



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1011: PRIVATE EQUITY ACQUISITION OF CHILD CARE CENTERS

Prime Sponsors:

Rep. Garcia; Sirota

Sen. Kipp

Fiscal Analyst:

Shukria Maktabi, 303-866-4720

shukria.maktabi@coleg.gov

Published for: House Health & Human Services

Drafting number: LLS 25-0090

Version: Initial Fiscal Note

Date: January 24, 2025

Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill places additional requirements on child care centers owned by institutional investment entities and potentially restricts state funding to centers that do not comply.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

Appropriations. For FY 2025-26, the bill requires an appropriation of \$301,396 to the Department of Early Childhood.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$322,214	\$84,463
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	1.0 FTE	0.5 FTE

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$301,396	\$73,544
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$20,818	\$10,919
Total Expenditures	\$322,214	\$84,463
Total FTE	1.0 FTE	0.5 FTE

Summary of Legislation

The bill creates new requirements that child care centers owned by institutional investment entities must meet to receive state funding. An institutional investment entity is defined in the bill as an investment company or a venture capital fund that owns at least 20 percent of a child care center and operates or franchises five or more child care centers.

To receive state funding, child care centers owned by an investment entity must not charge a waitlist fee of more than \$25 and must post updated child care pricing on their website. An investment entity must allow child care centers to maintain ownership of the child care property and provide 60-day notice to employees and families of any changes to employment, enrollment, and eligibility when acquiring a child care center.

Assumptions

The fiscal note assumes county departments can enforce the requirements of the bill when entering into or renewing contract agreements with providers in the Child Care Assistance Program (CCCAP), as counties already request and verify certain information from providers before authorizing participation and allowing payments through CCCAP.

State Expenditures

The bill increases state expenditures in the Department of Early Childhood (CDEC) by about \$322,000 in FY 2025-26 and \$84,000 in FY 2026-27 and ongoing. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Early Childhood

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$90,272	\$50,615
Operating Expenses	\$1,280	\$640
Capital Outlay Costs	\$13,340	\$0
System Update Costs	\$170,125	\$17,013
OIT Costs	\$26,379	\$5,276
Centrally Appropriated Costs	\$20,818	\$10,919
Total Costs	\$322,214	\$84,463
Total FTE	1.0 FTE	0.5 FTE

Staff

CDEC initially requires 1.0 FTE in FY 2025-26 to implement new regulations on child care entities, decreasing to 0.5 FTE in subsequent years once systems are updated and processes are established. In the first year, 1.0 FTE will oversee the system and process changes across platforms, address any technical issues that arise, and collect data from child care providers to determine if they meet the definition of institutional investment entities. This FTE will also provide guidance to county staff on new regulations and criteria that must be met for investment entities, monitor compliance and ensure payments are made only to qualified providers, and address any complaints related to noncompliant providers. In subsequent years, FTE will reduce to 0.5 FTE and in ongoing years to manage ongoing tasks such as addressing complaints and technical issues, providing technical support to program, and ensuring continued compliance with the updated process for these entities. Staff costs assume an August 1, 2025 start date.

System Costs

Costs in CDEC will increase by approximately \$170,000 in FY 2025-26 to make one-time data system updates and \$17,000 in FY 2026-27 and ongoing for system maintenance and operations. This includes updates to the licensing data system to add new data fields to identify licensed providers that meet the definition of institutional investment entities; allowing data sharing of the new information with the Child Automated Tracking System (CHATS); and modifying CHATS to flag these child care providers as requiring additional review when authorizing the provider for CCCAP.

Information Technology Services

CDEC requires approximately \$26,000 in FY 2025-26, and \$5,000 in future years for technical support from the Office of Information Technology (OIT) related to the system updates across platforms. Funding for these costs will be reappropriated to the OIT. These support costs are based on estimates for similar IT projects in the department.

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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table(s) above.

Local Government

Workload will increase for counties to receive waitlist fee information and ensure compliance with new requirements for certain child care providers. As this only applies to a small subset of providers, this increase in workload is expected to be minimal.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of \$301,396 to the Department of Early Childhood, and 1.0 FTE. Of this amount, \$26,379 is reappropriated to the Office of Information Technology.

Departmental Difference

CDEC estimates costs of \$1.8 million in FY 2025-26 and \$1.4 million in ongoing years to implement the bill's requirements. The department estimate includes costs for building data collection, storage, and reporting infrastructure and ensuring multiple programs have regular access to the information. Costs include 2.5 FTE on an ongoing basis to support implementation and \$1.1 million for on-time systems updates. Ongoing costs include \$100,000 for system maintenance, \$288,000 for OIT support, and \$550,000 beginning in FY 2026-27 to cover waitlist fees for 75 percent of current child care providers in the program (as CDEC anticipates new federal regulations that would require the state cover these costs).

The fiscal note assumes less complex system updates are required to implement the regulations, as they would apply to a small subset of providers. Additionally, the fiscal note assumes existing department and county program staff already manage program data and ensure compliance for entities to receive state funding, and this bill adds some new additional eligibility criteria that can be incorporated into the existing process for staff to verify. For these reasons, the fiscal note assumes lower costs for IT system changes and staffing. The fiscal note does not include costs to cover waitlist fees in the out years, as that requirement is outside the scope of this bill.

State and Local Government Contacts

Counties

Information Technology

Early Childhood