



JOINT BUDGET COMMITTEE STAFF FY 2023-24 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Early Childhood

The Department of Early Childhood is responsible for supporting the care, education, and well-being of young children. The Department's FY 2022-23 appropriation represents approximately 1.4 percent of statewide operating appropriations and 0.8 percent of statewide General Fund appropriations.

FY 2022-23 APPROPRIATION AND FY 2023-24 REQUEST

DEPARTMENT OF EARLY CHILDHOOD						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION:						
HB 22-1329 (Long Bill)	8,192,473	6,335,548	685,539	0	1,171,386	30.6
Other Legislation	530,489,686	106,068,806	107,940,631	11,899,077	304,581,172	177.4
TOTAL	\$538,682,159	\$112,404,354	\$108,626,170	\$11,899,077	\$305,752,558	208.0
FY 2023-24 REQUESTED APPROPRIATION:						
FY 2022-23 Appropriation	\$538,682,159	112,404,354	\$108,626,170	\$11,899,077	\$305,752,558	208.0
R1 Universal Preschool Program	325,000,000	0	325,000,000	0	0	0.0
R2 Increase universal preschool participation	4,941,852	3,480,000	410,000	0	1,051,852	4.6
R3 Universal preschool provider bonuses	5,000,000	5,000,000	0	0	0	0.0
R4 Early intervention caseload	395,949	395,949	0	0	0	0.0
R5 Equity in Dept of Early Childhood	2,832,552	384,519	70,000	220,577	2,157,456	2.7
R6 Early childhood mental health support	390,333	390,333	0	0	0	0.9
R7 Continue federal stimulus strategies	102,347,069	0	0	0	102,347,069	39.0
R8 Records and Reports Cash Fund	(271,135)	0	(271,135)	0	0	(2.0)
R9 Child sexual abuse prevention training	150,000	150,000	0	0	0	0.0
R10 Provider rates	6,360,633	2,918,600	476,479	0	2,965,554	0.0
R11 Nurse Home Visitor Program	969,704	0	969,704	0	0	0.0
R12 Early childhood quality	(400,000)	(400,000)	0	0	0	0.0
R13 Transfer FTE between DEC and DHS	428,650	316,798	(204,946)	316,798	0	5.5
Centrally appropriated items	10,916,641	3,832,406	(32,512)	4,774,497	2,342,250	0.0
Annualize prior year budget actions	(210,616,182)	(5,049)	(51,322,667)	0	(159,288,466)	(40.6)
TOTAL	\$787,128,225	\$128,867,910	\$383,721,093	\$17,210,949	\$257,328,273	218.1
INCREASE/(DECREASE)	\$248,446,066	\$16,463,556	\$275,094,923	\$5,311,872	(\$48,424,285)	10.1
Percentage Change	46.1%	14.6%	253.2%	44.6%	(15.8%)	4.9%

R1 UNIVERSAL PRESCHOOL PROGRAM: The Department requests \$325.0 million from the Preschool Programs Cash Fund, annualizing to \$348.0 million in FY 2024-25, to pay providers for the Universal Preschool Program. The Preschool Programs Cash Fund receives:

- A portion of the annual revenue from both increased cigarette and tobacco taxes and a new tax on nicotine and vaping products approved by voters in 2020 through Proposition EE.
- The portion of School Finance funding that would have funded the Colorado Preschool Program and the General Education portion of preschool for children with Individualized Education Programs.

The Department identified this request as theory-informed.

R2 INCREASE UNIVERSAL PRESCHOOL PARTICIPATION: The Department requests \$4.9 million total funds, including \$3,480,000 General Fund, for strategies to increase provider and family participation in universal preschool, including:

- \$3.0 million General Fund for one-time grants through the Emerging and Expanding Child Care Grant Program to expand classrooms
- \$451,852 federal CCDF and 4.6 FTE to increase department capacity to review licenses and to waive licensing fees for new providers through FY 2024-25 (after which a portion of the cost for the FTE would be refinanced with cash funds from licensing fees)
- \$600,000 federal CCDF to offer one-time incentives for universal preschool providers to also provide child care to low-income families through the Colorado Child Care Assistance Program
- \$410,000 cash funds on-going from the Preschool Programs Cash Fund for annual marketing to families and providers
- \$480,000 General Fund for one-time consulting services intended to help every Local Community Organization write at least two grant applications for non-state funding to expand the preschool hours offered

The Department identified this request as theory-informed.

R3 UNIVERSAL PRESCHOOL PROVIDER BONUSES: The Department requests that the General Assembly set aside \$5.0 million General Fund for a bill that will be introduced to authorize one-time bonuses to providers who sign up to offer universal preschool. The Department is not asking the JBC to sponsor the bill. The Department proposes tiered bonuses that include:

- A base bonus level for all providers
- An additional bonus for providers who have never participated in a state-run preschool program
- An additional bonus for providers who previously participated in a state-run preschool program and add new capacity for universal preschool

The Department identified this request as theory-informed.

R4 EARLY INTERVENTION CASELOAD: The Department requests \$395,949 General Fund for FY 2023-24 and \$6,148,658 General Fund for FY 2024-25 and on-going for projected caseload and the acuity of clients in the Early Intervention Program. In FY 2020-21 and then again in FY 2021-22 the General Assembly reduced funding for the program in response to both declining revenues and enrollment during the pandemic. To keep projected expenditures within the appropriation, in FY 2020-21 the Department adopted rules reducing eligibility to children demonstrating a 33 percent delay rather than a 25 percent delay in development. The Department expected this policy change to reduce enrollment by 2,200. In FY 2022-23 the General Assembly added funding with the intent of returning eligibility to the pre-pandemic levels. Due to the time required for rule making the Department has not yet implemented the change in eligibility and will be submitting an associated supplemental to reduce funding in FY 2022-23.

The requests for FY 2023-24 and FY 2024-25 represent the Department's projection of costs with the new eligibility criteria but also updated information on the acuity of clients that shows a 7.9 percent increase in the hours of service per client, the portion of services covered by Medicaid, and declining private insurance coverage.

Since the request was submitted the Department has continued with rule making and arrived at a rule with a smaller increase in eligibility. The new rule would maintain eligibility for children with a 33 percent delay in one area and add

eligibility for children with a 25 percent delay in two areas (rather than one). The Department estimates that this partial restoration of eligibility would add eligibility for 883 children versus the 2,200 children assumed in the FY 2022-23 appropriation. According to the Department, the rule is informed by the concerns of stakeholders that the providers cannot absorb 2,200 children due to workforce shortages. If providers cannot offer the services without waitlists to all clients deemed eligible, then it becomes problematic for the state to maintain eligibility for certain federal grants under the federal Individuals with Disabilities Education Act (IDEA). The Department indicates it will submit a supplemental and budget amendment in January to revise the request based on the new eligibility rule.

Also, subsequent to the original request, an error was identified that significantly overestimated the projected out-year costs, but this is no longer relevant given the evolving nature of the request.

R5 EQUITY IN DEPT OF EARLY CHILDHOOD: The Department requests \$2.8 million total funds, including \$384,519 General Fund, and 2.7 FTE for:

- an equity officer to ensure equity is considered in all policies, including rule-making, hiring and retaining workforce, contracting, information technology, data collection, partnerships, and program delivery.
- a county and tribal liaison to ensure productive government-to-government and state-to-tribal relationships.
- language justice initiatives, including:
 - A project manager
 - One-time funds to develop a language justice plan
 - Interpretation services
 - Translation services, including one-time funding to address a backlog of documents that need translation and on-going funding for future needs

R5 Equity in Dept of Early Childhood						
	Total Funds	General Fund	Preschool Programs Cash Fund	Indirect Costs	Federal CCDF	FTE
<u>FY 2023-24</u>						
Equity officer	\$120,024	\$0	\$0	\$0	\$120,024	0.9
County and tribal liaison	78,462	19,615	0	58,847	0	0.9
Language justice	<u>2,634,066</u>	<u>364,904</u>	<u>70,000</u>	<u>161,730</u>	<u>2,037,432</u>	<u>0.9</u>
<i>Project manager</i>	<i>93,140</i>	<i>23,285</i>	<i>0</i>	<i>69,855</i>	<i>0</i>	<i>0.9</i>
<i>Language justice plan</i>	<i>150,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>150,000</i>	<i>0.0</i>
<i>On-demand interpretation</i>	<i>75,000</i>	<i>18,750</i>	<i>0</i>	<i>56,250</i>	<i>0</i>	<i>0.0</i>
<i>Translation services</i>	<i>2,315,926</i>	<i>322,869</i>	<i>70,000</i>	<i>35,625</i>	<i>1,887,432</i>	<i>0.0</i>
Total - FY 2023-24	\$2,832,552	\$384,519	\$70,000	\$220,577	\$2,157,456	2.7
<u>FY 2024-25</u>						
Equity officer	\$122,789	\$30,697	\$0	\$92,092	\$0	1.0
County and tribal liaison	77,613	19,403	0	58,210	0	1.0
Language justice	<u>573,846</u>	<u>92,238</u>	<u>14,000</u>	<u>133,550</u>	<u>334,058</u>	<u>1.0</u>
<i>Project manager</i>	<i>93,566</i>	<i>23,391</i>	<i>0</i>	<i>70,175</i>	<i>0</i>	<i>1.0</i>
<i>Language justice plan</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.0</i>
<i>On-demand interpretation</i>	<i>75,000</i>	<i>18,750</i>	<i>0</i>	<i>56,250</i>	<i>0</i>	<i>0.0</i>
<i>Translation services</i>	<i>405,280</i>	<i>50,097</i>	<i>14,000</i>	<i>7,125</i>	<i>334,058</i>	<i>0.0</i>
Total - FY 2024-25	\$774,248	\$142,338	\$14,000	\$283,852	\$334,058	3.0

The Department identified this request as theory-informed.

R6 EARLY CHILDHOOD MENTAL HEALTH SUPPORT: The Department requests \$390,333 General Fund and 0.9 FTE to continue operation of the Early Childhood Mental Health (ECMH) Support Line that is currently funded

using federal Preschool Development Grant Birth through Five funding.¹ The Department expects an extension of the federal funding through June 30, 2023, after which the Department would need state funding. The ECMH Support Line connects families, caregivers, and child care and education professionals with clinically trained consultants who have expertise in early childhood, social-emotional development, and mental health. The ECMH consultants: help with specific cases of children showing concerning signs; provide classroom- and provider-level assistance with preparing professionals to manage classrooms and centers with attention to social-emotional learning, trauma-informed practices, and early childhood mental health; and support the growth and wellbeing of adult caregivers to reduce stress, increase retention, improve safety, and improve care for children. The Department described the role of the ECMH as more similar to well child visits than crisis intervention. The Department identified this request as theory-informed.

R7 CONTINUE FEDERAL STIMULUS STRATEGIES: The Department requests \$102,347,069 federal Child Care Development Funds to continue the strategies for spending these one-time stimulus funds that were approved by the General Assembly in the budget last year. The Department identified this request as theory-informed.

R8 RECORDS AND REPORTS CASH FUND: The Department requests that the JBC sponsor legislation to separate the Records and Reports Cash Fund from unrelated costs of the Department of Human Services. The net result would be an increase of \$1,208,889 General Fund statewide.

The Records and Reports Cash Fund receives fees paid for background checks of child abuse or neglect and covers the Department's administrative costs in providing the information. The fund also currently supports the Child and Adult Mistreatment Dispute Review Section (CAMDRS) in the Department of Human Services. CAMDRS reviews appeals of county decisions involving individuals with a substantiated finding of child abuse or neglect or mistreatment of an at-risk adult. The primary costs of CAMDRS are legal costs, which have risen from \$167,677 in FY 2017-18 to \$822,672 in FY 2021-22.

The Department argues that there is no direct connection between the people on whom the Department performs background checks and the people appealing county findings of abuse or neglect. The majority of the Department's background checks are on people seeking employment to work with vulnerable children. The majority of the CAMDRS appeals involve family members of the alleged victim.

The revenue to the Records and Reports Cash Fund is more than sufficient to cover the cost of the Department's background checks. If the fund must continue to support the CAMDRS reviews, then the Department estimates it will need to raise background check fees from \$35 to \$55 to cover increasing costs for the CAMDRS, having a negative impact on early childhood providers that pay the majority of the fees. Also, the Department of Early Childhood will continue to be in a position of managing the fees to pay for costs it does not control or oversee that are associated with the Department of Human Services' CAMDRS. If General Fund is appropriated to support the CAMDRS instead of requiring the Records and Reports Cash Fund to support it, then the Department could reduce the background check fees from \$35 to \$30 while still maintaining a sufficient reserve in the fund.

R9 CHILD SEXUAL ABUSE PREVENTION TRAINING: The Department requests \$150,000 General Fund on-going for child sexual abuse prevention training. House Bill 18-1064 authorized this training but in FY 2020-21 the funding was eliminated in response to projected COVID-related budget shortfalls. The Department continued the training at the expense of other programs normally supported by the Child Abuse Prevention Trust Fund, including parenting education, professional development, and research. For FY 2022-23, the JBC added \$150,000 General Fund for child

¹ The Department argues that the limitations in Section 24-75-1305, C.R.S., on General Fund appropriations for a program previously supported by grant money do not apply, because the ECMH line is not a separate program but rather a part of the Early Childhood Mental Health Consultation Program, which is authorized in Section 26.5-3-702, C.R.S., and funded with a mix of General Fund and federal funds.

sexual abuse prevention training, but the motion during Long Bill budget balancing indicated that the funding was intended to be one-time without any further explanation of the rationale. The training is provided to approximately 1,500 people who work with children annually. The Department identified this request as theory-informed.

R10 PROVIDER RATES: The Department request \$6.4 million total funds, including \$2.9 million General Fund, for the Governor's proposed common policy provider rate increase of 3.0 percent. The affected programs include Family Resource Centers, Colorado Child Care Assistance Program, community contracts for child care licensing, Early Intervention, Home Visiting, Child Maltreatment Prevention, Early Childhood Mental Health Services, and Social-Emotional Learning Grant Programs.

R11 NURSE HOME VISITOR PROGRAM: The Department requests \$969,704 cash funds from tobacco settlement money deposited in the Nurse Home Visitor Program Fund for FY 2023-24, increasing to \$2,055,966 cash funds in FY 2024-25, to increase provider rates by 3.0 percent in each year and address rising overhead costs, such as licensing and training fees. The Department identified this request as proven.

R12 EARLY CHILDHOOD QUALITY: The Department requests a reduction of \$400,000 General Fund from the Early Childhood Quality and Availability line item based on historic under expenditures. The Department says there are several potential explanations for the underutilization of the funding, including: providers that may not want to engage with the state's child care quality improvement system, known as the Colorado Shines Quality Rating and Improvement System, or with their local Early Childhood Councils; low provider bandwidth for new initiatives due to continuing challenges in navigating the effects of the pandemic; and recent significant provider investments in quality improvements using one-time federal funding. In addition, the Department says providers may underspend their allocations due to ordering delays, changes in priorities, or disenrollment. The Department identified this request as theory-informed.

R13 TRANSFER OF FTE BETWEEN DEC AND DHS: The Department requests a net increase of \$428,650 total funds, including an increase of \$316,798 General Fund, and 5.5 FTE to move staff between the Department of Human Services and the Department of Early Childhood to align with the programs the staff support. A corresponding and opposite request was submitted by the Department of Human Services so the impact statewide of the two requests is net zero. Functions of the Office of Early Childhood were separated from the Department of Human Services and transferred to the newly created Department of Early Childhood in FY 2022-23. During the transition year, the departments are using an operational support agreement to ensure continuity while the infrastructure for the new department is established. For FY 2023-24, the departments have better identified the share of centralized services associated with supporting each program.

- The Department of Human Services will transfer 8 positions to the Department of Early Childhood, including a payroll technician, two program accountants, a fraud investigator, a procurement specialist, two performance analysts, and an early intervention services trust accountant.
- The Department of Early Childhood will transfer 2.5 positions from the background investigation unit to the Department of Human Services for background checks related to 24-hour programs under the purview of the Office of Children, Youth, and Families.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; salary survey; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

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 increases are to annualize new staff added as part of creating the Department in H.B. 22-1295 and the Long Bill appropriation for the Department of Early Childhood administration. The largest decreases are all related to the end of appropriations of one-time federal funds, including S.B. 22-213 Child care support programs, the Long Bill appropriation for S4 Early childhood fed stimulus, S.B. 21-236 Increase capacity early childhood care & ed, and the Long Bill appropriation to extend spending authority for underspent federal stimulus funds.

Annualize Prior Year Budget Actions					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
HB 22-1295 Dept of Early Childhood & universal preschool	641,548	346,601	40,673	254,274	4.1
Prior year salary survey	593,942	21,762	186,260	385,920	0.0
FY 22-23 Dept of Early Childhood administration	\$20,517	\$20,517	\$0	\$0	1.4
SB 22-213 Child care support programs	(99,500,000)	0	(49,500,000)	(50,000,000)	(6.1)
FY 22-23 S4 Early childhood fed stimulus	(59,937,055)	0	0	(59,937,055)	(22.0)
SB 21-236 Increase capacity early childhood care & ed	(40,086,658)	0	0	(40,086,658)	(16.0)
FY 22-23 Extend underspent fed stimulus	(9,892,547)	0	0	(9,892,547)	0.0
HB 22-1369 Children's Mental Health Programs	(2,000,000)	0	(2,000,000)	0	(0.3)
FY 22-23 Child abuse prevention training	(150,000)	(150,000)	0	0	0.0
HB 21-1304 Early childhood system	(147,929)	(147,929)	0	0	(1.7)
SB 21-137 Behavioral Health Recovery Act	(96,000)	(96,000)	0	0	0.0
FY 22-23 BA2 Universal preschool	(62,000)	0	(49,600)	(12,400)	0.0
Total	(\$210,616,182)	(\$5,049)	(\$51,322,667)	(\$159,288,466)	(40.6)

When the JBC approved S4 Early childhood fed stimulus there was debate about whether to provide spending authority for the one-time federal funds in a lump sum with rollforward authority or annually. Then, after the JBC decided to make annual appropriations, whether the Department should treat the out-years as annualizations of the JBC's FY 22-23 budget action or submit new budget requests. The JBC expressed a preference for new budget requests. As a result, the annualizations show a removal of \$59.9 million federal funds and 22.0 FTE and then the Department submitted R7 *Continue federal stimulus strategies* for \$102.3 million federal funds and 39.0 FTE for the second year of costs associated with the Department's plan to spend down the one-time federal funds.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

UNIVERSAL PRESCHOOL (R1, R2, R3): This issue brief discusses the Department's plans for implementing universal preschool and associated requests for funding in R1 *Universal Preschool Program*, R2 *Increase universal preschool participation*, and R3 *Universal preschool provider bonuses*

ONE-TIME FUNDING AUTHORIZED IN RECENT LEGISLATIVE SESSIONS: During the 2020B, 2021, and 2022 legislative sessions, the General Assembly allocated significant one-time funding to the Department of Early Childhood, and predecessor programs that were in the Department of Human Services' Office of Early Childhood, that included \$45.0 million originating as state General Fund, \$101.5 million originating as federal Coronavirus State Fiscal Recovery funds (ARPA funds), and \$494.4 million from one-time federal Child Care Development Funds.

FOR MORE INFORMATION

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