



## Fiscal Note

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## HB 26-1260: UPDATES TO CHILD CARE ASSISTANCE PROGRAMS

**Prime Sponsors:**

Rep. Garcia; Willford

Sen. Cutter; Bright

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**Fiscal note status:** This fiscal note reflects the introduced bill.

### Summary Information

**Overview.** The bill delays implementation of three provisions of the Colorado Child Care Assistance Program by two years, until August 1, 2028, and caps county administrative expenses at 5 percent of their block grant for the program.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

**Appropriations.** For FY 2026-27, the bill requires offsetting \$8.9 million appropriation adjustments that result in no change to total appropriations. See State Appropriations section.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	\$0	\$0	\$0
State Expenditures (General Fund)	-\$5,466,924	-\$5,466,924	\$0
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

State expenditure impacts are from the Colorado Child Care Assistance Program Line Item, which includes General Fund, federal funds, and the local contribution to the program. It is assumed that avoided costs under the bill would have been paid from the General Fund; however, actual appropriations, which have not been made through legislation or requested through the budget process, could have potentially included a mix of funds.

## Summary of Legislation

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The bill delays implementation date of the following federally mandated Colorado Child Care Assistance Program (CCCAP) provisions by two years, from August 1, 2026 to August 1, 2028:

- the requirement that family copayments be limited to no more than 7 percent of the family's gross monthly income;
- the requirement that counties pay providers a weekly rate based on child enrollment, in advance of the provision of child care services; and
- the requirement that the Colorado Department of Early Childhood (CDEC) and counties utilize grants and contracts for underserved populations to improve equitable access.

Under current law, CCCAP funding for child care services is distributed to counties as a block grant. The bill specifies that counties may not use more than 5 percent of their block grant on administrative expenses.

## Background and Assumptions

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### Federally Mandated Provisions

[House Bill 24-1223](#) established the provisions limiting copayments, reimbursing providers based on enrollment, and allowing grants and contracts to be used to provide care to underserved populations. These provisions were required by federal mandates or required the use of federal funds to be implemented. The current expectations for these provisions are as follows:

- The **limit on family copayments** is expected to begin August 1, 2026, and is not contingent upon receipt of federal funds. It is expected to cost \$5.5 million in FY 2026-27. It is assumed this cost will be paid from the General Fund. The fiscal note assumes that the state will instead save this amount in FY 2026-27 and FY 2027-28.
- The state received a federal waiver to delay implementation of **enrollment-based provider payments** and **grants and contracts for underserved populations** until August 1, 2028, which aligns with the new implementation date under the bill. State law specifies that implementation of these provisions is subject to available federal appropriations. See Table 3 for current cost estimates. Because these implementation requirements are delayed under current law until August 1, 2028, the fiscal note assumes the bill codifies current law and does not have a fiscal impact from delaying these provisions.

Additionally, the federal Department of Health and Human Services has proposed a rule to rescind these requirements. If the rule is adopted, the two provisions contingent upon federal funds are assumed to not go into effect.

### Cap on Administrative Costs

Federal rules limit administrative costs to 5 percent of each state’s Child Care Development Fund (CCDF) allocation; however, the definition of administrative costs does not include IT systems, eligibility determination, child care placement, recruitment or licensing of providers, training, referral services, and child care placement, among other things.

The bill does not define administrative costs for the purposes of applying the 5 percent cap to individual county block grants. The fiscal note assumes that it applies broadly to administrative costs, including the items excluded from the federal definition.

### State Expenditures

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The bill decreases state General Fund expenditures in CDEC by \$5.5 million in FY 2026-27 and FY 2027-28 only. This cost savings will end in FY 2028-29 once the cap on family copayments is implemented after the two-year delay. Additionally, the bill shifts some administrative expenditures from counties to the CDEC, both paid from federal funds, which results in no net changes in expenditures. Costs and savings are shown in Table 2 and discussed below.

**Table 2**  
**State Expenditures**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>
Cap on Family Copayments (General Fund)	-\$5,466,924	-\$5,466,924	\$0
CCCAP – County Administration (Federal Funds)	-\$8,618,222	-\$8,618,222	-\$8,618,222
CCCAP – State Administration (Federal Funds)	\$8,618,222	\$8,618,222	\$8,618,222
<b>Total Costs</b>	<b>-\$5,466,924</b>	<b>-\$5,466,924</b>	<b>\$0</b>

### Department of Early Childhood

#### Cap on Family Copayments

Delaying the implementation of the cap on family copayments reduces state expenditures by \$5.5 million in FY 2026-27 and FY 2027-28. It is assumed this cost will then begin starting in FY 2028-29, eliminating the savings incurred from the delay and resulting in no net change in cost from current law. This amount reflects current estimates; however, the actual cost in FY 2028-29 will depend on the number of families enrolled and their incomes. This cost is assumed to be paid from the General Fund.

**Informational Purposes – Other Federally Mandated Provisions**

The enrollment-based provider payments and grants for underserved populations are not expected to go into effect until August 1, 2028, if federal funding is provided. For informational purposes, Table 3 shows the current estimated costs for these provisions. If the federal government adopts the proposed rule eliminating these requirements, these costs will not occur.

**Table 3**  
**Costs for Other Federally Mandated Provisions**  
 Contingent upon available federal funding

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>
Enrollment-based Reimbursement	\$0	\$0	\$18,712,773
IT Costs – Enrollment-based Reimbursement	\$0	\$1,700,000	\$0
Underserved Populations	\$0	\$0	\$165,000
IT Costs – Underserved Populations	\$0	\$573,459	\$0
<b>Total Costs</b>	<b>\$0</b>	<b>\$2,273,459</b>	<b>\$18,877,773</b>

**State and County CCCAP Administrative Costs**

On net, the cap on county administrative costs does not change state expenditures on CCCAP; however, it may shift where funds are spent on administrative costs. Based on FY 2024-25 expenditures, county administrative costs are estimated at \$18.1 million statewide. Under the 5 percent cap on county administrative spending, counties will be limited to spending \$9.5 million, resulting in \$8.6 million that counties would not be permitted to spend on administrative costs.

Capping administrative costs and, thus, limiting the CCCAP activities that counties are able to conduct, may put the state out of compliance with federal rules for CCCAP. As a result, the fiscal note assumes that \$8.6 million will instead be used by CDEC to cover the administrative activities that counties would no longer be able to cover within their local administration cap. CDEC would spend these funds on staff, call center costs, maintaining an in-person presence in counties, provider outreach, and family enrollment, with exact uses dependent upon counties and the state determining how to shift duties and expenditures.

To maintain federal compliance, CDEC may incur additional costs beyond this \$8.6 million estimate, due to the lack of economies of scale for providing county specific administrative services. It is assumed that any funds in addition to the \$8.6 million will be requested through the annual budget process, based on planning and discussions between the counties and CDEC, and the federal limit on the state administrative costs.

Alternatively, counties may reduce expenditures to align with the 5 percent limit or cover costs using other funding sources, which may make some additional funds available to cover child care services. However, this will depend on current county resource allocation and federal compliance, and will vary by county.

## Technical Note

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The cap on county administrative expenses goes into effect August 1, 2026; however, the counties and CDEC will require additional time to determine how to redistribute administrative expenses in order to maintain compliance with federal law.

## Effective Date

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The bill takes effect August 1, 2026.

## State Appropriations

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For FY 2026-27, the bill requires a reduction of \$8,618,222 from the CDEC Child Care Assistance Program line item and a corresponding increase of the same amount to the CDEC Personal Services and Operating line item.

For FY 2026-27, the bill eliminates the need for a General Fund appropriation to the Colorado Department of Early Childhood of \$5,466,924. However, it is assumed that no change in appropriations is required at this time, as appropriations to implement the delayed provisions have not been made to CDEC and funding for this purpose was not requested by the department in its FY 2026-27 budget request.

## State and Local Government Contacts

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Counties

Law

Early Childhood

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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](#).