



JBC Staff Comeback Memos

Contents

Early Childhood (Phoebe Canagarajah)	2
Statewide R6 Discontinue child care services and substance use disorder treatment	2
Statewide Operating Common Policies (Tom Dermody)	5
Statewide Indirect Cost Assessments	5

JBC Staff Comeback

Early Childhood

JBC Staff: Phoebe Canagarajah, (303-866-2149)

Date: March 11, 2026

Statewide R6 Discontinue child care services and substance use disorder treatment pilot

During figure setting for the Department of Early Childhood, the Committee considered reducing General Fund for this pilot, but without legislation to end the program. JBC staff needed to ensure that statute does not require a specific amount of General Fund to this program. It does not, so the Committee can reduce funding without a bill. The program currently repeals on July 1, 2028.

Keeping this program in statute (1) allows it to receive state grant funding, (2) allows the Department to seek gifts, grants, or donations for it, and (3) continues its annual reporting to the General Assembly.

The Committee has the following options:

1. End the program in statute in FY 2026-27 (staff recommendation)
 - a. *Fiscal impact:* Reduction of \$500,000 General Fund
 - b. *Program impact:* Ends services in all three sites, unless Illuminate Colorado, who administers this program, finds external funding to continue services in one site (Denver metropolitan area).
2. Eliminate all General Fund, but not end the program in statute
 - a. *Fiscal impact:* Reduction of \$500,000 General Fund
 - b. *Program impact:* No significant difference from Option 1. Ends services in all three sites, unless Illuminate Colorado finds external funding or the Department finds gifts, grants, or donations. The Department is not currently seeking gifts, grants, or donations for this program.
3. Reduce General Fund by 50.0%
 - a. *Fiscal impact:* Reduction of \$250,000 General Fund
 - b. *Program impact:* Keeps one site (Denver metropolitan area) open. If Illuminate Colorado can find external funding, it may also keep its San Luis Valley site open.

Staff's original write-up is copied below.

Request

The Department requests to reduce \$500,000 General Fund ongoing through ending the Child Care Services and Substance Use Disorder Treatment Pilot program. The Department requests legislation to do so.

Recommendation

Staff recommends approval of the request. Staff requests drafting authority for a bill to eliminate the program, working with the Office of Legislative Legal Services, Legislative Council Staff, and the Executive Branch.

Analysis

House Bill 19-1193 (Behavioral Health Supports for High-Risk Families) created the Child Care Services and Substance Use Disorder (SUD) Treatment Pilot Program, which was extended through H.B. 22-1295 (Department Early Childhood and Universal Preschool Program). The program repeals on July 1, 2028; this proposal repeals it two years early. Grant funding goes to Illuminating Child Care, a program that provides mobile child care for parents in SUD treatment programs. Nationwide SUD treatment services data from 2018 showed only 16.0% of SUD treatment facilities serving pregnant or postpartum women offered child care.¹



Image of Denver's mobile child care unit.

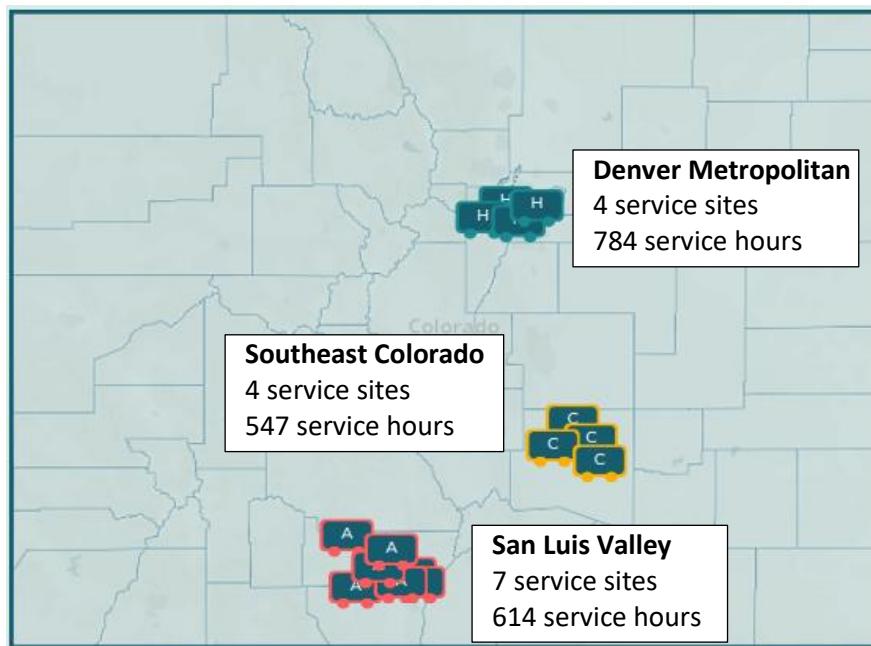
In FY 2024-25, Illuminating Child Care served 148 children, letting 104 caregivers attend SUD treatment. About 11.0% of caregivers were pregnant and 74.0% of caregivers indicated that the program's child care was necessary to their participation in SUD treatment. All caregivers were satisfied with the program.² Qualitative interviews of Denver's stakeholders indicated that teachers saw improvements in caregivers' focus on treatment and long-term goals. Of 27 caregivers studied, 17 completed their treatment or were still successfully engaged in treatment. Parents and providers also reported that the social interactions and stability in routine from child care were positive for their children.³

This reduction would eliminate programs across all three sites, unless the program found alternative funding. The program has applied for opioid settlement funds, but will not know about awards until May or June 2026. The program receives limited federal funds (\$154,713) and philanthropy fund (\$37,500) but neither can sustain the program. If alternative funding is awarded, only the Denver site would stay open.

¹ <https://www.sciencedirect.com/science/article/pii/S0740547219302570>

² <https://illuminatecolorado.org/wp-content/uploads/2025/09/Illuminating-Child-Care-July-2024-June-2025.pdf>

³ "Illuminating Child Care: Denver Case Study" (June 2025). *The Evaluation Center, University of Colorado Denver*.



There are no similar programs in the State. House Bill 24-1223 (Improved Access to the Child Care Assistance Program) makes participation in SUD treatment an eligible qualification for CCCAP services; however, eligible families would be impacted by existing waitlists. It is also unlikely that these mobile care units would be an eligible CCCAP provider, unless they were or became licensed child care providers.

There are not many alternative funding sources for this program. The program would be eligible for Colorado Child Abuse Prevention (COCAP) Trust Fund appropriations, but the RFP for the next 5 years has already closed. Mental health and SUD providers could choose to use their federal Substance Abuse and Mental Health Services Administration block grants awarded through the BHA on Illuminating Child Care services, but this would be at providers' discretion.

Despite this service fulfilling a need for parents in SUD treatment, staff recommends this reduction due to the state's budget constraints and its original intent as a three-year pilot.

JBC Staff Comeback

Statewide Operating Common Policies

JBC Staff: Tom Dermody, (303-866-4963)

Date: March 11, 2026

The statewide indirect cost assessment portion of Operating Common Policies was omitted in staff's Operating Common Policy figure setting, presented on February 5, 2026. This omission was intentional. The Office of State Planning and Budgeting (OSPB) and the Department of Personnel informed staff of some difficulties in establishing the FY 2026-27 Statewide Indirect Cost Plan due to some communication difficulties and confusion with their federal partners. These issues arose, in no small part, due to staff turnover last year at the federal level. As a result of these difficulties, they were unable to establish the statewide indirect cost assessments before JBC staff's figure setting deadline. The Department and OSPB recently informed JBC staff that, while they seek clarity from their federal partners, the indirect cost assessments from FY 2025-26 should be used for FY 2026-27.

Statewide Indirect Cost Assessments

While some centrally-provided services are billed directly, the purpose of the Statewide Indirect Cost Plan (alternatively labeled the Statewide Indirect Cost Appropriation/Cash Fees Plan by the Office of the State Controller) is to allocate the unbilled costs of statewide central services to user departments and institutions of higher education that benefit from these services. Such services benefit all state agencies but are otherwise impractical to bill for discretely or directly, and the indirect cost recoveries ensure that the General Fund does not support the provision of these services for cash- and federal-funded programs.

- For the budget, indirect cost recoveries offset General Fund. When indirect cost assessments and recoveries are not identified in a budget, a state agency is appropriated more General Fund than necessary and indirect cost recoveries are available for use by the state agency in an off-budget manner.
- Historically, statewide indirect costs have been associated with the functions of three departments: (1) the Governor's Office, including the Office of State Planning and Budgeting (OSPB); (2) the Department of Personnel; and (3) the Department of Treasury.
- The State Controller's Office submits the statewide indirect cost plan to the federal Division of Cost Allocation for approval. The federal government must agree to the use of federal funds for these purposes.
- Statewide indirect cost assessments are identified by department and fund source. Generally, although not consistently across departments, expected recoveries have been budgeted to offset a corresponding amount of General Fund in the respective department during the figure-setting process.
- The statewide indirect cost plan for FY 2026-27 is estimated to recover approximately \$23.0 million from cash funds, reappropriated funds, and federal funds. The plan is identical to the FY 2025-26 plan.

Statewide Indirect Cost Assessments Detail

Staff recommends that the Committee approve the Statewide Indirect Cost Plan prepared by the State Controller's Office for FY 2026-27 for use in figure setting for department budgets. The following table outlines the plan.

FY 2026-27 Statewide Indirect Cost Plan

Department	Total Funds	Cash Funds	Reappropriated Funds	Federal Funds
Agriculture	\$242,499	\$191,522	\$16,618	\$34,359
Corrections	61,633	19,475	35,112	7,046
Early Childhood	176,389	36,541	1,204	138,644
Education	1,069,847	437,080	350,189	282,578
Governor	362,645	100,579	4,673	257,393
Governor - OIT	684,388	0	684,388	0
Health Care Policy and Financing	881,600	277,887	79,516	524,197
Higher Education	5,038,168	4,825,094	30,797	182,277
Human Services	1,171,143	283,574	343,821	543,748
Judicial	133,665	126,995	4,292	2,378
Labor and Employment	611,569	353,553	3,054	254,962
Law	180,230	31,165	145,653	3,412
Local Affairs	560,455	171,671	210,025	178,759
Military and Veterans Affairs	163,923	4,688	1,042	158,193
Natural Resources	1,449,321	1,253,517	51,388	144,416
Personnel	2,614,496	0	2,614,496	0
Public Health and Environment	817,665	393,269	127,326	297,070
Public Safety	1,440,860	1,165,465	181,069	94,326
Regulatory Agencies	823,423	745,132	57,244	21,047
Revenue	1,646,741	1,625,801	1,858	19,082
State	238,824	238,811	0	13
Transportation	2,605,472	2,605,394	78	0
Total	\$22,974,956	\$14,887,213	\$4,943,843	\$3,143,900