



JOINT BUDGET COMMITTEE STAFF FY 2022-23 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Human Services
Office of Early Childhood

The Department of Human Services is responsible for the administration and supervision of all non-medical public assistance and welfare programs in the state. The Department's FY 2021-22 appropriation consists of 37.5 percent General Fund, 18.5 percent cash funds, 7.7 percent reappropriated funds, and 36.3 percent federal funds.

FY 2021-22 APPROPRIATION AND FY 2022-23 REQUEST

DEPARTMENT OF HUMAN SERVICES, OFFICE OF EARLY CHILDHOOD						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION:						
S.B. 21-205 (Long Bill)	280,899,807	87,060,045	53,352,394	7,968,022	132,519,346	100.9
Other legislation	388,223,077	8,697,353	500,000	0	379,025,724	24.1
TOTAL	\$669,122,884	\$95,757,398	\$53,852,394	\$7,968,022	\$511,545,070	125.0
FY 2022-23 REQUESTED APPROPRIATION:						
FY 2021-22 Appropriation	\$669,122,884	95,757,398	\$53,852,394	\$7,968,022	\$511,545,070	125.0
DEC1 Child care safety	345,980	311,382	0	0	34,598	7.3
DEC2 Early Intervention alternate	1,003,685	1,003,685	0	0	0	1.0
DEC3 Refinance CCCAP	0	(1,807,730)	0	0	1,807,730	0.0
R5 Community provider rate increase	1,981,912	793,583	155,383	79,680	953,266	0.0
R6 Facilities management operating	24,154	0	1,218	0	22,936	0.0
Indirect cost assessments	136,897	0	7,094	0	129,803	0.0
Annualize prior year budget action	(313,248,635)	(296,992)	308,861	0	(313,260,504)	(1.6)
TOTAL	\$359,366,877	\$95,761,326	\$54,324,950	\$8,047,702	\$201,232,899	131.7
INCREASE/(DECREASE)	(\$309,756,007)	\$3,928	\$472,556	\$79,680	(\$310,312,171)	6.7
Percentage Change	(46.3%)	0.0%	0.9%	1.0%	(60.7%)	5.4%

The Governor used separate priority order numbers for requests related to the Office of Early Childhood and for the Department of Human Services as a whole. The Governor proposes moving the Office of Early Childhood to the Department of Early Childhood (DEC) that was authorized by H.B. 21-1304, and so the requests related to the Office of Early Childhood begin with the leader DEC. Proposals for the Department of Human Services as whole begin with an R (for request) and follow a separate numbering order.

SUMMARY OF REQUESTS

DEC1 CHILD CARE SAFETY: The Department requests \$345,980 total funds, including \$311,382 General Fund, for four new positions (3.8 FTE in the first year) to investigate suspected illegal child care and lead public awareness campaigns on safe care practices and the benefits of licensed care. The Department indicates that funding is for the implementation of an evidence-informed program as defined in S.B. 21-284 (Evidence-based evaluation for budget).

DEC2 EARLY INTERVENTION ALTERNATE [REQUIRES LEGISLATION]: The Department requests \$1,003,685 General Fund and 1.0 FTE in FY 2022-23 to phase in a new program for children from birth through 2 years of age with risk factors for developmental delays. The working title for the proposed new program is Early Start. The services would be similar to those offered through the existing Early Intervention program but more limited. The proposed eligibility criteria targets two populations. First, the program would serve an estimated 2,200 children with a developmental delay in certain skills¹ that is between 33 percent and 25 percent of the expected timeline. These children would have been eligible for Early Intervention services prior to a change in eligibility criteria in FY 2020-21, which was implemented to balance the budget. Second, the new program aims to serve an estimated 1,800 children with risk factors² for developmental delays in the same set of skills. The Department projects up to \$5.2 million in private funding for this request that is not included in the proposed appropriation amounts above. However, the Department assumes the private funding is time limited and the projected costs for the program increases to \$6,241,201 General Fund and 2.0 FTE by FY 2024-25 when the program is fully implemented and private funding is no longer available. The Department requests the JBC sponsor legislation to authorize the program, create a cash fund to receive gifts, grants, and donations, and provide continuous spending authority from the cash fund to the Department. The Department indicates that funding is for the implementation of an evidence-informed program as defined in S.B. 21-284 (Evidence-based evaluation for budget).

DEC R3 REFINANCE COLORADO CHILD CARE ASSISTANCE PROGRAM (CCCAP): The Department proposes temporarily refinancing \$1,807,730 General Fund for the Colorado Child Care Assistance Program with federal Child Care Development Funds. The refinancing would help meet a federal requirement that 70 percent of Child Care Development Funds be spent on direct services and at the same time free up General Fund for other priorities.³

R5 COMMUNITY PROVIDER RATE INCREASE: The Department requests a common policy 1.0 percent increase in community provider rates. For this division the increase is \$2.0 million total funds, including \$793,583 General Fund, primarily for the Colorado Child Care Assistance Program and Early Intervention but including adjustments to smaller programs. *Community provider rates will be addressed in more detail during the common policy presentation in January.*

R6 FACILITIES MANAGEMENT OPERATING: The request includes an adjustment to indirect cost assessments for the division in conjunction with an inflationary increase for the Office of Operations. *For more information see the 12/1/21 briefing for the Office of Operations.*

INDIRECT COST ASSESSMENTS: The request includes a net increase in indirect cost assessments based on the statewide and departmental indirect cost recovery plans.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for out-year impacts of prior year legislation and budget actions, summarized in the table below. The titles of the annualizations begin with either a bill number or the relevant fiscal year. For budget decisions made in the Long Bill, the title includes a reference to the priority number the Department used in that year for the initiative, if relevant. If there is no reference to a bill number or priority number, then the change was initiated by an action other than a bill or request from the Department.

The largest adjustments include:

¹ The skills are in five domains of adaptive, cognitive, communication, motor, or social and emotional skills.

² Per the Department of Human Services, "These risk factors include, but are not limited to, a substantiated case of abuse or neglect, neonatal abstinence syndrome, fetal alcohol spectrum disorders, lead poisoning, global developmental delays, and perinatal mood and anxiety disorders."

³ The Governor already accounted for the savings in the budget request but no specific initiatives were identified as tied to this particular savings.

- **FY 21-22 R14 Nurse home visitor program spending authority** – Last year the General Assembly approved a two-year increase for the provider of the Nurse Home Visitor program, primarily due to increases in nurse salaries. This annualization is a 2.8 percent increase on the line item. The requested annualization is in addition to the 1.0 percent community provider rate adjustment common policy proposed for FY 2022-23.
- **FY 21-22 Salary survey** – This represents the division's share of the salary survey adjustment approved by the General Assembly last year. It is not really an increase in the overall department budget, but rather a reallocation from the pot in the Executive Director's Office where the money was appropriated in FY 2021-22 to the Office of Early Childhood where it will become part of the base personal services appropriations in FY 2022-23.
- **SB 21-236 Increase capacity early childhood care & education** – This bill made a series of appropriations from one-time federal stimulus money that ends in FY 2022-23. However, the Governor will separately propose a second allocation of federal stimulus money in FY 2022-23, presumably for similar purposes, described in the "Additional Related Requests" section below.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
FY 21-22 R14 Nurse home visitor program spending authority	\$732,244	\$0	\$732,244	\$0	0.0
FY 21-22 Salary survey	459,556	72,088	76,604	310,864	0.0
FY 19-20 R21 Salesforce	324	0	13	311	0.0
SB 21-236 Increase capacity early childhood care & education	(313,459,278)	0	0	(313,459,278)	(4.0)
SB 21-275 Child Find responsibilities	(419,762)	(419,762)	0	0	1.9
SB 21-137 Behavioral health recovery act	(314,000)	186,000	(500,000)	0	0.0
HB 21-1304 Early childhood system	(119,232)	(119,232)	0	0	0.5
SB 21-199 Remove barriers to certain public opportunities	(68,612)	(16,086)	0	(52,526)	0.0
SB 21-201 Stricter transparency & enforcement in child care	(59,875)	0	0	(59,875)	0.0
TOTAL	(\$313,248,635)	(\$296,992)	\$308,861	(\$313,260,504)	(1.6)

ADDITIONAL RELATED REQUESTS

DEC4 DEPARTMENT OF EARLY CHILDHOOD ADMINISTRATION: The Governor requests \$13,022,971 total funds, including \$5,130,152 General Fund, and 20 new positions (17.0 FTE in the first year) for the administration of the new Department of Early Childhood that was authorized by H.B. 21-1304. Since the new department does not yet exist, this request was submitted separate from the requests for the Department of Human Services. The Office of State Planning and Budgeting indicates future budget amendments will be submitted detailing proposed transfers of existing programs to the new Department of Early Childhood and potentially requesting additional administrative funds.

BUDGET INTEGRITY PREPAYS [MAY REQUIRE LEGISLATION]: The Governor proposed a number of "prepays" for select programs. One of the proposed prepays is \$354 million for universal preschool to provide a buffer against nicotine revenue declines. The source of revenues for the collection of prepays is a combination of General Fund and the federal budget integrity funds available through the American Rescue Plan Act (ARPA). The Governor's request does not detail fund sources for specific components of the prepays. In follow-up correspondence OSPB indicated it is not expecting a decline in nicotine revenues of this magnitude but wants to ensure there are ample resources to launch a successful universal preschool program. Also, OSPB indicated it is exploring many possible ways to implement the prepays, one of which is legislation, without elaborating on what those other methods might entail.

FEDERAL STIMULUS FUNDS: The Department received several one-time increases in federal Child Care Development Funds (CCDF) from various pieces of pandemic-related federal legislation. The federal Child Care Development Funds are subject to annual appropriation by the General Assembly but there are federal parameters on how the money can be used. The Governor's letter indicates the FY 2022-23 budget and legislative agenda includes

a number of one-time investments in early childhood programs and provides a list, but the list is actually a sample of initiatives that were already appropriated in S.B. 21-236 and should not be interpreted as a new request for FY 2022-23. Instead, the Governor will submit a budget amendment in January with a proposal for how to spend the remaining \$178.9 million in one-time stimulus money allocated to Child Care Development Funds that has not yet been appropriated.

When asked what happens when the federal money expires, the Office of State Planning and Budgeting replied, "We are using the time the funds are available to evaluate their impact and develop recommendations on sustainability and alternative fund sources where appropriate."

OEDIT R2 ESTABLISH PUBLIC-PRIVATE PARTNERSHIP OFFICE [REQUIRES LEGISLATION]: For the Office of Economic Development and International Trade (OEDIT) the Governor requested \$1,223,652 General Fund and 3.5 FTE ongoing for a new Public-Private Partnership office, plus \$30,046,612 General Fund one-time for the new office's first project of renovating existing state buildings to accommodate child care facilities. The Governor proposes a grant program for the child care facility renovations with the entire legislature voting on the total funds and criteria for the grant program and the Capital Development Committee approving individual projects. The proposed grant program would emphasize renovating higher education facilities in underserved areas. The grant program would be managed by OEDIT, but the Department of Early Childhood and the Department of Higher Education would be collaborators.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF EARLY CHILDHOOD: This issue brief discusses the transition plan for the new Department of Early Childhood that was submitted to the Joint Budget Committee for review of the fiscal impact and the Governor's *DEC4 Department administration* to provide staff for the new department.

DEC2 EARLY INTERVENTION ALTERNATE: This issue brief discusses the Department's request, in *DEC2 Early Intervention alternate*, for the JBC to sponsor legislation authorizing a new program for children at risk of developmental delays designed to serve more children with fewer dollars per child than the existing federally sanctioned Early Intervention.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2021.