



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated March 8, 2024)

Table with 4 columns: Drafting Number, Prime Sponsors, Date, Bill Status, Fiscal Analyst. Values include LLS 24-0503, Rep. Willford; Garcia, Sen. Cutter, April 29, 2024, House Appropriations, and Shukria Maktabi.

Bill Topic: IMPROVED ACCESS TO THE CHILD CARE ASSISTANCE PROGRAM

Summary of Fiscal Impact table with checkboxes for State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, and Statutory Public Entity.

The bill makes changes to the Child Care Assistance Program including updating its application process, method of reimbursing child care providers, and expanding eligibility. The bill increases state and local expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$100,000 to the Department of Early Childhood.

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

Table 1
State Fiscal Impacts Under HB 24-1223

Main fiscal impact table with columns: Budget Year (FY 2024-25), Out Year (FY 2025-26), Out Year 2 (FY 2026-27). Rows include Revenue, Expenditures (General Fund, Cash Funds, Federal Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts.

Summary of Legislation

The bill makes changes to the Colorado Child Care Assistance Program (CCCAP) in the Department of Early Childhood (CDEC) related to the application process, eligibility, provider reimbursements, and parent fees. The bill also requires the CDEC to conduct an evaluation on the CCCAP state reimbursement process, and a study examining the Child and Adult Care Food Program (CACFP) in the Department of Public Health and Environment (CDPHE).

Application. The bill requires a simplified CCCAP application. The CDEC and county departments must disclose income eligibility levels by income percentage and monthly income. The bill also limits the CCCAP application to only collecting information necessary to determine eligibility, prohibits counties from adding additional eligibility requirements to the application process, and requires counties to only collect information that has changed since the previous application when reconsidering eligibility. Custody arrangement information must not be collected to determine eligibility for CCCAP.

Eligibility. The bill expands eligibility for CCCAP in the following ways:

- **Child care providers.** The bill allows full-time early care and education providers and their employees to receive full child care assistance for eligible children through CCCAP, regardless of income and for as long as they are employed as a child care provider. State and local funding must cover the costs for this care if it is deemed ineligible for federal funding.
- **Expands eligible activities.** The bill allows an applicant to be eligible for CCCAP by participating in a substance use disorder treatment program.
- **Presumptive eligibility.** By July 1, 2026, the bill allows counties to presume CCCAP eligibility for all applicants who participate in eligible activities or who are deemed income-eligible through a minimum eligibility verification process, rather than requiring that counties first verify documentation before approving or continuing child care assistance. Counties must approve or maintain assistance while completing verification for up to 90 days.
- **Underserved populations.** The bill allows CDEC and counties to use grants and contracts to provide care to underserved populations and those needing non-traditional care to improve access to the program. CDEC must evaluate equity data for these populations.
- **Income exclusion.** The bill adjusts the income requirements to align with the Universal Preschool Program and counties must exclude state and federal assistance from income, or assistance from other entities, when determining eligibility.

Provider reimbursements. By July 1, 2026, the bill requires counties to pay providers a weekly rate for each child in advance of service provision based on a child's enrollment in CCCAP, instead of the current payment process where payment is made after care is provided based on a child's actual attendance. It also allows a family child care home provider to be an eligible provider through CCCAP, and allows providers to be paid more through CCCAP than their private pay rates. The bill prevents early care and education providers from receiving reimbursement through CCCAP if they employ persons convicted of certain crimes.

Parent fees. CDEC and counties must provide parent fee information, and information must be accessible in languages other than English and Spanish based on the populations served by the program. By July 1, 2026, the bill limits copayments by parents to no more than 7 percent of the families monthly income and allows employers to cover copayments.

State reimbursement evaluation. The bill requires the CDEC to conduct or contract for an evaluation on the benefits of implementing a state-level reimbursement process. The evaluation must be completed and reported on by December 1, 2026.

Child and Adult Care Food Program (CACFP) study. The bill directs the CDEC, in consultation with the CDPHE, to conduct a study determining the feasibility of de-linking eligibility for the CACFP from CCCAP. CACFP is a federally funded program currently administered by CDPHE that provides funding for healthy meals in child care and other settings.

State Expenditures

The bill increases state expenditures in CDEC by \$100,000 in FY 2024-25, \$19.0 million in FY 2025-26, and \$60.3 million in FY 2026-27, paid from the General Fund. It also increases expenditures in the Department of Health Care Policy and Financing (HCPF) by \$576,000 in FY 2025-26 only, paid from the General Fund, federal funds, cash funds, and reappropriated funds. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 24-1223**

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Early Childhood			
Personal Services	-	\$293,601	\$372,574
Operating Expenses	-	\$4,480	\$5,888
Capital Outlay Costs	-	\$26,680	\$6,670
HB 24-1223 – Expanded Service Costs	-	\$1,656,907	\$13,144,359
HB 24-1223 – System Update Costs	-	\$4,126,556	\$288,859
Federally Mandated – Expanded Service Costs	-	\$2,226,529	\$155,768
Federally Mandated – System Update Costs	-	\$10,225,852	\$46,268,035
State Reimbursement Evaluation	-	\$300,000	-
CACFP Study	\$100,000	-	-
Translation Costs	-	\$100,000	-
Centrally Appropriated Costs ¹	-	\$67,777	\$87,831
FTE – Personal Services	-	3.5 FTE	4.6 FTE
CDEC Subtotal	\$100,000	\$19,028,382	\$60,329,984

Table 2
Expenditures Under HB 24-1223 (Cont.)

Department of Health Care Policy and Financing				
PEAK Update	-		\$575,775	-
HCPF Subtotal	-		\$575,775	-
<i>General Fund</i>	-		\$19,117	-
<i>Cash Funds</i>	-		\$6,670	-
<i>Reappropriated Funds</i>	-		\$318,403	-
<i>Federal Funds</i>	-		\$25,736	-
Total	\$100,000		\$19,604,157	\$60,329,984
Total FTE	-		3.5 FTE	4.6 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Early Childhood

The bill increases costs for CDEC for staff, expanded service costs, system updates, and meeting other requirements in the bill. These impacts are described below.

Staff. CDEC requires additional staff for CCCAP administration and OIT services, including 2.5 FTE in FY 2025-26, and 3.6 FTE in FY 2026-27 and ongoing.

To ensure processes and systems are updated by July 1, 2026, the following staff is required beginning in FY 2025-26:

- 1.0 FTE will develop the process for unlicensed providers to seek license-exempt status and become a CCCAP provider, provide support for these providers in navigating CCCAP rules and regulations, conducting safety inspections and related work, and providing guidance to counties on the process;
- 1.0 FTE for Office of Information Technology (OIT) staff to provide ongoing technical support and troubleshooting for the new application and CHATS update. These costs will be reappropriated to the OIT; and
- 0.5 FTE to manage system contracts. Staff will increase by 1.6 FTE in FY 2026-27 to perform audits and manage financial accounting and invoicing.

Workload will also increase to provide training across CCCAP staff, including updating training materials for new eligibility and custody requirements.

System update costs. Costs in CDEC will increase by \$4.1 million in FY 2025-26 to contract for system updates, and \$289,000 in FY 2026-27 and ongoing for system maintenance and operations. System costs are outlined below.

- **Simplified application.** CDEC will require \$29,841 initially, and \$2,089 in future years, to update the CCCAP application to only include information needed to determine eligibility and verify documents.
- **CHATS updates.** The bill's provisions will require significant updates to the Child Automated Tracking System (CHATS) totaling \$4.1 million initially and \$286,770 in future years. Major components of the system update include developing a screening tool for determining presumptive eligibility, adjusting application information to both capture new information and remove information that is no longer permitted, adding new eligibility categories, allowing payments to unlicensed providers and tracking related information, among other things.

Expanded service costs under HB 24-1223. Costs will increase by \$1.7 million in FY 2025-26 and by \$13.1 million in FY 2026-27 and ongoing to provide child care assistance for an expanded group of eligible individuals through the bill. These impacts are detailed below. Unless otherwise noted, the average annual cost of care for newly eligible children is assumed to be \$6,614 per year.

- **Custody requirements.** Beginning in FY 2025-26, costs will increase by about \$1.5 million to pay for child care assistance for an additional 235 children based on changes in the bill concerning child custody. Current rules require reporting having physical custody of the children in order to receive CCCAP services. The bill removes physical custody reporting from the application, allowing for costs of services for children in joint custody arrangements.
- **Child care providers.** Beginning in FY 2026-27, costs will increase by about \$2.5 million per year to serve an estimated 372 children of child care workers.
- **Expands eligible activities.** Beginning in FY 2026-27, costs will increase by about \$557,000 annually for child care services for an assumed 84 families participating in a substance use disorder treatment program who would be eligible for services under the bill.
- **Presumptive eligibility.** Beginning in FY 2026-27, allowing for presumptive eligibility is estimated to increase costs by \$8.5 million per year to provide, on average, an additional 15 days of services to applicants for CCCAP services. This costs are based on a cost of \$415 for 20,411 applicants per year.
- **CCCAP payment rate.** Beginning in FY 2025-26, CDEC requires \$102,617 annually to account for paying providers a higher rate, as the bill allows providers to receive a county rate that is higher than their private pay rate.

Federally mandated changes. Certain provisions in the bill are required by a federal mandate with an implementation date of May 1, 2024. This includes requirements for provider enrollment-based reimbursements, copayments caps at 7 percent, and expanded child care for underserved populations. Costs for providing these expanded services and the associated costs for updating systems to comply are outlined below and totals \$12.5 million in FY 2025-26 and \$46.4 million in FY 2026-27.

As states are permitted to apply for a waiver, the fiscal note assumes these CCCAP service costs required by the mandate will begin in FY 2026-27, after the necessary systems are updated in FY 2025-26. According to the department, the CDEC does not have federal funds that can be used to support the costs associated with the requirements in the bill. Additionally, at this time it is not known if additional federal funding will be provided for implementation of the new federal rules or for covering the increased costs of services, and it is assumed that General Fund is required.

Given this, the fiscal note estimates the costs of complying with the requirements, and the General Assembly may use this bill as a vehicle to provide funding to the CDEC for this work. If funding is not provided in this bill, the CDEC will be required to shift resources or request funding through the budget process in the future.

- **Provider enrollment-based reimbursement.** The CDEC will require \$7.1 million in FY 2025-26 and \$30.4 million beginning in FY 2026-27 to pay for weekly enrollment of children in advance, rather than payment based on actual attendance. This increase is based on data on actual attendance in prior years and the estimated increase in costs for missed days during periods when children are enrolled in the program. Specifically, this estimate was informed by a 2021 CDEC study that examined the fiscal impact of paying for the gap between children enrolled and compared with actual attendance. CDEC currently funds payments based on enrollment for infant and toddler providers using stimulus funding. Costs in FY 2025-26 is to continue this funding using General Fund until it is expanded to other providers as required by the bill.
- **Copayment cap.** Costs will increase by \$3.2 million in FY 2025-26 and \$5.8 million annually beginning in FY 2026-27 to cover a higher portion of the cost of care from the bill's 7 percent cap on copayments. These costs have currently been funded through stimulus funding, however to continue providing copayments at the current 10 percent rate, costs in FY 2025-26 will require the use of General Fund.
- **Underserved populations.** Beginning in FY 2026-27, costs will increase by \$10.1 million per year for child care grants to ensure access for underserved populations. This amount would pay for 640 additional child care slots statewide (an average of 10 slots per county) for underserved populations in each county. Funding for these grants may be set at the discretion of the General Assembly.
- **System update costs.** Costs in CDEC will increase by \$2.2 million in FY 2025-26 to contract for system updates, and \$155,000 in FY 2026-27 and ongoing for system maintenance and operations. The system updates to CHATS include realigning the payment process for enrollment (rather than attendance) based reimbursement, limiting family copayments and making related adjustments for the grants to underserved populations.
- **Staff.** In addition, beginning in FY 2025-26, 1.0 FTE will coordinate grants for child care services for underserved populations, including developing rules and advising and ensuring compliance among counties.

CACFP study. In FY 2024-25, CDEC will have one-time costs of \$100,000 to contract to conduct a study to determine the feasibility of delinking CACFP eligibility from CCCAP.

State reimbursement evaluation. In FY 2025-26, CDEC will have a one-time cost of \$300,000 to contract with a vendor to evaluate the costs and benefits of implementing a state level reimbursement process for CCCAP.

Translation costs. In FY 2025-26 only, CDEC requires \$100,000 to update forms and provide CCCAP information in different languages, including sharing new eligibility requirements, updated promotional materials and communications, and program outreach campaigns.

Department of Health Care Policy and Financing

Costs will increase in HCPF by \$575,775 in FY 2025-26 to make system changes to the PEAK application, including removing additional questions that are no longer required for applicants only applying to CCCAP. These costs are funded by a mixture of the General Fund, federal funds, cash funds, and reappropriated funds directed to the department from various agencies.

HCPF oversees the PEAK system and follows a cost allocation plan to distribute costs across various departments based on their overall usage of PEAK. As a result of this bill, expenditures will increase in CDEC, the CDPHE, and the Department of Human Services (CDHS) by the following amounts:

- \$290,594 in the CDHS, with \$129,493 paid by the General Fund and \$161,101 paid from federal funds.
- \$21,302 in the CDEC, with \$12,494 paid by the General Fund and \$8,808 paid from federal funds.
- \$6,507 in the CDPHE, paid from the General Fund.

These costs will be reappropriated to HCPF to implement the updates to PEAK. The remaining costs will be paid from the General Fund, federal funds, and cash funds.

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 shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

Counties receive an allocation from the state for CCCAP for program administration and service costs, and are required to provide a maintenance of effort. To the extent that state funding for the CCCAP allocation is increased, the local match paid by counties will increase. The changes to the CCCAP program that increase service and administration costs may limit or reduce the quantity of services that can be provided for families and the number of children served. Expenditures will vary by county.

Expenditures will also increase for counties to provide parent fee information, and the bill will increase workload for counties to process applications for presumptive eligibility, to revise contracts and rates with providers, and navigate new processes and systems in the program.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$100,000 to the Department of Early Childhood.

State and Local Government Contacts

Counties	Early Childhood	Education
Human Services	Information Technology	Local Affairs
Public Health and Environment	Public Safety	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).