

**STATE and LOCAL
FISCAL IMPACT**

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Prime Sponsor(s): Sen. Nicholson Rep. Pettersen	Bill Status: Senate Health & Human Services Fiscal Analyst: Bill Zepernick (303-866-4777)

SHORT TITLE: COLORADO CHILD CARE ASSISTANCE PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	<u>\$14,407,077</u>	<u>\$14,413,573</u>
General Fund	14,388,065	14,391,419
Centrally Appropriated Costs	19,012	22,154
FTE Position Change	1.8 FTE	2.0 FTE
Appropriation Required: \$14,388,065 - Department of Human Services (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

The bill, **recommended by the Economic Opportunity and Poverty Reduction Task Force**, modifies the existing Cliff Effect Pilot Program under the Colorado Child Care Assistance Program (CCCAP) in the Department of Human Services (DHS) to increase flexibility for counties choosing to participate in the pilot. In addition, the bill creates a grant program for counties to promote access to, and quality of, child care. These two components of the bill are described below.

Cliff Effect Pilot Program. The bill increases county flexibility when participating in the pilot program by allowing counties to limit participation to a reasonable percentage of the county's caseload and to families with children age three or younger. It also allows counties to be reimbursed with state grant moneys for the administrative and program costs of continuing services to families in the pilot.

Child Care Enhancement Fund Grant Program. The bill creates the Child Care Assistance Program Enhancement Fund (Enhancement Fund) in the DHS and authorizes the department to make grants from the fund to counties for the following purposes:

- paying the administrative and ongoing program costs of counties participating in the Cliff Effect Pilot Program;
- expanding access to the CCCAP by an amount not to exceed 15 percent of the total statewide population served by the program; and
- paying all or part of counties' costs for pursuing various child care quality initiatives, including tiered reimbursement for high quality providers, payment to providers for operating expenses when a child is absent from care, contracting with providers for a set number of child care placements, and other strategies.

The Enhancement Fund consists of any moneys appropriated by the General Assembly and must be spent roughly evenly on each of the three purposes above. The DHS is required to establish grant program rules and report annually to the General Assembly on the Cliff Effect Pilot Program, grants from the Enhancement Fund, and the overall CCCAP program each year.

Background

Senate Bill 12-022 created the Cliff Effect Pilot program to allow up to ten counties to modify their child care assistance programs to allow families to phase out of participation in the program as they enter the workforce and receive increased income. No funds were appropriated for the pilot program and counties were assumed to manage costs of the pilot within their existing child care assistance allocations or with additional county funding. To date, no counties have participated in the pilot.

State Expenditures

The bill increases costs in the DHS by at least \$14.4 million and 1.8 FTE in FY 2014-15 and \$14.4 million and 2.0 FTE in FY 2015-16 and future fiscal years. These costs, paid from the General Fund or from General Fund appropriated to the Enhancement Fund, reflect the minimum likely costs to operate a grant program. It should be noted that the actual amount allocated to the grant program is at the discretion of the General Assembly. Actual costs also depend on county participation and the types of initiatives pursued by counties. The estimated costs of the bill are summarized in Table 1 and the discussion below.

Table 1. Expenditures Under 14-003		
Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$114,839	\$127,599
FTE	1.8 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	11,306	1,900
Grants for Cliff Effect Pilot Costs	5,000,000	5,000,000
Grants for Expanded Access	4,261,920	4,261,920
Grants for Quality Initiatives	5,000,000	5,000,000
Centrally Appropriated Costs*	19,012	22,154
TOTAL	\$14,407,077	\$14,413,573

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

Assumptions. The fiscal note makes the following assumptions:

- the average cost per day paid by counties will be \$32 per day under CCCAP;
- participating children will receive 150 days of care per year;
- ten counties will choose to participate in the Cliff Effect Pilot Program and receive grants from the enhancement fund (for simplicity, the fiscal note assumes they are the same counties, representing a mix of counties throughout the state); and
- the total number of children served in the ten participating counties will be 17,758.

Administrative costs. The bill increases costs in the DHS for grant program administration. It is estimated that 2.0 FTE are required for this work at a cost of \$114,839 in the first year and \$127,599 in the second year. First-year costs are prorated to reflect the General Fund payday shift, resulting in 1.8 FTE in the first year. Operating costs for these staff are \$1,900 per year and capital outlay costs for computers, software, and furniture are an additional \$9,406 in the first year.

Grants for Cliff Effect Pilot Program Costs. The fiscal note estimates that \$5.0 million is a reasonable amount for grants to cover the county costs for participating in the Cliff Effect Pilot program to encourage county participation and achieve the goals of the program. Based on the assumptions above and assuming that 7.5 percent of children served in the ten participating counties (1,332 children) are covered by pilot programs at an average cost of \$3,000 per child per year, costs for ongoing services under the pilot are estimated at approximately \$4.0 million. County administrative costs are estimated to average \$100,000 per county, requiring \$1.0 million in funding to counties for this purpose.

Grants for Expanded Access. The bill allows grants to be made to fund expanded access for up to 15 percent of the statewide population served by CCCAP. The fiscal note assumes that a five percent increase for participating counties is a reasonable goal within the limits of the bill. Based on the assumptions above, a five percent increase (888 children) will result in costs to counties of \$4,261,920.

Grants for quality initiatives. The bill requires that at least 25 percent of Enhancement Fund moneys be used on each of the three purposes in the bill. Based on this assumption, the fiscal note estimates that \$5.0 million is required for this purpose. Counties may pursue a wide variety of quality initiatives using this funding, including tiered reimbursement programs to provide higher reimbursement to quality providers, paying the operating costs of providers on days when covered children are absent from care, and contracting with providers for a set number of child placements.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB 14-003*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$11,037	\$12,264
Supplemental Employee Retirement Payments	7,975	9,890
TOTAL	\$19,012	\$22,154

*More information is available at: <http://colorado.gov/fiscalnotes>

Local Government Impact

The bill potentially increases revenue to counties to cover the costs of participating in the Cliff Effect Pilot Program and to pursue various initiatives to improve access to, and the quality of, their child care assistance programs. Participation in the pilot program and the decision to seek grant funding is at the discretion of counties and subject to approval from the DHS.

Effective Date

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

State Appropriations

The bill requires the following appropriations totaling \$14.4 million in FY 2014-15:

- \$14,261,920 General Fund to the CCCAP Enhancement Fund in the DHS;
- \$126,145 General Fund and 1.8 FTE for personal services and operating and capital expenses in the CCCAP; and
- \$14,261,920 from the CCCAP Enhancement Fund to the DHS.

State and Local Government Contacts

Human Services Counties