



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1011: PRIVATE EQUITY ACQUISITION OF CHILD CARE CENTERS

Prime Sponsors:

Rep. Garcia; Sirota

Sen. Kipp

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Fiscal note status: This revised fiscal note reflects the introduced bill, as amended by the House Health and Human Services Committee.

Summary Information

Overview. The bill places additional requirements on child care centers owned by institutional investment entities.

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

- Minimal State Expenditures

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill creates new requirements for child care centers owned by institutional investment entities. An institutional investment entity is defined in the bill as an investment company or a venture capital fund that owns at least 20 percent of a child care center and operates and franchises five or more child care centers.

The bill requires child care centers owned by an investment entity to post and update child care pricing on their website. An investment entity must provide 60-day notice to employees and families of any changes to employment, enrollment, and eligibility when acquiring a child care center. CDEC may require an investment entity to annually submit information about the entity's general financial condition.

If the child care center is found to be non-compliant, the Department of Early Childhood (CDEC) can take further disciplinary action.

State Expenditures

Workload will increase for CDEC to process any new complaints received or identified through periodic inspections for noncompliant child care centers owned by investment entities. The fiscal note assumes these child care centers will generally comply with the new requirements, most complaints will be resolved, and any complaints that move forward will be managed within the department's existing processes and resources. If a significant number of violations occur or require further adverse licensing actions, the department will request additional resources and legal support through the budget process.

To the extent any violations are not resolved through the CDEC process and require judicial review, the bill may minimally increase workload in the trial courts in the Judicial Department. No change in appropriations is required.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except the bill's pricing requirements take effect on the effective date of this bill or Senate Bill 25-004, whichever is later.

Departmental Difference

CDEC estimates costs of \$800,000 in FY 2025-26 and \$645,000 in ongoing years to implement the bill's requirements. The department estimate includes costs for updating the licensing system and creating new reports to monitor eligibility and compliance. Costs include 2.5 FTE on an ongoing basis to support implementation and \$250,000 for one-time system updates. Ongoing costs include \$100,000 for system maintenance and \$112,000 for OIT support.

Additionally, CDEC estimates that 0.5 FTE for a Legal Assistant is required to process new complaints against noncompliant child care centers and oversee the legal process for disciplinary licensing action. This includes providing licensing information to the Colorado Department of Law, providing legal assistance to program staff, and facilitating mediation and negotiation between the department and child care providers.

The fiscal note assumes system updates are not required, as CDEC can monitor compliance through the current complaint process and routine investigations on reported violations. The fiscal note also assumes investment entities will generally comply with the new requirements or resolve violations, minimizing the need for CDEC to take further disciplinary action and require additional legal support. As a result, it is expected that any new complaints can be managed by existing licensing staff with existing resources.

State and Local Government Contacts

Counties

Information Technology

Early Childhood