



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

### SB 26-020: CHILD CARE PROVIDER LICENSING & QUALITY

**Prime Sponsors:**

Sen. Bright; Ball  
Rep. Sirota

**Fiscal Analyst:**

Anna Gerstle, 303-866-4375  
anna.gerstle@coleg.gov

**Published for:** Senate Appropriations

**Drafting number:** LLS 26-0494

**Version:** First Revised Note

**Date:** April 2, 2026

**Fiscal note status:** This fiscal note reflects the introduced bill, as amended by the Senate Education Committee. It has also been updated to reflect new information.

### Summary Information

**Overview.** The bill makes changes to licensing and regulation of child care providers, including phasing out the use of contract staff for inspections and licensing; creating a task force to streamline child care licensing; and limiting certain fees that a local government can charge for child care licensing.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis beginning in FY 2026-27:

- State Revenue
- State Expenditures
- Local Government

**Appropriations.** For FY 2026-27, the bill requires a net reduction in appropriations of \$354,662 to the Colorado Department of Early Childhood. See State Appropriations Section for detail.

**Table 1  
State Fiscal Impacts**

| Type of Impact          | Budget Year<br>FY 2026-27 | Out Year<br>FY 2027-28 |
|-------------------------|---------------------------|------------------------|
| State Revenue           | \$175,478                 | \$0                    |
| State Expenditures      | -\$354,662                | -\$477,624             |
| Transferred Funds       | \$0                       | \$0                    |
| Change in TABOR Refunds | \$0                       | \$0                    |
| Change in State FTE     | 19.7 FTE                  | 21.3 FTE               |

Fund sources for these impacts are shown in the tables below.

**Table 1A  
 State Revenue**

| <b>Fund Source</b>                        | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|---|-----------------------------------|--------------------------------|
| General Fund                              | \$0                               | \$0                            |
| Cash Funds – Gifts, Grants, and Donations | \$175,478                         | \$0                            |
| <b>Total Revenue</b>                      | <b>\$175,478</b>                  | <b>\$0</b>                     |

**Table 1B  
 State Expenditures**

| <b>Fund Source</b>                        | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|---|-----------------------------------|--------------------------------|
| General Fund                              | \$0                               | \$0                            |
| Cash Funds                                | \$170,657                         | \$0                            |
| Reappropriated Funds                      | \$114,802                         | \$115,327                      |
| Federal Funds                             | -\$1,167,567                      | -\$1,185,440                   |
| Centrally Appropriated and Indirect Costs | \$527,446                         | \$592,489                      |
| <b>Total Expenditures</b>                 | <b>-\$354,662</b>                 | <b>-\$477,624</b>              |
| <b>Total FTE</b>                          | <b>19.7 FTE</b>                   | <b>21.3 FTE</b>                |

## Summary of Legislation

---

### Inspection of Child Care Facilities

By July 1, 2026, the bill requires that CDEC begin phasing out the use of contract staff to perform inspections or investigation of licensed child care facilities, and instead prioritize use of licensing specialists employed by the department. CDEC must establish standard training for department or contract staff in consistently apply licensing requirements and enforcement.

### Local Regulation of Child Care Facilities

Under the bill, a local government that has inspection, permitting, or licensing requirements for child care providers that are in addition to state-level standards must:

- prioritize the inspection, permitting, licensing, or approval of a child care provider with which the local government has had a dispute or caused a delay, so that the process is completed to the extent reasonably practicable; and
- limit fees associated with locally required inspections, permits, licenses that are not required by state standard; the limit does not apply to health and sanitation inspections and plan reviews that are required by CDEC or a local public health agency.

## **Child Care Licensing and Quality Task Force**

The bill creates the Child Care Licensing and Quality Task Force in CDEC to study and develop recommendations for a streamlined and coherent child care licensing system. The task force is contingent upon receipt of sufficient gifts, grants, and donations to fund its work.

The bill specifies membership of the task force and the specific components that must be studied. The task force must meet at least four times in 2026, and contract with an independent entity to assist with their work. A final report is due January 1, 2027.

In addition, the bill requires that CDEC adopt rules concerning requirements for licensed facilities to maintain up-to-date employee records in the Professional Development Information System.

## **Assumptions**

---

The fiscal note assumes that CDEC will bring 47 percent of the contracted licensing work in house in FY 2026-27, in alignment with the assumption proposed in Governor's [Budget Request CDEC R-04](#). However, this analysis applies fiscal note common policies to salary, operating, and capital cost assumptions made in CDEC R-04, reflecting a lower overall cost and greater savings.

## **State Revenue**

---

If a source of gifts, grants, or donations is identified, the bill will increase state revenue to the CDEC General Donation Cash Fund by about \$175,000, which reflects the amount required to implement the task force and associated vendor and study costs. No funding sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

## **State Expenditures**

---

On net, the bill decreases state expenditures by about \$355,000 in FY 2026-27 and \$478,000 in beginning in FY 2027-28 and ongoing. These costs and savings will be incurred in CDEC, as shown in Table 2 and described in the sections below. Costs are paid from cash funds, federal funds, and reappropriated funds, as shown in Table 1B.

**Table 2  
State Expenditures – All Costs  
Colorado Department of Early Childhood**

| <b>Department</b>                    | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|--------------------------------------|-----------------------------------|--------------------------------|
| Vendor Contracts and Licensing Staff | -\$530,140                        | -\$477,624                     |
| Task Force                           | \$175,478                         | \$0                            |
| <b>Total Costs</b>                   | <b>-\$354,662</b>                 | <b>-\$477,624</b>              |
| <b>Total FTE</b>                     | <b>19.7 FTE</b>                   | <b>21.3 FTE</b>                |

**Department of Early Childhood**

CDEC requires additional staff to support the task force and to replace contracted licensing services staff. In addition, CDEC will have workload increase to adopt rules related to local government fees.

**Vendor Contracts and Licensing Staff**

As discussed in the Assumptions section, the fiscal note assumes that CDEC will bring the work of 47 percent of the existing licensing contractor staff in-house to be performed by department staff. On net, this change reduces state expenditures by about \$800,000 per year, including:

- a reduction of \$2.6 million per year by ending licensing contracts; and
- an increase of about \$1.8 million to hire 21.3 FTE. Staff positions include 17.0 FTE Compliance Specialist III, 1.0 FTE Compliance Specialist IV, 1.0 FTE Compliance Specialist V, 1.0 FTE Technician IV, 1.0 FTE Accountant III, and 0.3 FTE Human Resources Specialist III. Staff costs include capital and operating costs, and are prorated for an August start date.

**Table 2A  
State Expenditures  
CDEC In-House Licensing Staff**

| <b>Cost Component</b>                     | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|---|-----------------------------------|--------------------------------|
| Licensing Contracts                       | -\$2,590,580                      | -\$2,590,580                   |
| Personal Services                         | \$1,365,855                       | \$1,493,202                    |
| Operating Expenses                        | \$24,960                          | \$27,264                       |
| Capital Outlay Costs                      | \$147,000                         | \$0                            |
| Centrally Appropriated and Indirect Costs | \$522,625                         | \$592,489                      |
| <b>Total In-House Licensing Costs</b>     | <b>-\$530,140</b>                 | <b>-\$477,624</b>              |
| <b>Total In-House Licensing FTE</b>       | <b>19.5 FTE</b>                   | <b>21.3 FTE</b>                |

**Task Force**

Conditional upon receipt of sufficient gifts, grants and donations, CDEC requires 0.2 FTE in FY 2026-27 to support the task force and manage the task force vendor contract. Staff costs in the first year are prorated for an August start date. CDEC also will incur costs to hire a vendor to support the task force and complete the required report, estimated at \$150,000.

**Table 2B  
 State Expenditures  
 CDEC Licensing Task Force**

| <b>Cost Component</b>         | <b>Budget Year<br/>FY 2026-27</b> | <b>Out Year<br/>FY 2027-28</b> |
|-------------------------------|-----------------------------------|--------------------------------|
| Task Force Vendor             | \$150,000                         | \$0                            |
| Personal Services             | \$20,657                          | \$0                            |
| Centrally Appropriated Costs  | \$4,821                           | \$0                            |
| <b>Total Task Force Costs</b> | <b>\$175,478</b>                  | <b>\$0</b>                     |
| <b>Total Task Force FTE</b>   | <b>0.2 FTE</b>                    | <b>0.0 FTE</b>                 |

**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 may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in the Table 1B above. Of the amounts identified in Table 1B, \$122,830 in FY 2026-27 and \$144,749 are indirect costs that must be appropriated.

**Local Governments and School Districts**

By limiting the fees that may be charged for the inspection, permitting, licensing, or approval of child care centers, the bill reduces fee revenue for any local government with requirements that exceed state standards. Fee impacts will vary across the state, based on CDEC rules related to fees, local regulations, and the number of providers.

The bill also increases costs for local governments to prioritize approval of certain providers, and to cover licensing and inspection costs that are currently covered by fee revenue. Finally, the bill increases workload for a school district representative to serve on the task force.

## Effective Date

---

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

---

For FY 2026-27, the bill requires an appropriation of \$170,657 and 0.2 FTE from the CDEC General Donations Fund to the Department of Early Childhood, if sufficient gifts, grants, and donations are received.

Assuming the appropriations listed below are included in the Long Bill, no further appropriations are required. If this funding is not included in the Long Bill, the bill also requires the following appropriations to the Colorado Department of Early Childhood:

- an increase of \$114,802 in reappropriated funds and 1.3 FTE; and
- a net decrease of \$1,167,567 in federal Child Care Development Funds, and an increase of 19.5 FTE; and
- an increase of \$112,830 from reappropriated funds for indirect cost assessments.

## State and Local Government Contacts

---

Counties

Law

Early Childhood

Legislative Council Staff

Information Technology

Municipalities

---

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](#).