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Revised Fiscal Note

(replaces fiscal note dated February 21, 2022)

Drafting Number: LLS 22-0087 **Date:** April 19, 2022
Prime Sponsors: Rep. Kipp; McLachlan **Bill Status:** House Appropriations
 Sen. Zenzinger; Coram **Fiscal Analyst:** Anna Gerstle | 303-866-4375
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Bill Topic: REMOVING BARRIERS TO EDUCATOR PREPARATION

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill creates two educator preparation stipend programs and a temporary educator loan forgiveness program in the Department of Higher Education; expands options for assessing the professional competency of prospective educators; and allows the Colorado Department of Education to offer temporary eligibility authorization to additional types of educators. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$52.8 million to multiple state agencies.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the House Education Committee.

Table 1
State Fiscal Impacts Under HB 22-1220

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$810,995	\$2,596,597
	Cash Funds ¹	\$52,000,000	-
	Centrally Appropriated	\$99,514	\$148,156
	Total Expenditures	\$52,910,509	\$2,744,753
	Total FTE	5.6 FTE	8.5 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$121,649	\$389,490

¹ These costs are paid from the Economic Recovery and Relief Cash Fund, which consists of ARPA funds, and may be spent over two years.

Summary of Legislation

The bill creates two stipend programs, expands options for assessing professional competency of prospective educators, and expands temporary license eligibility authorization to additional types of educators.

Stipend programs. The bill creates the following stipend programs in the Department of Higher Education (DHE) for students in educator preparation programs meeting certain income eligibility requirements. The DHE must begin awarding stipends from the programs no later than August 1, 2022.

- The *Student Educator Stipend Program* will award stipends to eligible students to reduce the financial barriers to entering the workforce while placed as a student teacher. Educator preparation programs must distribute the stipends in monthly installments. An eligible student may receive a stipend of \$11,000 for a 16-week academic residency and \$22,000 for a 32-week academic residency. The bill provides \$39 million for the program.
- The *Educator Test Stipend Program* will award stipends to institutions of higher education to reduce student fees and costs associated with professional competency assessments required for licensure and license endorsements. The Colorado Commission on Higher Education (CCHE) must create a formula for calculating the amount of money awarded to each educator preparation program, based on the number of eligible students and the cost of assessments and endorsements. The bill provides \$3 million for the program.

CCHE must adopt program procedures and collect, evaluate, and report specific program data. By July 1 of each year, educator preparation programs must notify DHE of the number of students eligible for each program. By August 1 of each year, DHE must distribute money to the programs to be used for both stipends, plus money for operational expenses.

Temporary educator loan forgiveness. The bill provides \$10 million in FY 2022-23 for a temporary educator loan forgiveness program. The Colorado Commission on Higher Education must implement the program to pay for all or part of the principal and interest of the qualified loans of an eligible educator. Educators are eligible for up to \$5,000 in loan forgiveness and must have entered the profession on or after the 2019-20 school year to be eligible.

If more applications are received than funds available, the commission must prioritize educators in hard to staff positions in rural areas or content shortage areas, and those with more than 60 percent at-risk students, as specified in the bill.

Assessment of professional competencies. Under current law, the Colorado Department of Education (CDE) administers a system of professional competency assessments for obtaining initial teacher licenses and some professional teaching licenses. Beginning in the 2023-24 school year, applicants may demonstrate professional competencies by:

- completing an approved performance-based assessment;
- submitting a portfolio of course work for examination by a review panel;

- submitting evidence of sufficient grades on higher education courses aligned with relevant standards; or
- through a combination of the three methods.

CDE, in collaboration with the DHE, school districts, and institutions of higher education and with consideration of stakeholder feedback, must make recommendations to the State Board of Education and the board must adopt rules to implement these measures. CDE must report on the multiple measures at their annual SMART Act hearing beginning in January 2025.

Temporary educator licenses. Under current law, CDE may issue a temporary educator eligibility authorization to an educator candidate in an educator preparation program for special education who has not yet met all the requirements for initial licensure. The bill makes this temporary authorization available for educator candidates in both regular and alternative teacher preparation programs, and allows an interim authorization to be available for people seeking an alternative teacher license.

Assumptions

Educator professional competencies. CDE receives approximately 42,000 educator license applications per year, of which about 20,000 are first-time applications for credentials that require content endorsement, and thus, will be have the three options established in the bill to establish professional competency. The fiscal note assumes that 50 percent (10,000) will utilize currently available assessment option, 25 percent (5,000) will utilize the portfolio review option, and 25 percent (5,000) will use the coursework review.

Funding source. Under current law, the Educator Licensing Division in CDE is funded through educator licensing fees that are deposited in the Educator Licensing Cash Fund, and may receive General Fund to supplement fee revenue. The fiscal note assumes that CDE's costs to implement the bill will be funded by General Fund. Should appropriations be from the Educator Licensing Division Cash Fund, the fiscal note will be revised to include the fee impact to cover CDE implementation costs.

State Expenditures

The bill increases state expenditures for CDE and DHE by \$31.9 million in FY 2022-23 and by \$23.7 million in FY 2023-24. CDE costs are paid from the General Fund, and DHE costs are paid from the Economic Recovery and Relief Cash Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 22-1220**

Cost Components	FY 2022-23	FY 2023-24
Department of Education		
Personal Services	\$424,520	\$642,872
Operating Expenses	\$6,750	\$10,125
Capital Outlay Costs	\$31,000	\$18,600
Portfolio Management System	\$317,850	\$50,000
Portfolio Peer Review Costs	-	\$1,875,000
Information Management Costs	\$30,875	-
Centrally Appropriated Costs ¹	\$84,186	\$132,828
FTE – Personal Services	4.6 FTE	7.5 FTE
CDE Subtotal	\$895,181	\$2,729,425
Department of Higher Education		
Personal Services	\$59,230	\$59,230
Operating Expenses	\$1,350	\$1,350
Capital Outlay Costs	\$6,200	\$0
Student Educator Stipends	\$19,018,160	\$19,018,160
Educator Test Stipends	\$1,018,160	\$1,018,160
Institution Administrative Costs	\$900,000	\$900,000
Educator Loan Forgiveness – Payments	\$4,690,000	\$4,690,000
Educator Loan Forgiveness – Vendor	\$310,000	\$310,000
Centrally Appropriated Costs ¹	\$15,328	\$15,328
FTE – Personal Services	1.0 FTE	1.0 FTE
DHE Subtotal	\$26,018,428	\$26,012,228
Total	\$26,913,609	\$28,741,653
Total FTE	5.6 FTE	8.5 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Colorado Department of Education. CDE will require 3.9 FTE in FY 2022-23 and 7.5 FTE beginning in FY 2023-24 to implement the two new options for applicants to establish professional competency. Personal services in FY 2022-23 are prorated for the General Fund payday shift.

- **Portfolio review process.** The CDE requires staff beginning in FY 2022-23 to establish the portfolio management system, and recruit and develop guidelines for the peer review panels. Beginning in FY 2023-24, staff is needed to manage peer review panels in 45 content areas, provide assistance and technical support to candidates, and oversee the process. The peer review panels, made up of three people each, will review 5,000 applications. Estimated costs are based on five hours per review, at a cost of \$25 per hour.
- **Portfolio management system.** In FY 2022-23, CDE will purchase a portfolio management system that allows for the submission and review of portfolio materials. Costs include \$300,000 for the system and \$17,850 to issue the RFP. In subsequent years, maintenance costs are estimated at \$50,000 annually.
- **Coursework review process.** In FY 2022-23, CDE requires staff to establish procedures for the review of coursework and grades and determination of sufficiently high results. In FY 2023-24, staff will review the applications that utilize the coursework review option, and coordinate with educator preparation programs to ensure connection between coursework, grades, and professional competency review.
- **Information management costs.** In FY 2022-23 only, CDE requires will incur costs to modify the Educator Preparation Program reporting dashboard to include the information collected by DHE on the new stipend programs. Costs are estimated at 247 hours at a cost of \$125 per hour.
- **Legal services.** CDE will require additional legal services hours to conduct rulemaking in FY 2022-23, estimated to be under 100 hours. Legal services are provided by the Department of Law. No change in appropriations is required.

Department of Higher Education. The bill provides \$52.0 million to DHE, which covers two years of funding for both stipend programs and the educator loan forgiveness program. DHE requires 1.0 FTE in FY 2022-23 and FY 2023-24 to implement the stipend programs, which the fiscal note assumes will be split evenly between the two programs. Workload will also increase to coordinate with CDE on the multiple measures for professional competency.

- **Student educator stipends.** The bill provides \$39.0 million for the Student Educator Stipend Program. After administrative expenses, \$19.0 million per year is expected to be available for stipends in FY 2022-23 and FY 2023-24. The fiscal note estimates that this amount will cover stipends for around 1,380 students in each year, depending on whether students participate in a 16-week residency program and receive an \$11,000 stipend, or a 32-week residency program and receive a \$22,000 stipend.

Educator test stipends. The bill provides \$3.0 million for the Educator Test Stipend Program. After administrative expense, about \$1.0 million is expected to be available for stipends in FY 2022-23 and FY 2023-24. The fiscal note assumes that it will cover about 6,250 exams per year, at an average cost of \$135 per exam, and cover student travel and lodging costs to take the exams.

- **Institution administration costs.** The bill requires that DHE distribute an amount to institutions to cover the costs of implementing the stipend programs. These costs reflect the equivalent of about \$60,000, or about 1.0 FTE, for 13 public educator preparation programs and \$120,000 for the largest educator preparation program in the state. The fiscal note assumes these costs will come out of the funding for each stipend program. Actual distributions to educator preparation programs will be determined by DHE.
- **Educator loan forgiveness.** The bill provides \$10.0 million for the temporary educator loan forgiveness program. Educators are eligible for up to \$5,000 each, and the program is assumed to serve up to 2,000 educators, although exact amounts will be determined by DHE. A portion of the amount, up to \$620,000 over two years, will be used to contract with the vendor that is currently administering the existing educator loan forgiveness program. The exact amount of the vendor costs will depend on the number of participants in the program.

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 include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts in Table 1, which will decrease the amount of General Fund available for other purposes.

Effective Date

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

State Appropriations

In FY 2022-23, the bill requires the following appropriations:

- \$810,995 from the General Fund to the Colorado Department of Education, and 3.9 FTE;
- \$52,000,000 from the Economic Recovery and Relief Cash Fund to the Colorado Department of Higher Education, and 1.0 FTE. It is assumed this appropriation should provide spending authority through FY 2023-24.

State and Local Government Contacts

Education Higher Education