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Final Fiscal Note

Drafting Number: LLS 24-0503 Date: July 30, 2024
Prime Sponsors: Rep. Willford; Garcia Bill Status: Signed into Law
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Bill Topic: IMPROVED ACCESS TO THE CHILD CARE ASSISTANCE PROGRAM

Summary of Fiscal Impact: [ ] State Revenue [ ] State Transfer [x] Local Government
[x] State Expenditure [ ] TABOR Refund [ ] Statutory Public Entity

The bill makes changes to the Child Care Assistance Program including updating its application process, method of reimbursing child care providers, and expanding eligibility. The bill increases state and local expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires and includes an appropriation of \$100,000 to the Department of Early Childhood.

Fiscal Note Status: The final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 24-1223

Table with 5 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year 2 FY 2026-27. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures), Total FTE, Transfers, and Other Budget Impacts (General Fund Reserve).

## **Summary of Legislation**

The bill makes changes to the Colorado Child Care Assistance Program (CCCAP) in the Department of Early Childhood (CDEC) related to the application process, eligibility, provider reimbursements, and parent fees. The bill also requires the CDEC to create a pilot program for unlicensed providers to seek license-exempt status and conduct a study examining the Child and Adult Care Food Program (CACFP) in the Department of Public Health and Environment.

Certain provisions required by the bill are mandated by new federal requirements or must be implemented if federal funding is available. Other changes must be implemented by CCCAP, as they are not dependent on future federal funding and are required under the bill. These various changes are outlined below.

**Federally-mandated or federally-funded changes.** The following updates to CCCAP, which are codified into statute by this bill, are required by recent federal mandates or require the use of federal funds to be implemented.

- **Application simplification.** The bill requires a simplified CCCAP application to be developed by August 1, 2026, subject to available federal appropriations. The CDEC and county departments must disclose income eligibility levels by income percentage and monthly income. The bill also limits the CCCAP application to only collecting information necessary to determine eligibility, prohibits counties from adding additional eligibility requirements to the application process, and requires counties to only collect information that has changed since the previous application when reconsidering eligibility. Custody arrangement information must not be collected to determine eligibility for CCCAP.
- **Underserved populations.** Subject to available federal appropriations, the bill allows CDEC and counties to use grants and contracts to provide care to underserved populations and those needing non-traditional care to improve access to the program. CDEC must evaluate equity data for these populations.
- **Provider reimbursements.** By August 1, 2026 and subject to available federal appropriations, the bill requires counties to pay providers a weekly rate for each child in advance of service provision based on a child's enrollment in CCCAP, instead of the current payment process where payment is made after care is provided based on a child's actual attendance.
- **Copayment cap.** By August 1, 2026, the bill limits copayments by parents to no more than 7 percent of the families monthly income and allows employers to cover copayments.

**Provisions under HB 24-1223.** The following updates to CCCAP are required by the bill, and are not conditional upon federal funding and must be implemented as specified in the bill.

- **Expanded eligible activities.** The bill allows an applicant to be eligible for CCCAP by participating in a substance use disorder treatment program.
- **Income exclusion.** The bill adjusts the income requirements to align with the Universal Preschool Program and counties must exclude state and federal assistance from income, or assistance from other entities, when determining eligibility.
- **Pilot program.** The bill requires CDEC to create a pilot program for unlicensed providers to seek license-exempt status and be an eligible provider through CCCAP. The program must start July 1, 2025, and operate in at least one urban county and one rural county.
- **Child and Adult Care Food Program (CACFP) study.** The bill directs the CDEC, in consultation with the CDPHE, to conduct a study determining the feasibility of de-linking eligibility for the CACFP from CCCAP. CACFP is a federally funded program currently administered by CDPHE that provides funding for healthy meals in child care and other settings.
- **Parent fees.** CDEC and counties must provide parent fee information, and information must be accessible in languages other than English and Spanish.

## Assumptions

Certain provisions in the bill are required by a federal mandate with an implementation date under federal rule of May 1, 2024, or are conditioned under the bill upon federal appropriations. The fiscal note assumes CDEC will be required to update child care systems and services to comply with these requirements regardless of the bill, which codifies these requirements. As such, the fiscal note only includes costs to implement the new requirements under the bill that are not federally mandated. It also assumes CDEC will seek funding to comply with the federal mandate outside of this bill, either through a future budget request or by using available federal funding to implement these provisions. If funding is not provided, it is assumed these federally mandated changes will not take effect.

## State Expenditures

The bill increases state expenditures in CDEC by \$100,000 in FY 2024-25, \$671,000 in FY 2025-26, and \$746,000 in FY 2026-27, paid from the General Fund. Expenditures are shown in Table 2 and detailed below. In addition, Table 3 shows estimated federally mandated costs that are excluded from this analysis.

**Table 2**  
**Expenditures Under HB 24-1223**

|   | <b>FY 2024-25</b> | <b>FY 2025-26</b> | <b>FY 2026-27</b> |
|---|-------------------|-------------------|-------------------|
| <b>Department of Early Childhood</b>      |                   |                   |                   |
| Personal Services                         | -                 | \$57,011          | \$63,345          |
| Operating Expenses                        | -                 | \$1,152           | \$1,280           |
| Capital Outlay Costs                      | -                 | \$6,670           | -                 |
| CACFP Study                               | \$100,000         | -                 | -                 |
| System Update Costs                       | -                 | \$504,449         | \$35,311          |
| OIT Services                              | -                 | \$26,379          | \$5,276           |
| Expanded Service Costs                    | -                 | -                 | \$557,329         |
| Centrally Appropriated Costs <sup>1</sup> | \$10,000          | \$75,261          | \$83,693          |
| <b>Total Costs</b>                        | <b>\$110,000</b>  | <b>\$670,922</b>  | <b>\$746,234</b>  |
| <b>Total FTE</b>                          | <b>-</b>          | <b>0.9 FTE</b>    | <b>1.0 FTE</b>    |

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Early Childhood.** The bill increases costs for CDEC for staff, conducting the CACFP study, making system updates, contracting for OIT services, and expanding services. These impacts are described below. An outline of the costs for the federally required changes or changes subjects can also be found below.

- **CACFP study.** In FY 2024-25, CDEC will have one-time costs of \$100,000 to contract to conduct a study to determine the feasibility of delinking CACFP eligibility from CCCAP.
- **Staff.** Beginning in FY 2025-26, 1.0 FTE is required to develop the pilot program and process for unlicensed providers to seek license-exempt status and become a CCCAP provider, provide support for these providers in navigating CCCAP rules and regulations, conducting safety inspections and related work, and providing guidance to counties on the process. Staff costs are prorated for an August 1, 2025 start date.
- **System update costs under HB 24-1223.** Costs in CDEC will increase by \$504,000 in FY 2025-26 to contract for system updates to the Child Automated Tracking System (CHATS), and \$35,000 in FY 2026-27 and ongoing for system maintenance and operations. The CHATS updates include adding a new eligibility category and aligning the CCCAP application with the Universal Preschool Program.
- **Office of Information Technology (OIT) services.** CDEC requires approximately \$26,000 in FY 2025-26, and \$5,000 in future years, to contract for OIT staff to provide ongoing technical, support and troubleshooting for the CHATS updates. Funding for these costs will be reappropriated to the OIT.
- **Expanded service costs under HB 24-1223.** Beginning in FY 2026-27, costs will increase by about \$557,000 annually for child care services for an assumed 84 families participating in a substance use disorder treatment program who would be eligible for services under the bill.

- **Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance, supplemental employee retirement payments, and indirect cost recoveries are shown in Table 2.

**Federally mandated changes.** The costs to implement the federally required components in the bill is estimated to be \$4.7 million in FY 2025-26, and \$47.0 million in FY 2026-27. Estimated costs for staff, providing expanded services, and updating systems are outlined in Table 3 below. The estimates assume CCCAP service costs required by the mandate will begin in FY 2026-27, after the systems are updated in FY 2025-26.

As described in the Assumptions Section, these costs are not required by the bill and are estimates only. They have not been included in this fiscal note estimate, and must be funded either through future budget requests or federal appropriations.

**Table 3  
 CCCAP Costs for Federally-Mandated Changes**

|   | FY 2025-26         | FY 2026-27          |
|---|--------------------|---------------------|
| <b>Staff (3.6 FTE)</b>                                |                    |                     |
| Personal Services, Standard Operating, Capital Outlay | \$253,000          | 320,500             |
| Centrally Appropriated Costs                          | \$50,000           | \$70,000            |
| <b>Expanded Services</b>                              |                    |                     |
| Provider Enrollment-based Reimbursement               | -                  | \$30,394,000        |
| Copayment Cap   | -                  | \$5,800,000         |
| Underserved Populations                               | -                  | \$10,074,000        |
| <b>System Updates</b>                                 |                    |                     |
| Simplified Application                                | \$30,000           | \$2,000             |
| CHATS Updates   | \$3,794,000        | \$265,000           |
| PEAK system update                                    | \$575,000          | -                   |
| <b>Total Cost</b>                                     | <b>\$4,702,000</b> | <b>\$46,925,500</b> |

**Other Budget Impacts**

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

**Local Government**

Counties receive an allocation from the state for CCCAP for program administration and service costs, and are required to provide a base level of maintenance of effort funding. To the extent that state funding for the CCCAP allocation is increased for making the changes required by the

bill, the local match paid by counties will increase. The changes to the CCCAP program that increase service and administration costs may limit or reduce the quantity of services that can be provided for families and the number of children served if sufficient state or federal funding is not provided. Expenditures will vary by county.

Expenditures will also increase for counties to provide parent fee information, and the bill will increase workload for counties to revise contracts and rates with providers and navigate new processes and systems in the program.

## Effective Date

This bill was signed into law by the Governor and took effect on June 4, 2024.

## State Appropriations

For FY 2024-25, the bill requires and includes a General Fund appropriation of \$100,000 to the Department of Early Childhood.

## Technical Note

The bill specifies that certain provisions are subject to available federal appropriations. It is assumed that this requirement means that federal funding must be available to cover the entire cost of implementing the relevant provision of the bill. However, it is unclear if federal funding will be available to cover these costs. In addition, if future federal funding requires a state match or contribution, this requirement to use only federal funds may hinder the state from implementing the provision.

## State and Local Government Contacts

|                               |                 |                        |
|-------------------------------|-----------------|------------------------|
| Counties                      | Early Childhood | Information Technology |
| Public Health and Environment |                 |                        |

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).