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Revised Fiscal Note

(replaces fiscal note dated)

Drafting Number: LLS 21-0879 Date: May 19, 2021
Prime Sponsors: Sen. Story; Sonnenberg Bill Status: House Education
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Bill Topic: INCREASE CAPACITY EARLY CHILDHOOD CARE & EDUCATION

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

The bill creates four new early childhood care and education grant programs and modifies two other grant programs in the Colorado Department of Human Services (CDHS). The bill increases state expenditures on an ongoing basis.

Appropriation Summary: In the current FY 2020-21, the bill includes an appropriation of \$8.8 million for the CDHS. In FY 2021-22, the bill includes an appropriation of \$92.7 million for the CDHS.

Fiscal Note Status: This revised fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under SB 21-236

Table with 4 columns: Category, Current Year FY 2020-21, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund, Federal Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and TABOR Refund.

1Any unexpended funds in FY 2020-21 may be used in FY 2021-22.
2 Some funds shown in FY 2021-22 may be spent in FY 2022-23. See State Expenditures section.

Summary of Legislation

The bill creates four new early childhood care and education grant programs and modifies two existing grant programs in the Colorado Department of Human Services (CDHS). These programs are described below.

Employer-based Child Care Facility Grant Program. The bill creates the Employer-based Child Care Facility Grant Program to provide eligible employers with money to construct, remodel, renovate, or retrofit a child care center to provide licensed child care services to its employees. Eligible employers must provide a financial match of 50 percent for for-profit employers and 25 percent for nonprofit or government employers. The CDHS must solicit applications by June 30, 2021, and begin awarding grants by September 1, 2021. The bill appropriates \$8.8 million for the program and repeals July 1, 2024.

Early Care Education Recruitment and Retention Grant and Scholarship Program. The bill creates the Early Care Education Recruitment and Retention Grant and Scholarship Program to award grants to licensed early child care programs and nonprofit entities or institutions of higher education that administer scholarship programs to improve teacher recruitment and retention. The bill appropriates \$7.1 million for the program. Grants may be used to cover:

- tuition, fees, and materials for early childhood courses that lead to a degree or credential;
- costs for an educator to earn a coaching or mentorship certification;
- paid release time or substitute costs for an educator to pursue training;
- costs for providers, institutions, and early childhood councils to create a grow-your-own program;
- financial incentives for current or potential educators to pursue training; and
- payments for apprenticeships for work-based learning opportunities.

Child Care Teacher Salary Grant Program. The bill creates the Child Care Teacher Salary Grant Program to allow child care centers and eligible family child care homes to increase salaries of its educators. Among other requirements, grant recipients must verify that they have had at least a Level 3 rating under the Colorado Shines system during the past year, and that they are actively serving families that are subsidized through the Colorado Child Care Assistance Program (CCCAP). The CDHS must establish the percentage salary increase, based on the number of applications and available appropriations. The bill appropriates \$3.0 million for the program.

CIRCLE Program. The bill creates the Community Innovation and Resilience for Care and Learning Equity (CIRCLE) program to address systemic challenges that have worsened as a result of the COVID-19 pandemic. It appropriates \$16.8 million for the program. Grants may be awarded to child care centers and family child care homes that are eligible to receive federal child care and development block grant funds, early childhood councils, and approved community-based entities or government agencies. Grants may be used to:

- make child care more affordable for families;
- increase access for children from birth to age three;
- strengthen business practices; and
- ensure equitable access for children, including those with special needs and who are dual language learners.

Program funding. The bill also allocates federal child care development funds for the following purposes:

- child care sustainability grant program (\$35.0 million);
- child care assistance program (CCCAP; \$28.8 million);
- child care quality and availability grants (\$4.0 million);
- early childhood mental health consultation program (\$2.15 million); and
- administration, monitoring, reporting, and compliance (\$0.7 million).

Program modifications. The bill eliminates the grant deadlines, repeal dates and required range for grant awards for the Child Care Sustainability Grant Program. It also eliminates the repeal date and modifies the range for grant awards for the Emerging and Expanding Child Care Grant Program, and allows the program appropriation for outreach and technical assistance to be used in FY 2021-22.

Background

Passed during the 2020 special legislative session, House Bill 20B-1002 created the Child Care Sustainability Grant Program to provide grants to child care providers who experienced reduced enrollment and increased costs, including those in danger of closing. It was funded with \$34.8 million from the General Fund.

HB 20B-1002 also created the Emerging and Expanding Child Care Grant Program to provide grants to child care providers to cover costs associated with expanding or starting a child care center or family child care home. It was funded with \$8.7 million from the General Fund.

State Expenditures

The bill increases state expenditures in CDHS by \$8.8 million in the current FY 2020-21, \$93.0 million in FY 2021-22 and \$37.2 million in FY 2022-23. Costs are listed in Table 2 and discussed below. Expenditures are paid from either the General Fund or federal funds.

**Table 2
 Expenditures Under SB 21-236**

Cost Components	FY 2020-21²	FY 2021-22	FY 2022-23
Department of Human Services			
Personal Services	\$89,817	\$1,083,806	\$931,223
Operating Expenses	\$10,183	\$128,720	\$25,380
Employer Based Facility Grants	\$8,700,000	-	-
Child Care Sustainability Grants ³		\$34,919,947	-
CCCAP		\$23,845,252	\$19,886,638
CIRCLE ³		\$16,719,947	-
Recruit & Retention Grants		\$4,966,075	\$4,990,875
Recruit & Retention Evaluation & Training		\$1,941,714	\$1,941,714
Quality and Availability Grants		\$3,839,894	\$3,852,294
CC Teacher Salary Grants		\$2,910,930	\$2,926,147
EC Mental Health Consultation Program		\$2,069,947	\$2,076,147
Monitoring and Compliance		\$282,105	\$319,305
Centrally Appropriated Costs ¹	\$18,127	\$258,064	\$224,258
Total	\$8,818,127	\$92,966,401	\$37,173,981
Total FTE	1.0 FTE	16.0 FTE	14.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

² Expenditures shown in FY 2020-21 will also be spent in FY 2021-22.

³ Expenditures for the CIRCLE program and the Childcare Sustainability Grants may be spent through FY 2022-23.

Employer-based Child Care Facility Grant Program. The CDHS requires 1.0 FTE to implement this program, which is paid for in FY 2020-21, with a majority of the work occurring in FY 2021-22. The bill identifies \$8.8 million for grants to be awarded to employers to build or renovate on-site child care facilities. This program is funded through the General Fund.

Child care sustainability grants. The bill provides \$35.0 million for child care sustainability grants. Of this amount, \$34.9 million will be allocated as grants, with the remainder covering the costs of 1.0 FTE to support the expanded program. This amount is from federal child care development funds and may be spent through FY 2022-23.

CCCAP. The bill provides \$23.8 million in FY 2021-22 and an estimated \$19.9 million in FY 2022-23 in federal child care development funds for the child care assistance program. This amount will be used to reduce family copays, increase paid absences for educators, increase provider rates, and communication costs.

CIRCLE Program. The bill provides \$16.8 million in federal child care development funds for the CIRCLE program in FY 2021-22. It is estimated that about \$16.7 million will be awarded as grants, with the remainder covering the cost of 1.0 FTE for a program manager to support the program. This amount may be spent through FY 2022-23.

Educator Recruitment and Retention grant program. Beginning in FY 2021-22, the bill increases expenditures by \$7.2 million in federal child care development funds for the recruitment and retention grant program. It is estimated that about \$5.0 million will be awarded as grants, \$1.9 million will be used to increase course offerings, program evaluation, and training, and the remainder will cover the cost of 1.0 FTE for a program manager and 3.0 FTE for training specialists to support program participants.

Quality and availability grants. Beginning in FY 2021-22, the bill provides \$4.0 million in federal funds for grants to Early Childhood Councils increase the quality and availability of child care, support family child care home navigators, and provide training and grants for providers related to children with disabilities. Of the amount for the program, a portion will be used to support 2.0 FTE, with the remaining \$3.8 million awarded as grants.

Teacher salary grant program. Beginning in FY 2021-22, the bill increases expenditures by \$3.0 million in federal child care development funds for the teacher salary grant program. It is estimated that about \$2.9 million will be awarded as grants, with the remainder will covering the cost of 1.0 FTE for a program manager to support the program.

Early childhood mental health. Beginning in FY 2021-22, the bill allocates \$2.15 million in federal child care development funds to hire early childhood mental health consultation program and provide a phone line to support educators. A portion of the funds will support 1.0 FTE for the expanded program.

Monitoring and compliance. The bill also allocates \$713,085 for audit, contracting, and compliance associated with the federal funds allocated through the bill. Costs include 6.0 FTE and a contract for an audit.

Other state agencies. The bill increases workload for the departments of Education, Higher Education, and Labor and Employment to collaborate with CDHS on the grant programs, including developing eligibility criteria for apprenticeships to receive grant funds through the Early Care Recruitment and Retention Program. Institutions of higher education that receive a grant will have a workload increase to apply for and implement the grant. No change in appropriations is required for these agencies.

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 \$18,127 in FY 2020-21, \$258,064 in FY 2021-22 and \$224,258 in FY 2022-23.

Local Government

The bill increases revenue and workload for any local government entity that receives a grant from the new or expanded grant programs.

Effective Date

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

State Appropriations

In the current FY 2020-21, the bill includes a General Fund appropriation of \$8.8 million to the Colorado Department of Human Services, with 1.0 FTE. Unexpended funds may be spent in FY 2021-22 for the same purposes.

In FY 2021-22, the bill includes an appropriation of \$92,708,337 in federal child care development funds to the Colorado Department of Human Services, with 16.0 FTE.

State and Local Government Contacts

Counties	Education	Higher Education
Human Services	Information Technology	Labor
School Districts		