



## Legislative Council Staff

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# Fiscal Note

**Drafting Number:** LLS 21-0478 **Date:** May 12, 2021  
**Prime Sponsors:** Rep. Sirota; Garnett **Bill Status:** House Education  
 Sen. Fenberg; Buckner **Fiscal Analyst:** Anna Gerstle | 303-866-4375  
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**Bill Topic:** EARLY CHILDHOOD SYSTEM

**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates the new Department of Early Childhood and establishes a transition working group and advisory group to adopt a transition plan for the new department, and recommendations for a statewide, voluntary preschool program. The bill increases state expenditures on an ongoing basis and may impact workload for some local governments.

**Appropriation Summary:** In FY 2021-22, the bill requires appropriations to multiple agencies totaling \$951,528.

**Fiscal Note Status:** This fiscal note is reflects the introduced bill.

**Table 1  
State Fiscal Impacts Under HB21-1304**

	Budget Year FY 2021-22	Out Year FY 2022-23
<b>Revenue</b>	-	-
<b>Expenditures<sup>1</sup></b>		
General Fund	\$951,528	\$564,862
Centrally Appropriated	\$105,024	\$107,412
<b>Total Expenditures</b>	<b>\$1,056,552</b>	<b>\$672,274</b>
<b>Total FTE</b>	<b>6.7 FTE</b>	<b>5.7 FTE</b>
<b>Transfers</b>	-	-
<b>TABOR Refund</b>	-	-

<sup>1</sup> Table 1 identifies the costs associated with the planning and transition processes only. Additional costs for the new department and the shifting of costs from relocating existing early childhood programs have not been estimated, as they will depend on future legislative and budget process decisions. See State Expenditures section for more details about these potential costs.

## **Summary of Legislation**

The bill creates the Department of Early Childhood and establishes a transition working group and advisory group to adopt a transition plan for the new department and recommendations for a statewide, voluntary preschool program beginning in FY 2023-24.

**Department of Early Childhood.** The bill creates a new state Department of Early Childhood, beginning July 1, 2022. The executive director is appointed by the Governor, with the consent of the Senate, and may establish divisions, sections, and advisory boards necessary for the function of the department.

The bill moves the Early Childhood Leadership Commission (ECLC), currently in the Department of Human Services, to the new department, and specifies that the director of the department will serve on the commission. It also relocates statutes related to the Early Childhood and School Readiness Legislative Commission (ECSRLC).

**Transition working group.** The bill creates the transition working group to prepare a plan for the new department and a recommendation for a statewide, universal preschool program. The working group consists of the co-chairs of the ECLC, the Governor's Office, and representatives from the departments of Human Services, Public Health and Environment, Education, and other relevant agencies.

**Transition advisory group.** The co-chairs of the ECLC must convene a transition advisory group to advise the working group. The advisory group includes parents and representatives of the early childhood workforce, program providers, early childhood councils, county human services, the business community, and advocacy organizations. Members of the advisory group may receive per diem in the same amount paid to legislators and reimbursement for travel and related expenses.

**Consultant and stakeholder process.** The Governor's Office must contract with one or more private entities to assist the working group, including providing an analysis of the current use of existing early childhood programs and services. The initial contract may not exceed \$25,000, or must provide consulting services as an in-kind donation. The working and advisory groups must engage in a stakeholder process that includes a variety of groups and methods of engagement.

**Transition plan.** The working group must develop a transition plan for the coordination and administration of early childhood programs by the new department and existing departments. The plan must include structure for the agency, funding sources, relocation of programs and services, information technology, and strategies to streamline programs and improve alignment with other state programs, as well as any necessary legislative, regulatory, and budget changes. The bill establishes the following deadlines for the plan:

- November 1, 2021 – transition plan submitted to the Joint Budget Committee (JBC) and ECLC, which may request changes and has 14 days to approve the plan;
- November 15, 2021 – transition plan submitted to the General Assembly; and
- December 1, 2021 – working group presentation on the transition plan to the ECSRLC.

**Statewide preschool program recommendations.** The working group must develop recommendations for a new statewide, voluntary preschool program beginning in 2023-24. The program must meet specified criteria, including alignment of current programs and funding sources into a single, state-level program that aligns with state and federal law. After a period of review by the ECLC, the working group must submit its recommendation on the preschool program to the JBC and the General Assembly by January 15, 2022.

## Background

Under current law, programs and services related to early childhood are primarily located in CDHS and the Colorado Department of Education (CDE), with some programs in CDPHE and other state agencies. The existing Office of Early Childhood in CDHS includes childcare licensing and administration, the Colorado Child Care Assistance Program, and programs related to childcare provider quality, early childhood mental health, child maltreatment prevention, early intervention, Head Start collaboration, and home visiting. The CDE houses the Colorado Preschool Program and other educational services for children ages birth to three such as preschool special education, early childhood assessments, and early learning and literacy.

## State Expenditures

The bill increases state expenditures by \$1.06 million in FY 2021-22, and by \$672,274 in FY 2022-23, for the Governor’s Office, Office of Information Technology, CDHS, CDE, and the newly created Department of Early Childhood. Costs are paid from the General Fund and staff costs are prorated for the General Fund paydate shift. Costs are listed in Table 2 and discussed below.

**Table 2**  
**Expenditures Under HB21-1304**

<b>Cost Components</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
<b>Governor’s Office</b>		
Personal Services	\$185,460	\$202,320
Operating Expenses	\$2,700	\$2,700
Capital Outlay Costs	\$12,400	-
Legal Services	\$191,412	
Consultant	\$25,000	-
Centrally Appropriated Costs <sup>1</sup>	\$34,780	\$38,306
FTE - Personal Services	1.8 FTE	2.0 FTE
FTE – Legal Services	1.0 FTE	-
<b>Gov. Office Subtotal</b>	<b>\$451,753</b>	<b>\$243,326</b>

**Table 2  
 Expenditures Under HB21-1304 (Cont.)**

<b>Cost Components</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
<b>Office of Information Technology</b>		
Personal Services	\$155,428	\$111,775
Operating Expenses	\$2,700	\$1,350
Capital Outlay Costs	\$12,400	-
Centrally Appropriated Costs <sup>1</sup>	\$32,063	\$20,113
FTE - Personal Services	1.8 FTE	1.0 FTE
<b>OIT Subtotal</b>	<b>\$202,591</b>	<b>\$133,238</b>
<b>Department of Education</b>		
Personal Services	\$89,317	\$97,437
Operating Expenses	\$1,350	\$1,350
Capital Outlay Costs	\$6,200	-
Centrally Appropriated Costs <sup>1</sup>	\$17,081	\$18,816
FTE - Personal Services	0.9 FTE	1.0 FTE
<b>CDE Subtotal</b>	<b>\$113,948</b>	<b>\$117,603</b>
<b>Department of Human Services</b>		
Personal Services	\$100,566	\$145,635
Operating Expenses	\$1,755	\$2,295
Capital Outlay Costs	\$6,200	-
Advisory Group Costs	\$38,640	-
Consultant – Stakeholders & Advisory Group	\$120,000	-
Centrally Appropriated Costs <sup>1</sup>	\$21,099	\$30,177
FTE - Personal Services	1.2 FTE	1.7 FTE
<b>CDHS Subtotal</b>	<b>\$288,260</b>	<b>\$178,106</b>
<b>Total</b>	<b>\$1,056,552</b>	<b>\$672,274</b>
<b>Total FTE</b>	<b>6.7 FTE</b>	<b>5.7 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Governor's Office.** The Governor's Office requires 2.0 FTE in FY 2021-22 and FY 2022-23 to lead the transition working group, coordinate with impacted departments, and guide the development of the transition plan, including programs, operations, and stakeholder input. Staff will included a transition lead and a supporting transition coordinator. In addition, the Governor's Office must contract with a consultant to support the development of a transition plan and recommendations for a statewide preschool program, at a cost of no more than \$25,000.

*Legal services.* In FY 2021-22, the bill will require 1,800 hours of legal services, equivalent to 1.0 FTE, to participate in the working group, particularly as it relates to ensuring that the transition plan and preschool recommendations align with both state and federal law. Legal services are provided by the Department of Law at a rate of \$106.34 per hour. The fiscal note assumes that these costs will be paid using reappropriated funds from the Governor's Office.

**Department of Human Services.** CDHS requires 1.3 FTE in FY 2021-22 and 1.7 FTE in FY 2022-23, including 1.0 FTE to focus on the budget and expenditure component of the transition process and a project manager to coordinate CDHS activities related to the transition, support stakeholder outreach and guide communication efforts across state, local and regional levels. Additional staff support will be provided by existing staff funded by federal Preschool Development Grant funds.

*Advisory committee.* In FY 2021-22, CDHS requires \$38,640 in per diem and travel costs for the advisory group. The fiscal note assumes that there will be 30 members of the advisory committee, each attending 8 committee meetings, of which 4 are remote. It also assumes the per diem (\$99) and average travel and expenses reimbursement (\$124) equivalent to that received by legislators serving on interim committees. In addition, CDHS will hire a consultant to facilitate the advisory group and stakeholder process. This is estimated at \$120,000 in FY 2021-22 only, based on other, similar contracts.

**Department of Education.** CDE requires 1.0 FTE in FY 2021-22 and FY 2022-23 to serve as a project manager for the transition process, including coordinating all CDE activities related to the transition team; documenting and planning for current and potential changes to preschool and early childhood workforce development responsibilities; and conducting stakeholder engagement with education-related stakeholders.

**Office of Information Technology.** OIT requires 2.0 FTE in FY 2021-22 and 1.0 FTE in FY 2022-23 to support the transition working group, plan for the migration of IT systems and services to the new department, and identify and plan to address any redundancy or gaps in current systems.

**Department of Early Childhood.** In FY 2022-23, costs will increase to establish the new department, potentially including administrative staff, leased space, information technology, and legal services costs. Actual staff and funding levels will be determined based on the transition plan.

- *Administrative staff.* In FY 2022-23, the newly created department will require administrative staff, including an Executive Director, accounting and budget staff, information technology and human resources staff. Some of this staff may come from the Office of Early Childhood or other state agencies, while some additional expenditures may be required to hire new staff. Actual costs will be determined via the transition plan and budget process.
- *ECLC.* Beginning in FY 2022-23, the ECLC is moved from CDHS to the new Department of Early Childhood. Current expenditures for the ECLC are approximately \$200,000 in federal funds, including 2.0 FTE, and about \$50,000 in gifts, grants, and donations. The fiscal note assumes that these expenditures will be transferred from the CDHS to the Department of Early Childhood, with no net change in state expenditures.

- *Early childhood programs.* The fiscal note assumes that a significant portion of program funding and staff in the new department will come from other programs that currently exist elsewhere in state government, whether programs are moved directly or are restructured in the new department. The transition plan, the budget process, and associated legislative and regulatory changes will determine which programs relocated, any new or restructured programs, and the budget impacts of such changes, including the impact on other state agencies, as well as IT, data, and other costs.
- *Leased space.* The fiscal note assumes that the new department will require some physical space; it is unknown whether existing space utilized by the Office of Early Childhood or other state agencies will be used for the new department. For informational purposes, if the new department had about 150 employees, leased space costs are estimated to be about \$1.0 million, based on the standard state space calculations (\$30 per square foot and 220 square feet per FTE) and excluding any information technology costs or any savings from programs vacating existing space.
- *Legal services.* In FY 2022-23, the new department will require legal services from the Department of Law for rulemaking and to support the programs in the new department. The fiscal note assumes that funding for this purpose, whether new or shifted from existing state agencies, will be addressed through the budget process.

**Other state agencies.** The Department of Personnel will have an increase in workload to adjust their common policies to include the new Department of Early Childhood. The Department of Public Health and Environment will have increased workload to support the transition working group. No change in appropriations is required.

**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 \$105,024 in FY 2021-22 and \$107,412 in FY 2022-23.

## Local Government and School Districts

The bill increases workload for local governments and school districts that choose to participate in advisory group and associated stakeholder processes. While changes in future years may occur as a result of the implementation of the transition plan, preschool program recommendations, and associated legislative and regulatory changes, this bill is not expected to change early childhood programs administered by local governments and school districts.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature; except the section 2 to 9, which create the new Department of Early Childhood, take effect July 1, 2022.

## State Appropriations

In FY 2021-22, the bill requires the following General Fund appropriations:

- \$416,972 to the Governor's Office and 1.8 FTE, of which \$191,412 is reappropriated to the Department of Law, with an additional 1.0 FTE;
- \$267,161 to the Department of Human Services and 1.2 FTE;
- \$96,867 to the Colorado Department of Education and 0.9 FTE; and
- \$170,528 to the Office of Information Technology, and 1.8 FTE.

## State and Local Government Contacts

Counties	Education
Governor	Health Care Policy & Financing
Human Services	Information Technology
Law	Legislative Council Staff
Personnel	Public Health and Environment