

# Case Study: Colorado



# COLORADO

In early 2025, lawmakers in Colorado led a push to address the growing presence of private equity in Colorado's child care market.<sup>1</sup> Hoping to build on efforts in other states,<sup>2</sup> and "perceived" potential at the federal level, state legislators<sup>3</sup> bill to private equity's most harmful tactics.<sup>4</sup>

Indeed, by 2025, state lawmakers and advocates were on alert. Colorado was the eighth most expensive state for child care in the country,<sup>5</sup> and private equity already owned or backed about 15% of the state's care providers.<sup>6</sup> Moreover, as in many

states, the conditions characterizing Colorado's child care market made it primed for private equity:<sup>7</sup> demand for care was "inelastic,"<sup>8</sup> and only 50% of young children were enrolled in licensed facilities at the time.<sup>9</sup> Advocates and lawmakers knew that as soon as private targeted Colorado for increased investment, as it had in other states with similar market conditions, they would employ their usual tactics to prioritize profits over care quality.<sup>10</sup>

While public awareness of private equity's presence was low,<sup>11</sup>

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1 Ann Schimke, "As private equity invests in child care, Colorado lawmakers seek guardrails," KUNC, February 19, 2025, <https://www.kunc.org/news/2025-02-19/as-private-equity-invests-in-child-care-colorado-lawmakers-seek-guardrails>.

2 Massachusetts, among others. Elliot Haspel, interview by Nina Dastur and Sonia Marton, December 5, 2025; Representative Lorena Garcia, interview by Nina Dastur and Sonia Marton, December 11, 2025.

3 Private Equity Acquisition of Child Care Centers, HB25-1011, Second Regular Session, 75th General Assembly, Colorado General Assembly, <https://leg.colorado.gov/bills/hb25-1011>.

4 The bill mandated pricing transparency and a 60-day notice requirement for layoffs. Chas Sisk, "Colorado House approves rules for childcare centers owned by investors," KUNC, March 4, 2025, <https://www.kunc.org/news/2025-03-04/colorado-house-approves-rules-for-childcare-centers-owned-by-investors>.

5 Infant care was at an average annual price of \$16,162, meaning that a family would require a yearly income of \$230,879 to make such cost not prohibitive. Melissa Boteach and Sarah Javaid, "Child Care is Unaffordable in Every State," National Women's Law Center, February 2025, <https://nwlc.org/wp-content/uploads/2025/01/Child-Care-Is-Unaffordable-in-Every-State-January-2025.pdf>.

6 Ann Schimke, "As private equity invests in child care, Colorado lawmakers seek guardrails," Chalkbeat, February 14, 2025, <https://www.chalkbeat.org/colorado/2025/02/14/private-equity-in-child-care-alarms-lawmakers-and-parents/>.

7 Andrea Steffes-Tuttle, "Private equity moves into Colo. child care," Boulder Weekly, September 4, 2024, <https://boulderweekly.com/news/private-equity-child-care-colorado/>.

8 Steffes-Tuttle, "Private equity moves."

9 Garcia, interview.

10 Schimke, "As private equity invests in child care." Indeed, a key priority of the bill was to stop private equity from entering the market in the first place. Garcia, interview.

11 Awareness was slightly higher about public equity presence in other markets, like health care, but there was not widespread awareness in any field. Elliot Haspel, email correspondence with Nina Dastur and Sonia Marton, January 21, 2026.



the concept had a “bad reputation” based on an “intuitive concern” that private equity had no place in <sup>12</sup>. While this sentiment was generally, if diffusely, shared across the community, Guidepost Montessori’s abrupt clos<sup>13</sup> all locations in the state in March, 2025 left families in “dire straits” and offered a harbinger of the potential harms of market concentration by forprofit investors in child care.<sup>15</sup>

Knowing it is much easier to prevent than undo harm from private equity incursion,<sup>16</sup> a small group of advocates and legislators started working behind closed doors to craft legislation to prevent further private equity investment in the state.<sup>17</sup> The group felt clear that a successful “child care as public good framework” would require at least certain of investorsprivate equity <sup>18</sup>, especially based on Massachusetts’

success adopting <sup>19</sup>guardrails. But while many parties in and outside “the [Capitol] Dome” said they were interested in a bill to that end, there was no particular person who <sup>20</sup>stepped up to lead” the charge. Eventually, Representatives Sirota and Garcia asked Elliot Haspel, a nationally renowned child care policy expert and Colorado<sup>21</sup>, to develop an outline as a shared starting point.

Armed with the “first principles” Haspel drafted, the Representatives convened a small circle of stakeholders to workshop a bill.<sup>22</sup> A core part of the lawmakers’ strategy was to keep their efforts under the radar:<sup>23</sup> too few folks understood the nuances of the private equity problem<sup>24</sup> and a free-market ethos ran strong in the state.<sup>25</sup> But there was enough passion for the “dream and vision of childcare as a public good” among

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12 Haspel, interview.

13 Haspel, interview.

14 Tori Mason, “Colorado parents scramble after five Montessori schools announce sudden closure,” CBS Colorado, February 4, 2025, <https://www.cbsnews.com/colorado/news/guidepost-montessori-colorado-parents-scramble-five-schools-announce-sudden-closure/>.

15 Mason, “Colorado parents scramble.”

16 Schimke, “As private equity invests in child care.”

17 Haspel, interview.

18 Garcia, interview.

19 Haspel, interview.

20 Garcia, interview.

21 “About,” Elliot Haspel, accessed February 12, 2026, [https://elliiohaspel.com/#about\\_anchor](https://elliiohaspel.com/#about_anchor).

22 Haspel, interview.

23 Haspel, interview.

24 Interview with Representative Lorena Garcia, December 11, 2025.

25 What could be considered a “Libertarian climate” in which it was not the government’s place to restrict providers’ capacity to sell their business, for example. Garcia, interview.

certain legislators that they were able to file the bill in the 2025 Regular Session.<sup>26</sup>

The “Private Equity Acquisition of Child Care Centers” bill was intended to “make sure that public investments are for public good, not private profit” and stop private equity from “flooding into the state.”<sup>27</sup> The bill banned particularly harmful private equity practices,<sup>28</sup> instituted notice requirements before firms could make significant changes,<sup>29</sup> and promoted financial transparency across the board.<sup>30</sup> Importantly, the bill also defined “institutional investment entity” (and with it,

investor-backed chains) as a separate class of provider in law.<sup>31</sup>

From the start, however, the campaign to passage was more “hodgepodge” than not – so much so that some reflected <sup>32</sup>all. Indeed, without strong support, the bill went through iteration after iteration, becoming significantly “watered down” through the legislative <sup>33</sup>, and eventually failing to pass.<sup>34</sup>

One issue with the campaign was that there was no state investment to which Colorado lawmakers could “tie [the bill’s]

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26 Private Equity Acquisition, HB25-1011.

27 Garcia, interview.

28 Schimke, “As private equity invests in child care.”

29 Such as eligibility or layoffs. Schimke, “As private equity invests in child care.”

30 Including capping waitlist fees and mandating tuition be made public. Schimke, “As private equity invests in child care.”

31 “26.5-1-118. Private equity acquisition of child care centers - applicability - definition. (1) As used in this section, unless the context otherwise requires, “institutional investment entity” means a person or company that would be considered an investment company under the federal “Investment Company

Act of 1940”, 15 U.S.C. sec. 80a-3, except for the application of subsection (c)(1) or (c)(7); or considered a venture capital fund, as defined in 17 CFR 275.203(l)-1; and that has ownership of at least twenty percent of a child care center or company that operates or franchises child care centers. “Institutional investment entity” includes an entity that holds at least a twenty percent share of a company that operates or franchises child care centers and that is publicly traded on a stock exchange, and also includes an entity that is the beneficial owner of a franchised child care center regardless of whether the franchise is independently operated. Any center or company that is at least twenty percent owned by, or has twenty percent of its public shares owned by, an institutional investment entity is an institutional investment entity for purposes of this section.” House Bill 25-1011 Revised, First Regular Session, Seventy-fifth General Assembly, Colorado General Assembly, <https://s3.us-west-2.amazonaws.com/beta.leg.colorado.gov/c60f0f9db46cb4ea2c035f7348357a4f>.

32 Garcia, interview. Indeed, the small and “low key” nature of the policy development process “may have been part of the problem. Haspel, interview.

33 Ann Schimke, “Colorado lawmakers advance bill that would put guardrails on private equity-backed child care chains,” CPR News, February 19, 2025, <https://www.cpr.org/2025/02/19/bill-guardrails-private-equity-backed-child-care-centers-advances/>.

34 Ann Schimke, “Colorado lawmakers reject bill on child care chains backed by private equity,” Denver 7+ Colorado News, April 10, 2025, <https://www.denver7.com/lifestyle/education/colorado-lawmakers-reject-bill-on-child-care-chains-backed-by-private-equity>.

strings.<sup>35</sup> To be sure, Colorado has not historically avoided “regulation without reward<sup>36</sup>” However, the lack thereof in this case seemed to underscore fears about the potential loss of supply limiting private equity investment might trigger.

Another problem was the general lack of education about harm that can come from private equity, especially as manifested in an insufficient response to care.<sup>37</sup> Struggling small business owners need some source of investment to keep their business afloat, and too few were made aware of the harm that can come from private equity in particular.<sup>38</sup> In fact, the campaign’s emphasis on the difficulty of working in the child care sector and the small margins providers must negotiate may have worked against them on this score, highlighting how critical.<sup>39</sup>

A third issue was that keeping private equity out of child care was not anyone’s top priority at the time. While few groups came out explicitly against the concept, few put energy or attention behind it, either.<sup>40</sup> There was no particular event

that made early 2025 the right moment to try to pass this bill, nor particular political will to buoy this type of<sup>41</sup> To be sure, the abrupt Guidepost Montessori closures highlighted the consequences of the “financial mismanagement [and] overly aggressive growth” the bill’s guardrails were intended to address, but those closures were not politically potent enough to prompt a state-wide.<sup>42</sup>

Perhaps the biggest problem, however, was that the campaign, such as it was, significantly underestimated the opposition.<sup>43</sup> “Private equity came at them strong and people need[ed] to [have gone] into the fight with their eyes wide open.”<sup>44</sup> The private equity lobby organized significant action related to hearings on the bill.<sup>45</sup> They facilitated testimonies from franchise owners and executives<sup>46</sup> and daily lobbying in the state house<sup>47</sup> around the pitch that private equity investment could solve the state’s care supply crisis. In so doing, the lobbying made the bill’s potential guardrails synonymous with a

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35 Unlike the Massachusetts bill upon which much of this bill was based. Elliot Haspel, interview.

36 Rules without financial ramifications, that is. Garcia, interview.

37 Haspel, interview.

38 Haspel, interview.

39 Garcia, interview.

40 Garcia, interview.

41 Garcia, interview.

42 Elliot Haspel, “A Rapid Succession of Child Care Closures Calls for Close Scrutiny,” The 74, March 5, 2025, <https://www.the74million.org/zero2eight/a-rapid-succession-of-child-care-closures-calls-for-close-scrutiny/>.

43 Haspel, interview.

44 Garcia, interview.

45 Perhaps learning from their loss in Massachusetts where they had been caught more flat footed. Haspel, interview.

46 Haspel, interview.

47 Garcia, interview.

decrease in care.<sup>48</sup>

The campaign's "philosophical" pitch,<sup>49</sup> meanwhile, especially combined with general apathy "under the Dome" and lack of capacity on the ground, was not enough to overcome the opposition.<sup>50</sup> In the end, "more investment won over the right investment<sup>51</sup>" especially because there was no alternative

source of funding to ensure the community would have access to the child care it needed in<sup>52</sup>. Indeed, advocates and lawmakers believe that miscalculating<sup>53</sup>, and relearned, instead, that the only way to<sup>54</sup> is a strong and consistent grassroots coalition. fight, and are ready to implement their efforts and learnings in the next round.<sup>55</sup>

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48 Garcia, interview.

49 About the eventual impact of private equity investment, such suppressed wages and reduced quality. Haspel, interview.

50 Garcia, interview.

51 Garcia, interview.

52 Haspel, interview.

53 Haspel, interview.

54 Garcia, interview.

55 This first push "put private equity on notice." Garcia, interview. Another major win was defining "institutional investment entity" in legislative text. Haspel, interview.

