

# JOINT BUDGET COMMITTEE



## INTERIM SUPPLEMENTAL BUDGET REQUESTS FY 2022-23

### DEPARTMENT OF EARLY CHILDHOOD

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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# INTERIM SUPPLEMENTAL REQUESTS

## REALLOCATION TO MAXIMIZE FEDERAL STIMULUS FUNDS

	REQUEST	RECOMMENDATION
<b>TOTAL</b>	<b>\$11,170,476</b>	<b>\$11,170,476</b>
Federal Funds	11,170,476	11,170,476

**Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.?** [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.] **YES**

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**  
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** The Department describes the request as the result of an unforeseen contingency that there was underspending in FY 2022-23, but the JBC staff believes that a better description is probably data that was not available when the original appropriation was made. The possibility of underspending was anticipated and planned for, but data on the potential size of the underexpenditure was limited and the actual underexpenditures were greater than anticipated.

### DEPARTMENT REQUEST

The Department requests additional spending authority of \$11,170,476 federal Child Care Development Funds split evenly between the Child Care Sustainability Grant Program and the Early Care and Education Recruitment and Retention Grant and Scholarship Program. The money is from federal stimulus funds that were underspent in FY 2022-23 due to procurement and contracting delays, position vacancies, slower growth than projected in the Colorado Child Care Assistance Program (CCCAP), and federal requirements that limited the portion of CCCAP expenditures that could be covered by federal stimulus funds. The money must be obligated by September 30, 2023, or it will revert to the federal government. Through the Child Care Sustainability Grant Program, the Department would issue checks to child care providers to support ongoing operations. Through the Early Care and Education Recruitment and Retention Grant and Scholarship Program the Department would support access to professional development courses, scholarships, and loan forgiveness for early childhood educators.

### STAFF RECOMMENDATION

Staff recommends approval of the request. The request is due to new information about FY 2022-23 actual expenditures. The proposed use of the unobligated federal stimulus funds is consistent with previous legislative guidance and are programs for which the Department could reasonably obligate the money by the deadline.

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## ANALYSIS AND BACKGROUND

### **SOURCE OF FUNDS**

The Child Care Development Funds (CCDF) are federal funds subject to appropriation by the General Assembly. Over the past few years, a number of federal stimulus bills have temporarily more than doubled the CCDF available to the Department. The particular federal allocation relevant to this request is from the American Rescue Plan Act Child Care Development Fund Supplemental Discretionary Funds. This money must be obligated by September 30, 2023, and spent by September 30, 2024. With the approval of the General Assembly, the Department implemented a plan to spend the additional federal money that included standing up a number of new programs as well as significantly increasing funding for existing programs. While there is synergy between child care and preschool, federal regulations do not allow the CCDF to pay for the Department's Universal Preschool Program.

### **AUTHORIZED FLEXIBILITY**

Last year, in anticipation that the Department might experience delays in program ramp up, the General Assembly added two footnotes giving the Department additional flexibility with the appropriations from the American Rescue Plan Act Child Care Development Fund Supplemental Discretionary Funds.

The first footnote allowed the Department to roll forward up to 10 percent of the appropriations from FY 2022-23 to FY 2023-24. The second footnote allowed the Department to reallocate any of the FY 2023-24 appropriations that could not be obligated by September 30, 2023 to the Child Care Sustainability Grant Program or the Early Care and Education Recruitment and Retention Grant and Scholarship Program. See Appendix A for the text of the footnotes.

### **REMAINING UNOBLIGATED FUNDS**

As the year-end close data for FY 2022-23 came in, the Department realized that underspending for certain items would exceed the 10 percent allowable rollforward authorized in the first footnote by approximately \$8.9 million. Additionally, the Department had \$2.2 million in unspent stimulus money from a previous round of federal funding that had an earlier expiration date. The Department used this money to offset the need for funding from the American Rescue Plan Act Child Care Development Fund Supplemental Discretionary Funds and spend down the federal stimulus by the deadline.

Combined, these two pieces of new information indicate there is \$11.2 million from the American Rescue Plan Act Child Care Development Fund Supplemental Discretionary Funds that is currently unobligated. This money will revert to the federal government if not obligated by September 30, 2023.

The table below summarizes where underspending occurred with highlighted portions indicating the largest underspent totals as well as the largest percent of total appropriations in an item that was underspent.

Early Childhood Federal Stimulus Spending Plan					
Strategy	FY 22-23 Approp.	Under Spent	Percent Approp.	Authorized Rollforward	Remaining Unobligated
<b>Colorado Child Care Assistance Program</b>					
Expand income eligibility for CCCAP					
<i>Serve approx. 3,000 additional families</i>	15,489,869	4,749,316	30.7%	1,548,987	3,200,329
<i>County training in quality assurance and program delivery</i>	442,734	161,644	36.5%	44,273	117,371
CCCAP rate study	300,000	221,500	73.8%	30,000	191,500
<b>Infant and Toddler Care</b>					
200 infant and toddler slots	3,108,634	494,145	15.9%	310,863	183,282
Pay for infant and toddler enrollment not attendance	10,830,346	1,870,863	17.3%	1,083,035	787,828
<b>Support for Family Child Care Homes</b>					
Bilingual licensing supervisor and specialists	369,789	37,526	10.1%	36,979	547
Staffed Family Child Care Network	100,000	45,783	45.8%	10,000	35,783
<b>Facilities</b>					
Continue child care facility FTE from S.B. 21-236	114,886	45,595	39.7%	11,489	34,106
Facility needs assessment	300,000	80,000	26.7%	30,000	50,000
<b>Equitable Access to Quality</b>					
Update CO Shines Quality Improvement Platform	200,000	70,000	35.0%	20,000	50,000
Continue Preschool Development Grant quality initiatives	428,798	215,760	50.3%	42,880	172,880
<b>Workforce</b>					
Continue Preschool Development Grant strategies	200,042	39,997	20.0%	20,004	19,993
Establish substitute fund	601,834	28,859	4.8%	60,183	(31,324)
Help desk for Professional Development Info System	986,280	849,565	86.1%	98,628	750,937
Workforce Data & Systems	1,200,000	392,788	32.7%	120,000	272,788
<b>Family Strengthening</b>					
Child care outreach support in health care settings	376,772	85,596	22.7%	37,677	47,919
Continue 25 mental health consultants	160,000	102,874	64.3%	16,000	86,874
<b>Local Capacity Building</b>					
Local capacity building partners	5,273,021	2,448,950	46.4%	527,302	1,921,648
Local capacity building funding	17,319,546	1,987,141	11.5%	1,731,955	255,186
<b>Administration</b>					
Continue monitoring, reporting, compliance FTE	291,817	193,480	66.3%	29,182	164,298
New monitoring, reporting, compliance FTE	592,877	469,059	79.1%	59,288	409,771
Culturally & linguistically competent assistance	250,000	250,000	100.0%	25,000	225,000
Data and IT system administration	1,000,000	136,725	13.7%	100,000	36,725
<b>Subtotal</b>	<b>\$59,937,245</b>	<b>\$14,977,166</b>	<b>25.0%</b>	<b>\$5,993,725</b>	<b>\$8,983,441</b>
Offset from previous federal funding					2,187,035
<b>Grand Total</b>					<b>\$11,170,476</b>

## REASONS FOR THE SPENDING DELAYS

The Department indicates that the primary drivers of the underspending in FY 2022-23 were procurement and contracting delays, position vacancies, slower than projected growth in the Colorado Child Care Assistance Program (CCCAP), and federal requirements that limited the portion of CCCAP expenditures that could be covered by federal stimulus funds. The subsections below provide additional details on the items highlighted in the chart above.

### *SERVE APPROX.. 3,000 ADDITIONAL FAMILIES*

The primary regulatory barrier to spending CCCAP funding is that federal stimulus funds must be used to supplement, rather than supplant, base federal funds. The Department projected program growth statewide, but actual growth was less than projected, reducing the amount of new program expenditures that could be allocated to stimulus funding versus base federal funds.

The CCCAP income eligibility expansion had been projected to reach an additional 3,000 families; however, the Department indicates that it has served approximately 1,700 additional families with a

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gradual increase as messaging reaches more communities. Counties reference a lack of placements for children and not enough staff to manage applications and work cases.

*CCCAP RATE STUDY*

Expenditures for the CCCAP rate study were delayed pending federal approval. The Department received an appropriation in FY 2023-24 for the same purpose and expects to complete the study with the FY 2023-24 funding.

*PAY FOR INFANT AND TODDLER ENROLLMENT NOT ATTENDANCE*

The underspending is due to growth that is less than was projected for CCCAP.

*HELP DESK FOR PROFESSIONAL DEVELOPMENT INFO SYSTEM*

Delays in procurement prevented the vendor from starting until the fourth quarter of FY 2022-23.

*CONTINUE 25 MENTAL HEALTH CONSULTANTS*

This was also supported by previous rounds of federal funding with an earlier expiration deadline; therefore, the department spent those stimulus dollars first. With a total program budget of \$2.7 million, this underspending represents 3.2 percent of the total stimulus funding.

*LOCAL CAPACITY BUILDING*

Contracts in the FY 2022-23 start-up year began September 2022, and hiring by the Local Coordinating Organizations took some time.

*ADMINISTRATION*

In addition to hiring for stimulus positions, the Department was hiring for new positions associated with becoming an independent department and standing up the Universal Preschool Program, resulting in a temporary human resources bottleneck.

Related to the culturally and linguistically competent assistance, due to capacity issues with trusted cultural vendors, the Department chose to prioritize other activities in FY 2022-23. The Department is currently executing agreements with six community partners for outreach, training, and technical assistance and expects to spend all of the FY 2023-24 appropriations for this purpose.

**PROPOSED USES OF THE UNOBLIGATED FUNDS**

The Department proposes spending the unobligated funds on the Child Care Sustainability Grant Program and the Early Care and Education Recruitment and Retention Grant and Scholarship Program. Both are consistent with the legislative direction in the footnote for the FY 2023-24 appropriations regarding where the Department should focus unspent resources. As demand for the programs exceeds appropriations, both programs are able to encumber and expend funds quickly to meet the September 30, 2023 deadline for obligating funds.

Due to time constraints regarding contracting and program ramp up, the Department does not believe there are any other places that it could obligate the federal stimulus money by September 30, 2023. For example, trying to push the money to the local capacity building partners would require public notices and amending numerous contracts that the Department does not believe could be completed by September 30, 2023. The choice facing the JBC is whether to spend the unobligated funds for these two purposes or to let the money revert to the federal government.

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Through the Child Care Sustainability Grant Program, the Department would issue checks to child care providers to support ongoing operations. This is a temporary supplement to their normal payments.

Through the Early Care and Education Recruitment and Retention Grant and Scholarship Program the Department would support access to professional development courses, scholarships, and loan forgiveness for early childhood educators.

## APPENDIX A

### FY 2022-23 FOOTNOTE

**2a** Department of Early Childhood, Grand Totals -- The federal funds appropriated from Child Care Development Funds in this part include the following amounts from time-limited Supplemental Child Care and Development Fund Discretionary Funds appropriated in the federal American Rescue Plan Act of 2021:

<u>Line Item</u>	<u>Amount</u>
<b>(1) Executive Director's Office</b>	
<b>(A) General Administration</b>	
Personal Services	\$557,153
Health, Life, and Dental	207,050
Short-term Disability	1,797
Amortization Equalization Disbursement	86,245
Supplemental Amortization Equalization Disbursement	86,245
Operating Expenses	22,975
<b>(B) Information Technology Systems</b>	
Information Technology Contracts and Equipment	1,000,000
Child Care Automated Tracking System	350,000
<b>(2) Partnerships and Collaborations</b>	
Local Coordinating Organizations	5,273,021
<b>(3) Early Learning Access and Quality</b>	
Personal Services	1,222,952
Operating Expenses	31,616
Child Care Assistance Program Stimulus - Eligibility Expansion and Infant and Toddler Care Reimbursement	25,970,215
Workforce Recruitment and Retention Grants	505,000
Professional Development Training	2,291,090
Early Childhood Quality and Availability	4,415,570
Local Capacity Building Grants	17,319,546
<b>(4) Community and Family Support</b>	
Early Childhood Mental Health Service	160,000
<b>(5) Licensing and Administration</b>	
Personal Services	397,225
Operating Expenses	39,545
<b>TOTAL</b>	<b>\$59,937,245</b>

Of each of these amounts, up to 10 percent of the appropriation remains available for expenditure for the same purpose until the close of the 2023-24 state fiscal year.

### FY 2023-24 FOOTNOTE

**8b** Department of Early Childhood, Grand Totals -- The federal funds appropriated from Child Care Development Funds in this part include the following amounts from time-limited Supplemental Child Care and Development Fund Discretionary Funds appropriated in the federal American Rescue Plan Act of 2021:

<u>Line Item</u>	<u>Amount</u>
<b>(1) Executive Director's Office</b>	
<b>(A) General Administration</b>	
Personal Services	\$1,692,551
Health, Life, and Dental	429,689
Short-term Disability	3,850
Amortization Equalization Disbursement	135,470
Supplemental Amortization Equalization Disbursement	135,470
Operating Expenses	47,565

<u>Line Item</u>	<u>Amount</u>
<b>(B) Information Technology Systems</b>	
Information Technology Contracts and Equipment	1,000,000
Child Care Automated Tracking System	200,000
<b>(2) Partnerships and Collaborations</b>	
Local Coordinating Organizations	5,273,021
Child Care Resource and Referrals	2,382,518
<b>(3) Early Learning Access and Quality</b>	
Personal Services	2,039,309
Operating Expenses	39,524
Child Care Assistance Program	19,540,595
Child Care Assistance Program Stimulus - Eligibility Expansion and Infant and Toddler Care Reimbursement	25,970,215
Workforce Recruitment and Retention Grants	10,365,000
Professional Development Training	4,461,849
Early Childhood Quality and Availability	11,661,222
Local Capacity Building Grants	17,217,078
<b>(4) Community and Family Support</b>	
Personal Services	215,508
Operating Expenses	1,470
Early Childhood Mental Health Service	2,552,369
<b>(5) Licensing and Administration</b>	
Personal Services	397,225
Operating Expenses	18,545
<b>TOTAL</b>	<b>\$105,780,043</b>

In addition to the transfer authority provided in Section 24-75-108, C.R.S., the Department may transfer any amount of these appropriations that the Department will not be able to obligate prior to September 30, 2023, to the Child Care Sustainability Grant Program line item or to the Early Care and Education Recruitment and Retention Grant and Scholarship Program line item.