

## Colorado Legislative Council Staff Fiscal Note

# STATE and LOCAL FISCAL IMPACT

**Drafting Number:** LLS 15-0179  
**Prime Sponsor(s):** Sen. Lundberg  
 Rep. Joshi

**Date:** February 4, 2015  
**Bill Status:** Senate Health & Human Services  
**Fiscal Analyst:** Lauren Schreier (303-866-3523)

**BILL TOPIC:** CHILD CARE REGULATION TEN OR MORE CHILDREN ONLY

| Fiscal Impact Summary*               | FY 2015-2016                | FY 2016-2017                  |
|--------------------------------------|-----------------------------|-------------------------------|
| <b>State Revenue</b>                 | <b>(\$56,962)</b>           | <b>(\$62,141)</b>             |
| Cash Funds                           | (56,962)                    | (62,141)                      |
| <b>State Expenditures</b>            | <b>(at least \$966,088)</b> | <b>(at least \$1,060,859)</b> |
| State and Federal Funds              | (801,613)                   | (874,485)                     |
| Centrally appropriated costs**       | (164,475)                   | (186,374)                     |
| <b>FTE Position Change</b>           | (13.0 FTE)                  | (13.0 FTE)                    |
| <b>TABOR Set Aside</b>               | <b>(\$56,962)</b>           | <b>(\$62,141)</b>             |
| <b>Appropriation Required: None.</b> |                             |                               |

\* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

While all agencies were canvassed for the purposes of this fiscal note, not all agencies responded with complete information. Therefore, this fiscal note should be considered preliminary. It will be updated as more information becomes available.

## Summary of Legislation

Under current law, child care facilities caring for five or more children must be licensed by the Department of Human Services (DHS). The bill raises this threshold for regulation to facilities with 10 or more children. Thus, facilities between five and nine children under their care will no longer be regulated by the DHS. The bill also specifies that any decision made by the DHS in regards to child care licensing and registration requirements may be appealed to an administrative law judge in the Department of Personnel and Administration (DPA).

## Background

The Child Care Licensing and Administration Program within the DHS licenses and oversees the regulation of approximately 6,000 child care facilities statewide, including about 2,400 facilities that would be exempt from regulation under this bill. The DHS does not regulate facilities with less than five children. Current law requires the DHS to inspect each child care facility once every three years. The DHS is also responsible for investigating any complaints filed against these child care facilities.

As of the writing of this fiscal note, this program has a budget of \$6,706,971 and 54 FTE, and the Joint Budget Committee recently approved a \$1,300,000 supplemental budget request by the DHS to add 2.8 additional FTE and 17 contract staff to increase the frequency of supervisory licensing inspections by the DHS. The DHS has been working to move toward a best practices model of visiting each licensed child care facility in the state at least once per year.

**State Revenue**

The bill will reduce fee revenue to the DHS by approximately \$56,962 in FY 2015-16 and \$62,141 in FY 2016-17. This reduction in fee revenue is prorated in FY 2015-16 based on the effective date of the bill. This revenue reduction results from approximately 2,400 child care facilities with between 5 and 9 children under their care no longer paying annual licensing fees to the DHS. Table 1 provides a summary of this fee reduction. Fine revenue is also expected to decrease.

| <b>Table 1. Fee Impact on Licensed Child Care Facilities</b> |                           |                                      |   |                                    |
|--|---------------------------|--------------------------------------|---|------------------------------------|
| <b>Type of Facility</b>                                      | <b>Current Annual Fee</b> | <b>Number of Impacted Facilities</b> | <b>Prorated FY 2015-16 Fee Revenue Loss</b> | <b>FY 2016-17 Fee Revenue Loss</b> |
| Center-Based (for 5-20 children)                             | \$77                      | 4                                    | \$282                                       | \$308                              |
| Family Child Care Homes (for 1-8 children)                   | \$24                      | 1,947                                | \$42,834                                    | \$46,728                           |
| Large Family Child Care Homes (for 7-12 children)            | \$36                      | 35                                   | \$1,155                                     | \$1,260                            |
| Experienced Family Child Care Homes (for 1-9 children)       | \$39                      | 355                                  | \$12,691                                    | \$13,845                           |
| <b>TOTAL ANNUAL REVENUE REDUCTION</b>                        |                           |                                      | <b>\$56,962</b>                             | <b>\$62,141</b>                    |

**TABOR Impact**

Beginning in FY 2015-16, the bill will decrease state revenue from fees and fines, which will decrease the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

**State Expenditures**

Exempting certain child care facilities from state licensing requirements will reduce state expenditures in the Department of Human Services. The actual reduction will depend on several factors that are currently unknown, but this fiscal note assumes the reduction in expenditures is consistent with a 25 percent reduction in the program's staff, or **about \$1 million per year**, as shown in Table 2. This preliminary estimate will be updated as more information becomes available. In addition, the bill is expected to decrease workload in the Judicial Department and increase workload in the Department of Personnel and Administration, although no change in appropriations is necessary for these changes. These impacts are discussed below.

| <b>Table 2. Expenditures Under SB 15-70</b> |                   |                    |
|---|-------------------|--------------------|
| <b>Cost Components</b>                      | <b>FY 2015-16</b> | <b>FY 2016-17</b>  |
| Personal Services                           | \$789,421         | \$861,185          |
| FTE   | 12.9 FTE          | 14.0 FTE           |
| Operating Expenses and Capital Outlay Costs | \$12,192          | \$13,300           |
| Centrally Appropriated Costs*               | \$164,475         | \$186,374          |
| <b>TOTAL</b>                                | <b>\$966,088</b>  | <b>\$1,060,859</b> |

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

**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 3.

| <b>Table 3. Centrally Appropriated Costs Under SB 70*</b>            |                   |                   |
|--|-------------------|-------------------|
| <b>Cost Components</b>   | <b>FY 2015-16</b> | <b>FY 2016-17</b> |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$103,288         | \$112,679         |
| Supplemental Employee Retirement Payments                            | \$61,187          | \$73,695          |
| <b>TOTAL</b>   | <b>\$164,475</b>  | <b>\$186,374</b>  |

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

**Department of Human Services (DHS).** Exempting about 40 percent of the child care facilities currently licensed and regulated by the state will reduce workload and expenditures in the DHS. As shown in Table 2, this fiscal note assumes a 25 percent reduction in the staff of inspection specialists and supervisors responsible for licensing and overseeing the regulation of child care facilities. It also assumes that an inspection specialist takes an average of four hours to inspect a child care facility with five to nine children, and eight hours to inspect a child care facility with 10 or more children. Further detail on the impact of the bill on the DHS will be provided in a revised fiscal note as more information becomes available.

**Judicial Department.** The bill may reduce workload in the trial courts by a minimal amount. The trial courts may have fewer administrative appeals filed as the new appeals process set forth in the bill is implemented. However, any workload reduction as a result of the bill is anticipated to be minimal does not require a reduction in appropriations.

**Department of Personnel (DPA).** The bill may increase the number of administrative appeals filed and thus increase workload for the Office of Administrative Courts (OAC). The number of additional hearings under the bill is unknown and the fiscal note assumes that no increase in appropriations is currently required. However, if the OAC experiences a significant increase in caseload, the OAC may seek additional appropriations through the annual budget process.

**Local Government Impact**

The bill may affect local governments in a few ways. First, to the extent that local department of human and social service agencies are currently contracting and sending inspection specialists to child care facilities with fewer than 10 children on behalf of the DHS, such local departments may experience a corresponding reduction in costs and revenue. Secondly, local law enforcement agencies may also experience a slight workload increase related to investigating complaints filed against child care facilities with fewer than 10 children. Under current law, the DHS is responsible for investigating and responding to complaints filed against child care facilities with 5 or more children. Under the bill, the DHS would no longer be responsible for investigating or responding to such complaints.

**Effective Date**

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

**State Appropriations**

For FY 2015-16, the Department of Human Services requires a reduction in appropriations of at least \$966,088 from a variety of fund sources, including the Child Care Licensing Cash Fund, and a reduction of 12.9 FTE.

**State and Local Government Contacts**

Human Services  
Judicial

Counties  
Regulatory Agencies

Personnel