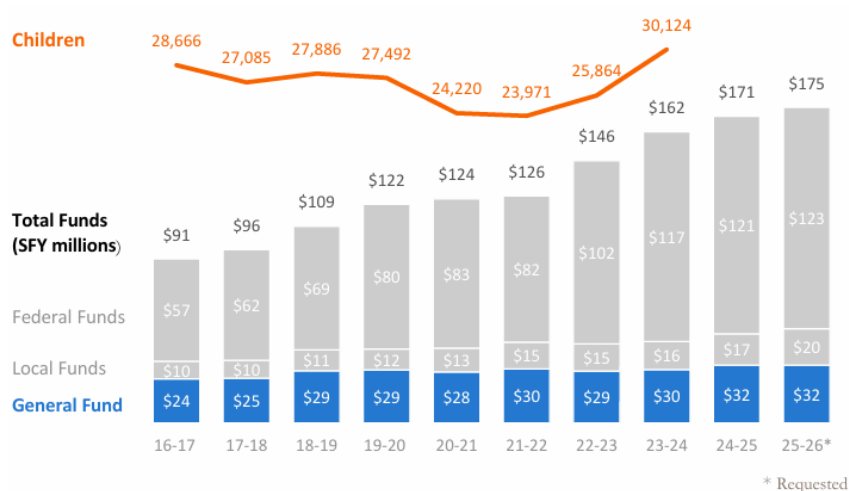
As Figure 2 indicates, funding for CCCAP comes from a mixture of federal, state, and local dollars, though the primary source is from the federal Child Care and Development Fund, represented as part of Federal Funds.^v

Figure 2 also shows that, due to increased costs prior to the COVID-related funds distribution, the number of children being served by CCCAP was declining despite relatively steady funding.

The number of children increased as federal COVID funding increased.

Over the past three fiscal years, federal dollars have accounted for 71% of total CCCAP funding on average. (Please note: Figure 2 does not show the impact on the number of children enrolled in CCCAP or the cessation of COVID relief funding.)

FIGURE 2.



FEDERAL COVID RELIEF FUNDING

The U.S. Department of Health and Human Services (HHS) found the \$24 billion in federal relief funding distributed to states served 220,000 child care providers, saved one million early educator jobs, and enabled continued care for 9.6 million children.^{vi} In Colorado from 2023 to 2024, \$162 million provided support for 30,124 children. Those numbers represent an increase of 34% in funding and 8% in the number of children served from 2018 to 2019.

The federal funds provided only a temporary boost, however. After September 2023, when the funds expired, 1,088 programs are projected to close without the additional, stabilizing funding, which could impact up to 83,164 children across the state; an unfortunate ripple effect that goes beyond CCCAP recipient families because when the number of centers decreases, this puts strain on the entire child care system.^{vii}

At the same time, child care costs and prices have increased and total spending on CCCAP has risen from about \$91 million in the fiscal year that began in 2016 to more than \$171 million this fiscal year.^{viii}

It is clear: the crisis that is developing today is created due to the cessation of federal stimulus money, rising costs, a tighter state budget, and new rules that have increased the costs associated with child care assistance.

As a CDEC report to the state legislature in 2023 showed, even prior to the pandemic there was an unmet need for assistance across the state. At that point the CDEC estimated only 10% of eligible children and families were being served. For the age group 0 to 6, 14% of the fiscally eligible population was served, and for the age group 6-11, only 5% of the estimated eligible population was served.^{ix}

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THE LOOMING CCCAP CRISIS

In addition to the expiration and loss of COVID-19 federal relief funding, in March 2024, the Biden administration published a new federal rule, Improving Child Care Access, Affordability, and Stability, for the Child Care and Development Fund (CCDF).^x The rule requires changes to CCCAP to comply with this federal law. Changes include subsidizing families' child care expenses at higher levels and paying providers in advance and based on enrollment. These changes are expected to dramatically increase the state's cost of providing CCCAP. In more detail, the changes include:

- Subsidizing at higher levels to limit parent copayments for child care to no more than 7% of family income, regardless of family size, and allowing employers to cover copayments. (HHS recommends child care costs not exceed 7% of household income to be considered affordable.) Meeting this requirement with the current enrollment would increase the state's cost of CCCAP by at least \$20.4 million in three years.^{xi}
- Paying providers weekly in advance of providing services, based on enrollment rather than attendance, as was the previous practice. Employers are permitted to cover copayments, and copayments are limited to 7% of a family's income. This shift is expected to increase the state's cost by \$33 million.^{xii} This change will go into effect in August 2026.
- Reimbursing providers for reasonable registration fees.
- Simplifying the CCCAP application and only collecting necessary information in the application process.
- Using grants and contracts to provide child care to underserved populations and those needing non-traditional care.
- Increasing the amount centers can charge to better cover their operating costs.

In response to the new federal rule, the Colorado legislature enacted HB24-1223 to overhaul CCCAP by making changes related to the application process, eligibility, provider reimbursements, and parent fees.^{xiii}

The federal government also mandated the state study child care costs and provide reimbursements based on the actual cost of providing care. This mandate could lead to significant increases in reimbursements required for child care centers, particularly for infant and toddler care. Previously,

the reimbursement rates for infant and toddler care were so low that to meet the new requirements reimbursements would need to increase by 400%.^{xiv}

Additionally, the state bill requires that the CDEC create a pilot program for unlicensed providers to seek license-exempt status.^{xv}

It's important to note that none of the federal mandates have come with additional federal funding.

A supplement to the state budget provided a \$10 million increase, but that sum will not be enough to close the gap created by the new federal rules. The state is not likely to be able to fill the funding gap created by these new requirements because of its own fiscal challenges.

In Colorado, the costs for these federally mandated changes are expected to be nearly \$47 million in FY 2026-27.^{xvi} To maintain the pace of regular enrollment over the next three years, Colorado would need an additional \$70 million. Given the state's current budget crisis, it is unclear where the additional funding for the mandated changes will come from. Additionally, counties receive an allocation from the state for CCCAP funding and are required to provide matching funds to cover service and administrative costs, which places an additional burden on localities.

Figure 3 shows the CDEC's projections for increased CCCAP costs in the upcoming years.^{xvii}

FIGURE 3.

Projected Growth in CCCAP Costs FY 2022-23 through FY 2027-28					
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Total Increase	1.70%	-7.84%	1.90%	2.88%	3.68%
Price Inflation	0.00%	3.00%	0.00%	1.04%	1.01%
Increased Quality	0.85%	0.85%	0.90%	0.84%	0.86%
Average Utilization	0.85%	-5.60%	1.00%	0.09%	1.51%
Caseload Growth	0.00%	-6.09%	0.00%	0.92%	0.31%
Prior Year	\$183,886,791	\$181,565,506	\$192,343,771	\$190,583,342	\$188,932,780
Projected Need	\$181,565,506	\$192,343,771	\$190,583,342	\$188,932,780	\$189,457,281
Increase/Decrease from Prior Year	-\$2,321,285	\$10,778,265	-\$1,760,429	-\$1,650,562	\$524,501

THE IMPACT

The short-term response to the expiration of COVID relief funds and the unfunded mandates has been for counties to freeze enrollments or create waitlists for new applicants for child care assistance. As of September 2025, 24 counties across the state have implemented freezes or waitlists. Denver County froze CCCAP enrollments on January 1, 2025 and there was already a 700-family backlog at that time.

Figure 4 looks at the increasing impact of enrollment freezes in the most populous counties in the state.

By October 2025, 10,938 children had been impacted by the freezes, which have left many families with no access to child care because they cannot afford the available options without assistance.

There are likely a few reasons for the large increase in children and families affected by the freezes and waitlists between April and October, including newborns needing care as parents return to work, no new enrollments to remove some families from the waitlists, and the seasonality of employment (parents waiting until the school year starts to go back to work).

FIGURE 4.

CCCAP Enrollment Freeze Data Among Colorado's Ten Largest Counties					
County	Enrollment Freeze?	Freeze Implementation Date	Children on Freeze April 1, 2025	Children on Freeze October 1, 2025	% Change
Adams	Yes	10/1/2024	812	1,643	102%
Arapahoe	Yes	1/1/2025	628	1,770	182%
Boulder	Yes	3/1/2024	533	817	53%
Denver	Yes	1/1/2025	83	1,072	1,192%
El Paso	Yes	11/6/2024	969	2,084	115%
Jefferson	Yes	1/1/2025	529	1,019	93%
Larimer	Yes	2/1/2024	492	665	35%
Mesa	Yes	1/1/2025	123	310	152%
Pueblo	Yes	1/1/2025	84	357	325%
Weld	Yes	2/1/2025	93	411	342%
Statewide			4,749	10,938	130%

While Figure 4 shows the most populous counties in the state, there are some rural counties where more than half of the children ages 0-12 years live in households that meet the fiscal eligibility requirements for CCCAP. Most of these counties are not currently frozen, but future freezes or waitlists could be devastating for families and communities in cases where child care is not affordable without subsidies.

It is likely that the majority of children affected by these freezes have both parents in the household in the workforce.^{xviii} In Colorado, 65% of families with children under 6 have all parents in the workforce, whether they are in a one or two parent household.^{xix} Since employment is tied to other benefits like health insurance and retirement savings, leaving the workforce, even temporarily, because of lack of child care or an inability to afford child care has long-term impacts on the family.

Currently, the freezes for new enrollees are projected to last 3-5 years, but could possibly stretch up to 10 years, according to the CDEC.^{xx} With the new requirements the state's average annual cost per child is expected to go from \$6,000 to \$18,000. With no additional funding, the number of children who can receive child care assistance will have to be decreased by 64%, from more than 30,000 to 10,000 children.^{xxi} This shift has multiple implications for families as well as providers.

PROJECTED ECONOMIC IMPACT OF CCCAP FREEZES

A change as significant as freezing new enrollments to child care assistance for several years will have multiple impacts on Colorado as well as the child care system as a whole. The impact may be most severe for centers whose missions are to provide child care for low-income families. To meet the new requirements and without increases in the subsidies they receive, the same funding will need to go to fewer families. Additionally, as families leave care, whether as they age out or leave employment, these centers will be unable to enroll new children. These reductions will likely result in closures of centers, loss of jobs, and a decline in child care access for families who were already struggling to find care due to the shortage of spots across the state. There are also centers that serve young and teen mothers by providing child care while the mothers work toward high school graduation and employment skills that will struggle to stay open when their clients have no access to assistance. Without child care assistance, these centers will struggle to stay open, and teen parents will drop out of school.

Families also may end up finding care that is not as safe. This might include older siblings being enlisted in caring for the younger children in their family. Experts in the child care field worry there will be an increase in child welfare cases when there is less access to safe child care slots or professional caregivers.

Some parents will be forced to leave the workforce. In an attempt to estimate the economic impact on the state from parents leaving the workforce, CSI made several calculations and employed REMI economic modeling software. Based on previous enrollment levels, the number of parents represented by 20,000 children receiving CCCAP is estimated to be 1.5 per household, or roughly 13,333 households. CSI then estimated the range of parents who may exit employment because they lose access to child care assistance between 20% (Scenario 1) and 40% (Scenario 2).

CSI also estimates the revenue child care providers would lose based upon the 20% and 40% employment departure scenarios, assuming an average monthly decline of \$1,600 per child across 7.8 months.^{xxii} The results of the analysis are presented below.

These reductions will likely result in closures of centers, loss of jobs, and a decline in child care access for families who were already struggling to find care due to the shortage of spots across the state.

Scenario 1: 20% Drop in Employment Participation from CCCAP Parents

Overall, the anticipated annual impact by 2029 is a decline of 7,290 jobs, which includes both direct (parents who will leave the workforce because they lack child care access) and indirect effects, and the additional jobs that are lost because of the direct decline in workers. The decrease may lead to a loss of \$1.1 billion in annual state GDP and a loss of \$770 million in annual household income, as well as a drop of \$670 million in disposable personal income (defined by the REMI economic model as income after taxes to be used for household expenses, including child care).

FIGURE 5.

Overall Economic Impact from 20% of CCCAP Parents Exiting the Workforce

Number of individuals or billions of \$

Year	Total Employment	Population	Labor Force	Gross Domestic Product	Disposable Personal Income
2025	-6,226	-2,036	-1,662	-\$0.69	-\$0.36
2026	-6,838	-3,736	-2,536	-\$0.89	-\$0.48
2027	-7,234	-5,153	-3,380	-\$1	-\$0.57
2028	-7,351	-6,266	-4,032	-\$1.07	-\$0.63
2029	-7,290	-7,097	-4,510	-\$1.1	-\$0.67

Source: REMI, CSI Modeling



Scenario 2: 40% Drop in Employment Participation from CCCAP Parents

As Figure 6 shows, if 40% of CCCAP parents in the state who lose access to child care assistance leave their jobs, by 2029, 9,000 individuals would exit Colorado's labor force for a total decline of 14,564 individuals employed. In turn, these exits would lead to a loss of \$2.2 billion in state GDP, a loss of wages of \$1.54 billion, and a drop in personal disposable income of \$1.34 billion.

FIGURE 6.

Overall Economic Impact from 40% of CCCAP Parents Exiting the Workforce

Number of individuals or billions of \$

Year	Total Employment	Population	Labor Force	Gross Domestic Product	Disposable Personal Income
2025	-12,406	-4,024	-3,401	-\$1.38	-\$0.72
2026	-13,637	-7,423	-5,095	-\$1.77	-\$0.96
2027	-14,443	-10,257	-6,732	-\$1.99	-\$1.13
2028	-14,680	-12,487	-8,052	-\$2.13	-\$1.26
2029	-14,564	-14,153	-9,000	-\$2.2	-\$1.34

Source: REMI, CSI Modeling



HOW OTHER STATES ARE ADDRESSING CHILD CARE

Every U.S. state is facing the same federally-imposed scenario Colorado is. About 51% of people in the United States live in a child care desert, meaning these areas lack enough reliable and affordable slots for young children.^{xxiii} Below are a few examples of how states are addressing this issue.

In November 2022, New Mexico voters passed a ballot initiative to create a permanent fund for child care. The initiative increased the annual payout from a state endowment fund from 5% to 6.25% annually and spent roughly 60% of the new funds on child care. The fund is largely made up of oil, gas, and other state-trust-land revenues. The state already offered free child care for families with incomes at or below 400% of the federal poverty level (\$106,600 for a family of 3 in 2025). However, starting in November 2025, all families, regardless of their incomes, will have access to care. Eighty-five percent of providers in the state are part of the program, which sets rates based on the age of the child, the type of care facility, and the quality of care.^{xxiv}

The Nebraska Early Childhood Collaborative trains child care providers on building business skills, mentorship, and licensure and funding assistance to help them run successful businesses. These skills include things like tax preparation and contract writing.^{xxv}

Finally, Utah's One Door policy has received attention across the country. Under this model, all workforce and welfare services are accessed by recipients through one point of access into the state agency called the Department of Workforce Services. These services include workforce development, unemployment services, food assistance, Medicaid, and child care assistance. Individuals receiving aid work with one counselor who navigates the resources on their behalf. This simplified system is beneficial to both the recipient and the state and has led to lower unemployment rates and better connection to the services needed.^{xxvi}

RECOMMENDATIONS

Barring additional federal or state appropriations, which seem unlikely at this time, Colorado policymakers must focus on using the tools already at our disposal and prioritize options to create additional child care slots that are affordable. They must also determine what more can be done to address the entire system of child care—from regulations that cause additional expense, to teacher pay (many early child care teachers also utilize public benefits to supplement their low pay), to involvement of employers and local municipalities. Ultimately, a combination of solutions will be necessary to build a child care system in ways people can afford.

Though there may be additional solutions available, after the CDEC has completed its study of creating licensing exemptions for home care, here are some possible solutions.

ALLOW FOR GREATER REGULATORY FLEXIBILITY

Policymakers should allow more centers to avail themselves of license-exempt status to alleviate some of the cost and availability concerns. Improving the diversity of child care supply options also would allow parents to choose the kind of care that works best for them.

SUPPORT COUNTY LEVEL SOLUTIONS

The state could consider encouraging counties to develop their own councils with representation from local businesses, municipalities, and families to shape the child care solutions that work best for their communities.

Because of the vulnerability in some counties' workforces if too many parents lose child care assistance, the state should consider giving counties the flexibility to reallocate funds toward child care assistance from less urgent issues.

As outlined in the last report for this fellowship, the supply of licensed spots and affordability of those spots vary by county.^{xxvi} In counties where there is a dearth of licensed spots and high cost, developing more options in home care or Friends, Family and Neighbor care may be the best and most affordable solutions.

LEVERAGE POSSIBLE SOLUTIONS ALREADY IN PLACE

HB22-1010 provided refundable tax credits to support early childhood educators; however, this legislation is slated to sunset on January 1, 2026. An extension of this tax credit could encourage workers to stay in the industry. The bill's fiscal note estimated that in 2022, there were 6,000 early childhood professionals eligible for the tax credit with another 8,600 professionals potentially eligible. The state estimated that in 2025, the tax credit would decrease state revenue by \$14.8 million.^{xxviii}

The Colorado Child Care Contribution Tax Credit provides an income tax credit for taxpayers making monetary gifts to qualifying child care facilities, unlicensed child care, organizations that provide educator training, referral services for child care, or financial support for parents to access child care. The credit is equivalent to 50% of the total qualifying contribution, is nonrefundable (cannot exceed the taxes owed) and cannot exceed \$100,000 for any single tax year.^{xxix} The credit has been extended to 2028 but could be extended further to incentivize contributions to qualifying entities that might make a difference in parents' access to child care.

Improving access by creating more alternatives to expensive center-based care was a focus of several bills that paved the way for home care to be offered in communities with HOAs and for home-based centers to be classified as residential properties for the purposes of licensure and other regulations.

SOLUTIONS TO FILL THE \$70 MILLION GAP

Considering that the loss of state GDP by 2029 is projected to be \$1.1 billion if only 20% of parents who lose child care assistance leave the workforce (\$2.2 billion if 40% do), it behooves the state to consider ways to close the funding gap generated by the new CCCAP rules. For instance, consider whether savings can be found by decreasing the costs associated with administering and overseeing CCCAP and redeploying some of the funding to support more families.

Additionally, approaches that involve partnering industry, local government, and the state to help create affordable child care can help close the gap and prevent the associated negative economic impact.

BOTTOM LINE

The federal rules will create a new cost burden for the state, but they ultimately may improve the viability of the industry. Before the rules were changed, child care centers that accepted CCCAP were reimbursed at only 25% of the cost of caring for an infant or toddler. Even with the subsidies, families were often still cash-strapped when all other household expenses were taken into account.

It is also possible that the Biden-era rules may be rescinded by the Trump administration. Presumably, Colorado legislators would then rescind HB24-1223 and the child care system would go back to its former state.

Even if the costly rules are rescinded, Colorado still faces a funding shortage. Low-income families with newborns who need care will be unable to receive CCCAP in the coming years. Centers will have enough funding to serve about one-third of the children previously served and will be forced to find other funding sources, serve families who are not subsidized, or shut down.

This report attempts to quantify the impact of parents having to leave the workforce because they either lose child care assistance or do not receive it when needed to support their work. The state's and counties' inability to afford the mandated changes is only part of the problem. As mentioned in this report, 65% of families in Colorado with children 0-6 years have all parents in the workforce and, historically, CCCAP has been unable to keep up with demand. Even if federal policymakers rescind Biden-era rules, state policymakers should consider improving the child care landscape for parents, children, businesses, and care center operators and their employees.

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