



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 18-1335

FINAL FISCAL NOTE

Drafting Number: LLS 18-1117
Prime Sponsors: Rep. Young, Sen. Lundberg

Date: September 14, 2018
Bill Status: Signed into Law
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Bill Topic: COUNTY CHILD CARE ASSISTANCE PROGRAM BLOCK GRANTS

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill requires an annual market rate study of child care providers and makes changes to the method for distributing block grants to counties under the Colorado Child Care Assistance Program. This will increase state expenditures and workload, and redistribute child care assistance funding among counties. These impacts are ongoing.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the enacted bill. The bill was recommended by the Joint Budget Committee and is part of its FY 2018-19 budget package.

Table 1
State Fiscal Impacts under HB 18-1335

Table with 4 columns: Category, FY 2018-19, FY 2019-20. Rows include Revenue, Expenditures, Transfers, and TABOR Refund.

\* Includes \$20,000 in federal funds, with a potential increase in General Fund, cash funds, and federal funds.

## Summary of Legislation

This bill makes several changes to the Colorado Child Care Assistance Program (CCCAP) in the Department of Human Services (DHS). First, it requires that the DHS contract for a market rate survey of provider rates each year, rather than every two years as under current law, and provide the report to the Joint Budget Committee by January 2, 2019, and each January 2 thereafter. Based on the market rate survey, the bill specifies block grant funding be allocated to counties based on the provider rate multiplied by the estimated total number of children eligible to participate in CCCAP in that county. The DHS may adjust the county allocations based on various factors specified in the bill and adopted in rule.

In addition, the bill sets uniform income eligibility criteria for CCCAP of up to 185 percent of the federal poverty level. Counties may provide services for families above this threshold if they are currently serving all children in families with incomes below 185 percent of the federal poverty level and they use only local funds to serve these higher income families. The bill makes various other changes to conform statute to the statewide income eligibility criteria, adjusts or removes certain requirements about the length of eligibility, and removes obsolete language about preconditions for implementation of certain provisions of statute that have already been met.

## State Expenditures

The bill increases state expenditures of federal funds by \$20,000 per year starting in FY 2018-19. In addition, General Fund, federal funds, and cash fund expenditures may also increase to serve additional children under CCCAP. These impacts are discussed below.

**Annual market rate survey.** The DHS will have costs of \$20,000, paid using federal funds, to conduct the market rate survey annually, rather than every two years. Funding has been included in the FY 2018-19 Long Bill for this purpose, so no appropriation is required in this bill. The DHS will have additional workload to adopt rules relating to block grant adjustments in the current FY 2017-18 and in future years to make adjustments to county block grants based on the adopted rules and the results of the market rate survey.

**Expanded CCCAP eligibility.** The changes to CCCAP eligibility under the bill will increase the number of children eligible to be served in some counties that currently set their income eligibility lower than 185 percent of the federal poverty level. To serve these additional children, costs will increase. CCCAP is paid for with General Fund, federal funds, and local matching funds. However, CCCAP is not an entitlement and assistance is subject to available appropriations. Counties can control program costs by using wait lists and other means. Therefore, the changes in the bill do not necessarily require an appropriation in this bill. The General Assembly may also choose to appropriate funding through the annual budget process to expand the number of children served. The FY 2018-19 Long Bill includes an additional \$12.25 million for CCCAP to reduce the use of wait lists and to fund the priorities in this bill.

## Local Government

This bill adjusts the allocation of CCCAP block grants to counties and potentially increases costs to provide assistance for additional children. At this time, how funding may shift between counties compared to the current allocation process is unknown. To the extent state funding for CCCAP is increased and additional children are served, the local match paid by counties will

increase. Costs will also increase, paid using local funds only, if a county chooses to serve families with incomes above 185 percent of the federal poverty level. Assuming additional funding for CCCAP is provided in the FY 2018-19 Long Bill, most counties will likely receive an increase in block grant funding, even if the new allocation process shifts the proportional share of funds that an individual county receives. The exact allocation to counties will depend on the market rate survey and the county's population of eligible children.

## **Effective Date**

The bill was signed into law by the Governor on June 6, 2018, and took effect July 1, 2018.

## **State and Local Government Contacts**

Counties      Human Services      Information Technology