



**Legislative
Council Staff**

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-0359
Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: **INCREASE QUALITY IN EARLY CHILDHOOD EDUCATION PROGRAMS**

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

The bill requires the Colorado Department of Human Services to provide technical assistance and financial incentives to early childhood providers to increase their quality rating. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$2.4 million to the Colorado Department of Human Services.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Early Childhood and School Readiness Legislative Commission.

**Table 1
State Fiscal Impacts Under Bill 3**

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	General Fund	\$2,446,325	\$2,492,628
	Centrally Appropriated	\$44,837	\$59,783
	Total	\$2,491,162	\$2,552,411
	Total FTE	3.0 FTE	4.0 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill requires that the Colorado Department of Human Services (DHS) provide technical assistance and financial incentives to help early childhood care providers with a Colorado Shines rating advance to or maintain at least a level three rating. Early childhood councils must assist DHS by providing local community outreach and engagement strategies.

Under current law, early childhood councils that apply for school-readiness quality improvement funding must submit a school readiness plan that includes targeting or recruiting early childhood programs rated as a level two or higher, or that are actively working towards a level two rating but face demonstrated hardship. The bill requires that plans instead target or recruit programs that are rated at level one or higher. If an early childhood council received funding prior to FY 2020-21, the council must amend their plan.

Background and Assumptions

Under the current school-readiness quality improvement program, the Office of Early Childhood in DHS allocates state and federal funds to early childhood councils for distribution to early childhood programs. The program is intended to improve school readiness of children up to the age of five, with priority given to programs serving children with certain risk factors. For FY 2019-20, approximately \$2.7 million in state and federal funds was distributed to early childhood programs.

The fiscal note assumes that by changing the types of providers that may receive quality improvement funding, the bill increases the number of providers that are eligible for current quality improvement funding, as well as new financial incentives and technical assistance provided by the bill.

State Expenditures

The level of funding for financial incentives and technical assistance is at the discretion of the General Assembly. The fiscal note assumes that state General Fund expenditures in DHS will increase by \$2.5 million and 3.0 FTE in FY 2020-21, and by \$2.6 million and 4.0 FTE in FY 2021-22. Estimated costs are listed in Table 2 and described below.

**Table 2
 Expenditures Under Bill 3**

	FY 2020-21	FY 2021-22
Department of Human Services		
Personal Services	\$173,270	\$231,028
Operating Expenses	\$4,455	\$5,400
Capital Outlay Costs	\$18,600	\$6,200
Financial Incentives	\$1,750,000	\$1,750,000
Early Childhood Councils	\$500,000	\$500,000
Centrally Appropriated Costs*	\$44,837	\$59,783
FTE – Personal Services	3.0 FTE	4.0 FTE
Total Cost	\$2,491,162	\$2,552,411
Total FTE	3.0 FTE	4.0 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Technical assistance. DHS requires 4.0 FTE to provide additional technical assistance to eligible providers. Currently, there is one licensing specialist for 85 providers. Increasing the ratio to one licensing specialist for every 80 providers allows licensing specialists to provide technical assistance in the course of their regular inspections. The fiscal note assumes that this additional staff will be targeted to providers in need of technical assistance. Personal services in the first year assume a September 1, 2019, start date and are prorated for the General Fund payday shift.

Financial incentives. Assuming up to 500 additional providers will receive an average award of \$3,500, the bill will increase costs in DHS by \$1.75 million per year to provide financial incentives. Funding amounts are at the discretion of the General Assembly. The actual number of providers served will be determined by DHS and will depend on the amount of funding available.

In making this estimate, the fiscal note takes into account the current number of providers receiving funding (759), expanded eligibility criteria, and industry feedback received by early childhood councils and the Office of Early Childhood; it also assumes that not all eligible providers will receive assistance. For informational purposes, \$10.6 million would be required to provide an average incentive award to every provider with a Colorado Shines quality rating.

Early childhood councils. The bill requires \$500,000 for early childhood councils around the state to provide community engagement and outreach. Funding is distributed to the 34 early childhood councils based on the number of providers in their service area. Actual disbursements will be determined by DHS and depend on the amount of funding available.

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 and supplemental employee retirement payments, are estimated to be \$44,837 in FY 2020-21 and \$59,783 in FY 2021-22.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

In FY 2020-21, the bill requires a General Fund appropriation of \$2,446,325 to the Colorado Department of Human Services, and an allocation of 3.0 FTE.

State and Local Government Contacts

Human Services