

**First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 25-0090.01 Chelsea Princell x4335

HOUSE BILL 25-1011

HOUSE SPONSORSHIP

Garcia and Sirota,

SENATE SPONSORSHIP

Kipp,

House Committees

Health & Human Services
Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING REQUIREMENTS FOR CHILD CARE CENTERS OWNED BY AN**
102 **INSTITUTIONAL INVESTMENT ENTITY.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill requires a child care center owned by an institutional investment entity to meet the following requirements in order to receive state funding:

- The child care center may only charge a wait list fee of no more than \$25; and
- The child care center shall post and update accurate child

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

care pricing on the child care center's website.

The bill requires an institutional investment entity to meet the following requirements in order to receive state funding:

- Allow a child care center to maintain ownership of the property used to operate the child care center; and
- Upon acquisition of a child care center, provide at least a 60-day notice to all child care center employees and families with children enrolled at the child care center if the institutional investment entity intends to lay off child care center employees or change enrollment or eligibility requirements for the child care center.

The requirements of the bill apply only to institutional investment entities that own 5 or more child care centers and to child care centers that are owned by an institutional investment entity that owns 5 or more child care centers.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds that:

4 (a) Colorado families need and deserve an abundance of
5 high-quality, affordable child care options, and such a system benefits
6 Colorado children, parents, communities, businesses, and the state
7 economy;

8 (b) Large for-profit child care center chains backed by
9 institutional investors have been proliferating in Colorado, and these child
10 care center chains have a profit maximization motive distinct from
11 nonprofit, community-based, or small noninstitutional investor-backed
12 for-profit child care programs;

13 (c) Child care center chains have, at times, engaged in
14 profit-driven actions contrary to the best interests of staff, enrolled
15 families, and the health of Colorado's overall child care system. These
16 actions include targeted or sudden closures of child care sites and real
17 estate transactions that harm the financial position of child care sites.

1 (d) As more public funding becomes available to support
2 Colorado's child care system, expansion of child care center chains is
3 likely and may result in the capture of public dollars for the private gain
4 of investors;

5 (e) The government has long taken an active role in establishing
6 guardrails against profit-maximizing behavior by private businesses,
7 particularly those in which there is a strong public interest, such as private
8 educational institutions, hospitals, banks, and airlines;

9 (2) Therefore, the general assembly declares that it is necessary to:

10 (a) Define large for-profit, institutionally backed child care center
11 chains as a distinct class of child care program; and

12 (b) Establish guardrails that mitigate profit-maximizing behavior
13 in child care, including preventing child care center chains from:

14 (I) Levying excessive ancillary fees, such as wait list fees;

15 (II) Not being transparent about the full price of services;

16 (III) Forcing sale-leaseback arrangements that enrich investors,
17 leaving child care sites with unnecessary debt; and

18 (IV) Conducting mass layoffs or site closures without reasonable
19 notice to staff and enrolled families.

20 **SECTION 2.** In Colorado Revised Statutes, **add** 26.5-1-118 as
21 follows:

22 **26.5-1-118. Private equity acquisition of child care centers -**
23 **applicability - definition.** (1) AS USED IN THIS SECTION, UNLESS THE
24 CONTEXT OTHERWISE REQUIRES, "INSTITUTIONAL INVESTMENT ENTITY"
25 MEANS A PERSON OR COMPANY THAT WOULD BE CONSIDERED AN
26 INVESTMENT COMPANY UNDER THE FEDERAL "INVESTMENT COMPANY
27 ACT OF 1940", 15 U.S.C. SEC. 80a-3, EXCEPT FOR THE APPLICATION OF

1 SUBSECTION (c)(1) OR (c)(7); OR CONSIDERED A VENTURE CAPITAL FUND,
2 AS DEFINED IN 17 CFR 275.203(I)-1; AND THAT HAS OWNERSHIP OF AT
3 LEAST TWENTY PERCENT OF A CHILD CARE CENTER OR COMPANY THAT
4 OPERATES OR FRANCHISES CHILD CARE CENTERS. "INSTITUTIONAL
5 INVESTMENT ENTITY" INCLUDES AN ENTITY THAT HOLDS AT LEAST A
6 TWENTY PERCENT SHARE OF A COMPANY THAT OPERATES OR FRANCHISES
7 CHILD CARE CENTERS AND THAT IS PUBLICLY TRADED ON A STOCK
8 EXCHANGE, AND ALSO INCLUDES AN ENTITY THAT IS THE BENEFICIAL
9 OWNER OF A FRANCHISED CHILD CARE CENTER REGARDLESS OF WHETHER
10 THE FRANCHISE IS INDEPENDENTLY OPERATED. ANY CENTER OR COMPANY
11 THAT IS AT LEAST TWENTY PERCENT OWNED BY, OR HAS TWENTY PERCENT
12 OF ITS PUBLIC SHARES OWNED BY, AN INSTITUTIONAL INVESTMENT ENTITY
13 IS AN INSTITUTIONAL INVESTMENT ENTITY FOR PURPOSES OF THIS SECTION.

14 (2) A CHILD CARE CENTER OWNED BY AN INSTITUTIONAL
15 INVESTMENT ENTITY SHALL POST AND UPDATE CHILD CARE PRICING ON
16 THE CHILD CARE CENTER'S WEBSITE PURSUANT TO THE REQUIREMENTS OF
17 SECTION 26.5-5-332 (5).

18 (3) (a) UPON ACQUISITION OF A CHILD CARE CENTER, AN
19 INSTITUTIONAL INVESTMENT ENTITY SHALL PROVIDE AT LEAST SIXTY
20 DAYS' NOTICE TO CHILD CARE CENTER EMPLOYEES AND FAMILIES WHO
21 HAVE CHILDREN ENROLLED AT THE CHILD CARE CENTER IF THE
22 INSTITUTIONAL INVESTMENT ENTITY INTENDS TO LAY OFF CHILD CARE
23 CENTER EMPLOYEES OR CHANGE ENROLLMENT OR ELIGIBILITY
24 REQUIREMENTS FOR THE CHILD CARE CENTER AS A RESULT OF THE
25 INSTITUTIONAL INVESTMENT ENTITY'S ACQUISITION.

26 (b) THE DEPARTMENT MAY REQUIRE AN INSTITUTIONAL
27 INVESTMENT ENTITY TO ANNUALLY SUBMIT INFORMATION RELATED TO

1 THE INSTITUTIONAL INVESTMENT ENTITY'S GENERAL FINANCIAL
2 CONDITION. THIS INFORMATION MAY INCLUDE AUDITED FINANCIAL
3 STATEMENTS.

4 (4) (a) THE REQUIREMENTS DESCRIBED IN SUBSECTION (2) OF THIS
5 SECTION APPLY ONLY TO A CHILD CARE CENTER THAT IS OWNED BY AN
6 INSTITUTIONAL INVESTMENT ENTITY THAT OWNS FIVE OR MORE CHILD
7 CARE CENTERS.

8 (b) THE REQUIREMENTS DESCRIBED IN SUBSECTION (3) OF THIS
9 SECTION APPLY ONLY TO AN INSTITUTIONAL INVESTMENT ENTITY THAT
10 OWNS FIVE OR MORE CHILD CARE CENTERS.

11 (5) IF A CHILD CARE CENTER DOES NOT COMPLY WITH THE
12 REQUIREMENTS OF THIS SECTION, THE DEPARTMENT MAY TAKE FURTHER
13 DISCIPLINARY ACTION PURSUANT TO SECTION 26.5-5-317 (2).

14 **SECTION 3. Effective date.** This act takes effect upon passage;
15 except that section 26.5-1-118 (2), Colorado Revised Statutes, as enacted
16 in section 1 of this act, takes effect only if Senate Bill 25-004 becomes
17 law, in which case section 26.5-1-118 (2) takes effect on the effective
18 date of this act or Senate Bill 25-004, whichever is later.

19 **SECTION 4. Safety clause.** The general assembly finds,
20 determines, and declares that this act is necessary for the immediate
21 preservation of the public peace, health, or safety or for appropriations for
22 the support and maintenance of the departments of the state and state
23 institutions.