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**Fiscal Note**

|                         |                                      |                        |   |
|-------------------------|--------------------------------------|------------------------|---|
| <b>Drafting Number:</b> | LLS 24-0503                          | <b>Date:</b>           | March 8, 2024   |
| <b>Prime Sponsors:</b>  | Rep. Willford; Garcia<br>Sen. Cutter | <b>Bill Status:</b>    | House Health & Human Services                               |
|                         |                                      | <b>Fiscal Analyst:</b> | Shukria Maktabi   303-866-4720<br>shukria.maktabi@coleg.gov |

**Bill Topic: IMPROVED ACCESS TO THE CHILD CARE ASSISTANCE PROGRAM**

|                                  |   |   |  |
|----------------------------------|---|---|--|
| <b>Summary of Fiscal Impact:</b> | <input type="checkbox"/> State Revenue                | <input type="checkbox"/> State Transfer | <input checked="" type="checkbox"/> Local Government |
|                                  | <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> TABOR Refund   | <input type="checkbox"/> 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 \$80.4 million to multiple state agencies.

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

**Table 1  
State Fiscal Impacts Under HB 24-1223**

|                             |                           | <b>Budget Year<br/>FY 2024-25</b> | <b>Out Year<br/>FY 2025-26</b> |
|-----------------------------|---------------------------|-----------------------------------|--------------------------------|
| <b>Revenue</b>              |                           | -                                 | -                              |
| <b>Expenditures</b>         | General Fund              | \$80,393,225                      | \$68,902,017                   |
|                             | Centrally Appropriated    | \$175,946                         | \$140,850                      |
|                             | <b>Total Expenditures</b> | <b>\$80,569,171</b>               | <b>\$69,042,867</b>            |
|                             | <b>Total FTE</b>          | <b>9.2 FTE</b>                    | <b>7.3 FTE</b>                 |
| <b>Transfers</b>            |                           | -                                 | -                              |
| <b>Other Budget Impacts</b> | General Fund Reserve      | \$12,058,984                      | \$10,335,303                   |

## **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 shifts the administration of the Child and Adult Care Food Program (CACFP) to CDEC from the Department of Public Health and Environment (CDPHE).

**Application.** The bill updates CDEC's CCCAP application requirements to require a statewide universal application for CCCAP. The application must also specify 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 using a prepopulated form developed by the department. 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 early care and education providers and their employees to receive full child care assistance for eligible children through the CCCAP, regardless of their 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 as ineligible for federal funding.
- **Expands eligible activities.** The bill allows an applicant to be eligible for CCCAP by participating in a substance use disorder program, job training program, or educational training.
- **Presumptive eligibility.** The bill allows counties to presume CCCAP eligibility for all applicants who participate in eligible activities or who are deemed income-eligible through self-attestation, 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 also adjusts the income requirements to align with the Universal Preschool Program and counties must exclude state and federal assistance from income when determining eligibility.

**Provider reimbursements.** 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. 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, 2024.

**Child and Adult Care Food Program (CACFP).** The bill directs the CDEC to administer the CACFP. This is a federally funded program [currently administered by CDPHE](#) that provided funding for healthy meals in child care and other settings. The department must work with CDPHE to develop guidelines and must develop, implement, and oversee an alternative eligibility process that is specifically tailored for license-exempt family, friend, or neighbor child care providers.

**State Expenditures**

The bill increases state expenditures in CDEC by \$80.4 million in FY 2024-25 and \$69.0 million in FY 2025-26, paid from the General Fund. It also increases expenditures in CDPHE by \$136,530 in FY 2024-25 only, paid from the General Fund, and transfers the federally funded CACFP from the CDPHE to CDEC. Expenditures are shown in Table 2 and detailed below.

**Table 2  
 Expenditures Under HB 24-1223<sup>1</sup>**

|   | <b>FY 2024-25</b>   | <b>FY 2025-26</b>   |
|---|---------------------|---------------------|
| <b>Department of Early Childhood</b>      |                     |                     |
| Personal Services                         | \$645,398           | \$606,902           |
| Operating Expenses                        | \$9,984             | \$9,344             |
| Capital Outlay Costs                      | \$53,360            | -                   |
| Expanded Service Costs                    | \$65,870,247        | \$65,870,247        |
| System Update Costs                       | \$12,795,730        | \$2,415,524         |
| State Reimbursement Evaluation            | \$300,000           | -                   |
| Translation Costs                         | \$100,000           | -                   |
| CACFP Administrative Costs                | \$507,712           | -                   |
| Centrally Appropriated Costs <sup>2</sup> | \$150,210           | \$140,850           |
| FTE – Personal Services                   | 7.8 FTE             | 7.3 FTE             |
| <b>CDEC Subtotal</b>                      | <b>\$80,432,641</b> | <b>\$69,042,867</b> |

**Table 2  
 Expenditures Under HB 24-1223<sup>1</sup> (Cont.)**

|  | FY 2024-25          | FY 2025-26          |
|--|---------------------|---------------------|
| <b>Department of Public Health and Environment</b> |                     |                     |
| Personal Services                                  | \$102,332           | -                   |
| Operating Expenses                                 | \$1,792             | -                   |
| Capital Outlay Costs                               | \$6,670             | -                   |
| Centrally Appropriated Costs <sup>2</sup>          | \$25,736            | -                   |
| FTE – Personal Services                            | 1.4 FTE             | -                   |
| <b>CDPHE Subtotal</b>                              | <b>\$136,530</b>    | <b>-</b>            |
| <b>Total</b>                                       | <b>\$80,569,171</b> | <b>\$69,042,867</b> |
| <b>Total FTE</b>                                   | <b>9.2 FTE</b>      | <b>7.3 FTE</b>      |

<sup>1</sup> Relocation of the CACFP program, which results in no net change in costs, is not shown in Table 2. See State Appropriations section for details.

<sup>2</sup> 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.** In FY 2024-25 CDEC will require an additional 6.8 FTE for CCCAP administration and 1.0 FTE for OIT services. Staffing includes:

- 3.0 FTE to manage the new family portal for data management, data analysis, technical support;
- 1.0 FTE to 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 to coordinate grants for child care services for underserved populations, including developing rules and advising and ensuring compliance among counties;
- 1.3 FTE to manage system contracts, perform audits, and manage financial accounting and invoicing;
- 0.5 FTE in FY 2024-25 only to manage the onboarding of CACFP staff during the initial transition; and
- 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.

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

**Expanded service costs.** Costs will increase by \$65.9 million annually to provide child care assistance for an expanded group of eligible individuals through the bill. These impacts are described below. Unless otherwise noted, the average annual cost of care for newly eligible children is assumed to be \$6,614 per year.

- **Provider enrollment-based reimbursement.** The CDEC will require \$32.8 million 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.
- **Custody requirements.** 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.** Costs will increase by about \$3.3 million per year to serve an estimated 500 children of child care workers.
- **Expands eligible activities.** Costs will increase by about \$3.7 million annually for child care services for an assumed 560 families participating in a Substance Abuse Disorder Treatment Program who would be eligible for services under the bill.
- **Presumptive eligibility.** 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.
- **Copayment cap.** Costs will increase by \$5.8 million per year to cover a higher portion of the cost of care from the bill's 7 percent cap on copayments.
- **Underserved populations.** 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.
- **CCCAP payment rate.** 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.

**System update costs.** Costs in CDEC will increase by \$12.8 million in FY 2024-25 to contract for system updates, and \$2.4 million in FY 2025-26 and ongoing for system maintenance and operations. The fiscal note assumes that to create a simplified and unified application that is accessible will require fundamentally changing the CCCAP application form and developing a

single portal that aligns CCCAP with other early childhood programs applications. System costs are outlined below.

- **Simplified application.** CDEC will require \$318,741 initially, and \$235,513 in future years, to update the CCCAP application to only include information needed to determine eligibility and verify documents. This also includes an annual subscription to allow for electronic mailing of forms, electronic signatures, and SMS text messages to allow applicants greater accessibility
- **Family portal.** CDEC will have costs of \$3.0 million initially, and \$1.9 million in future years to develop and maintain a family portal where applicants can view applications for all early childhood programs, including CCCAP.
- **CHATS updates.** The bill's provisions will require significant updates to the Child Automated Tracking System (CHATS) totaling \$9.4 million initially and \$318,742 in future years. Major components of the system update include developing a screening tool for determining presumptive eligibility, realigning the payment process for enrollment (rather than attendance) based reimbursement, adjusting application information to both capture new information and remove information that is no longer permitted, adding new eligibility categories, limiting family copayments and making related adjustments, allowing payments to unlicensed providers and tracking related information, among other things.

**State reimbursement evaluation.** In FY 2024-25, 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.** 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 Public Health and Environment / Transfer of the Child and Adult Care Food Program to the Department of Early Childhood

The bill transfers the federally funded CACFP from the CDPHE to CDEC. This transfer will:

- move about \$28 million in federal funds and 7.8 FTE from CDPHE to CDEC, based on current FY 2023-24 Long Bill Appropriations;
- increase one-time costs in CDEC by \$507,712 to account for the administrative costs of transferring existing contracts, IT systems, legal services, licensing and software—for informational purposes, the program received \$48 million in federal funding from October 1, 2022, to September 30, 2023; and
- increase costs in CDPHE by \$136,530 and 1.4 FTE in FY 2024-25 only to transfer program files and equipment, amend and close out 277 contracts, and off-board staff.

## 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 General Fund appropriations totaling \$80,393,225 as follows:

- \$80,282,431 to the Department of Department of Early Childhood, and 6.8 FTE, of which \$121,711 is reappropriated to the Office of Information Technology with an additional 1.0 FTE; and
- \$110,794 to the Department of Public Health and Environment, and 1.4 FTE.

The bill requires that the current federal fund appropriation for CACFP (\$27,899,109 and 7.8 FTE) be moved from the Department of Public Health and Environment 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          |               |

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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](#).