



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

### SB 26-020: CHILD CARE PROVIDER LICENSING & QUALITY

**Prime Sponsors:**

Sen. Bright; Ball  
Rep. Sirota

**Fiscal Analyst:**

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**Published for:** Senate Education**Drafting number:** LLS 26-0494**Version:** Initial Fiscal Note**Date:** January 20, 2026

**Fiscal note status:** This fiscal note reflects the introduced bill.

#### Summary Information

**Overview.** The bill makes changes to licensing and regulation of child care providers, including requiring use of a centralized digital file system; phasing out the use of contract staff for inspections and licensing; creating a task force to streamline child care licensing; and limiting certain fees that a local government can charge for child care licensing.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis beginning in FY 2026-27:

- State Revenue
- State Expenditures
- Local Government

**Appropriations.** For FY 2026-27, the bill requires appropriations to the Colorado Department of Early Childhood totaling \$9,970,305. See State Appropriations Section for detail.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$569,794	\$0
State Expenditures	\$9,970,305	-\$608,838
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	21.2 FTE	22.3 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A**  
**State Revenue**

<b>Fund Source</b>	<b>Budget Year</b> <b>FY 2026-27</b>	<b>Out Year</b> <b>FY 2027-28</b>
General Fund	\$0	\$0
Cash Funds – Gifts, Grants, and Donations	\$569,794	\$0
<b>Total Revenue</b>	<b>\$569,794</b>	<b>\$0</b>

**Table 1B**  
**State Expenditures**

<b>Fund Source</b>	<b>Budget Year</b> <b>FY 2026-27</b>	<b>Out Year</b> <b>FY 2027-28</b>
General Fund	\$8,843,060	\$132,196
Cash Funds	\$489,249	\$0
Reappropriated Funds	\$114,802	\$115,327
Federal Funds	-\$1,167,567	-\$1,185,440
Employee Insurance and Indirect Costs	\$1,690,761	\$329,079
<b>Total Expenditures</b>	<b>\$9,970,305</b>	<b>-\$608,838</b>
<b>Total FTE</b>	<b>21.2 FTE</b>	<b>22.3 FTE</b>

Centrally appropriated costs for bills involving more than 20 FTE are appropriated in the bill rather than through the annual budget process. These employee insurance, supplemental retirement, and indirect costs are assumed to be paid from a combination of the General Fund, federal funds, cash funds, and reappropriated funds.

## **Summary of Legislation**

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### **Digital File System**

The bill requires that the Colorado Department of Early Childhood (CDEC) make reasonable efforts to expand and standardize the use of a centralized digital file system for licensing and compliance documentation requested from child care centers and family child care homes (child care providers). The system must integrate with the Professional Development Information System (PDIS).

Child care providers are not required to submit documentation multiple times if it is included in the file system, and licensing specialists that perform inspections and investigations must use the file system to reduce duplicative paper documentation. CDEC must adopt rules for implementing the system, including communicating the timing and process for using the system.

## **Inspection of Child Care Facilities**

By July 1, 2026, the bill requires that CDEC begin phasing out the use of contract staff to perform inspections or investigation of licensed child care facilities, and instead prioritize use of licensing specialists employed by the department. CDEC must establish standard training for department or contract staff in consistently apply licensing requirements and enforcement.

## **Local Regulation of Child Care Facilities**

The bill specifies parameters for the state to grant a provisional license to a child care provider for up to nine months if state requirements have been met, but a delay or dispute over compliance with zoning and land use regulations has occurred.

Under the bill, a local government that has inspection, permitting, or licensing requirements for child care providers that are in addition to state-level standards must:

- prioritize the inspection, permitting, licensing, or approval of a child care provider that has been granted a provisional license by the state, so that the process is completed within nine months;
- limit fees associated with locally required inspections, permits, licenses that are not required by state standards; and
- exempt certain fees for child care providers serving infants and toddlers, families eligible for certain public assistance, or that is located in a child care desert.

## **Child Care Licensing and Quality Task Force**

The bill creates the Child Care Licensing and Quality Task Force in CDEC to study and develop recommendations for a streamlined and efficient child care licensing and quality system. The task force is contingent upon receipt of sufficient gifts, grants, and donations to fund its work.

The bill specifies membership of the task force, which includes two legislators, and the specific components that must be studied. The task force must meet at least four times in 2026, and contract with an independent entity to assist in the study. A final report is due January 1, 2027.

## **Assumptions**

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The fiscal note assumes that CDEC will bring 47 percent of the contracted licensing work in house in FY 2026-27, in alignment with the assumption proposed in Governor's [Budget Request CDEC R-04](#). However, this analysis applies fiscal note common policies to salary, operating, and capital cost assumptions made in CDEC R-04, reflecting a lower overall cost and greater savings.

## **State Revenue**

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If a source of gifts, grants, or donations is identified, the bill will increase state revenue to the CDEC General Donation Cash Fund by \$569,784, which reflects the amount required to implement the task force and associated vendor and study costs. No funding sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

## **State Expenditures**

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The bill increases state expenditures by about \$10.0 million in FY 2026-27 and decreases state expenditures by about \$609,000 beginning in FY 2027-28 and ongoing. These costs and savings will be incurred in CDEC, as shown in Table 2 and described in the sections below. Costs are paid from the General Fund, cash funds, federal funds, and reappropriated funds, as shown in Table 1B.

**Table 2**  
**State Expenditures – All Costs**  
**Colorado Department of Early Childhood**

<b>Department</b>	<b>Budget Year</b> <b>FY 2026-27</b>	<b>Out Year</b> <b>FY 2027-28</b>
Information Technology	\$10,201,396	\$174,052
Task Force	\$569,794	\$0
Licensing Services	-\$800,885	-\$782,891
Employee Insurance and Indirect Costs	\$1,690,761	\$329,079
<b>Total Costs</b>	<b>\$9,970,305</b>	<b>-\$608,838</b>
<b>Total FTE</b>	<b>21.2 FTE</b>	<b>22.3 FTE</b>

**Table 2A**  
**State Expenditures – CDEC Information Technology**

<b>Cost Component</b>	<b>Budget Year</b> <b>FY 2026-27</b>	<b>Out Year</b> <b>FY 2027-28</b>
IT System Modifications	\$8,710,186	\$50,000
Personal Services	\$120,582	\$80,916
Operating Expenses	\$1,792	\$1,280
Capital Outlay Costs	\$10,500	\$0
Employee Insurance and Indirect Costs	\$1,358,336	\$41,856
<b>Total IT Costs</b>	<b>\$10,201,396</b>	<b>\$174,052</b>
<b>Total IT FTE</b>	<b>1.4 FTE</b>	<b>1.0 FTE</b>

**Table 2B**  
**State Expenditures – CDEC Licensing Task Force**

<b>Cost Component</b>	<b>Budget Year</b> <b>FY 2026-27</b>	<b>Out Year</b> <b>FY 2027-28</b>
Task Force Vendor	\$450,000	\$0
Personal Services	\$34,869	\$0
Operating Expenses	\$384	\$0
Capital Outlay Costs	\$3,500	\$0
Legislative Task Force Member Reimbursement	\$496	\$0
Employee Insurance and Indirect Costs	\$80,545	\$0
<b>Total Task Force Costs</b>	<b>\$569,794</b>	<b>\$0</b>
<b>Total Task Force FTE</b>	<b>0.5 FTE</b>	<b>0.0 FTE</b>

**Table 2A**  
**State Expenditures – CDEC In-House Licensing Staff**

<b>Cost Component</b>	<b>Budget Year</b> <b>FY 2026-27</b>	<b>Out Year</b> <b>FY 2027-28</b>
Licensing Contracts	-\$2,590,580	-\$2,590,580
Personal Services	\$1,365,855	\$1,493,202
Operating Expenses	\$24,960	\$27,264
Capital Outlay Costs	\$147,000	\$0
Employee Insurance and Indirect Costs	\$251,880	\$287,223
<b>Total In-House Licensing Costs</b>	<b>-\$800,885</b>	<b>-\$782,891</b>
<b>Total In-House Licensing FTE</b>	<b>19.5 FTE</b>	<b>21.3 FTE</b>

## **Department of Early Childhood**

CDEC requires additional staff to support the new data system interface and task force, and department staff to replace contracted licensing services staff.

### **Staff – Data System and Task Force**

CDEC requires 1.7 FTE in FY 2026-27 and 1.0 FTE in subsequent years to implement the new data system interface and support the task force. Specifically, the department requires 0.5 FTE in FY 2026-27 only to oversee implementation of the new system and 1.0 FTE on an ongoing basis to handle the data interactions between the new and existing systems. These costs are paid from the General Fund. In addition, CDEC requires 0.5 FTE in FY 2026-27 to support the task force and manage the task force vendor contract, to be paid from gifts, grants, and donations. Staff costs in the first year are prorated for an August start date.

### **IT Costs**

CDEC will incur costs of \$8.7 million in FY 2026-27 to merge three existing licensing systems—the PDIS, the Child Care Licensing System, and Colorado Shines—into one system and one user interface to meet the bill's requirements. The work will be completed by a vendor, and also includes creating the nine-month provisional license required by the bill. Ongoing maintenance costs are estimated at \$50,000 per year.

### **Vendor Contracts and Licensing Staff**

As discussed in the Assumptions section, the fiscal note assumes that CDEC will bring the work of 47 percent of the existing licensing contractor staff in-house to be performed by department staff. On net, this change reduces state expenditures by about \$800,000 per year, including:

- a reduction of \$2.6 million per year by ending licensing contracts; and
- an increase of about \$1.8 million to hire 21.3 FTE. Staff positions include 17.0 FTE Compliance Specialist III, 1.0 FTE Compliance Specialist IV, 1.0 FTE Compliance Specialist V, 1.0 FTE Technician IV, 1.0 FTE Accountant III, and 0.3 FTE Human Resources Specialist III. Staff costs include capital and operating costs, and are prorated for an August start date.

### **Task Force**

Conditional upon receipt of sufficient gifts, grants and donations, CDEC will incur costs to hire a vendor to support the task force and complete the required report. Costs are estimated at \$450,000, based on the report including three components and an assumed costs of \$150,000 each. In addition, the bill increases costs for two legislators to serve on the task force. This cost is estimated at \$496 for two legislators to attend two in-person meetings, at the standard travel reimbursement of \$124 per meeting. The bill specifies that participating legislators do not

receive standard legislative per diem and that reimbursement of expenses will be paid by CDEC out of the gifts, grants, and donations.

### **Employee Insurance and Indirect Costs**

Pursuant to fiscal note and Joint Budget Committee policy, centrally appropriated costs for bills involving more than 20 FTE are appropriated in the bill, rather than through the annual budget process. These costs, which include employee insurance, supplemental employee retirement payments, and indirect costs for the CDEC, are shown in Table 2.

### **Local Governments and School Districts**

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By limiting the fees that may be charged for the inspection, permitting, licensing, or approval of child care centers, the bill reduces fee revenue for any local government with requirements that exceed state standards. Fee impacts will vary across the state, based on CDEC rules related to fees, local regulations, and the number of providers, including the number of providers that meet the bill's criteria for a fee exemption.

The bill also increases costs for local governments to prioritize approval of providers with a provisional state license within nine months, and to cover licensing and inspection costs that are currently covered by fee revenue. Finally, the bill increases workload for a school district representative to serve on the task force.

### **Effective Date**

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

### **State Appropriations**

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For FY 2026-27, the bill requires the following appropriations to the Colorado Department of Early Childhood:

- an increase of \$8,843,060 from the General Fund, and 1.4 FTE
- an increase of \$489,249 and 0.3 FTE from the CDEC General Donations Fund, if sufficient gifts, grants, and donations are received;
- an increase of \$141,802 in reappropriated funds and 1.3 FTE; and
- a net decrease of \$1,167,567 in federal Child Care Development Funds, and an increase of 19.5 FTE; and
- an increase of \$1,690,761 from various fund sources for employee insurance, supplemental PERA payments, and indirect cost assessments.

## **State and Local Government Contacts**

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Counties

Early Childhood

Information Technology

Law

Legislative Council Staff

Municipalities