



HB 23-1198

Legislative Council Staff

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Fiscal Note

Drafting Number: LLS 23-0266
Prime Sponsors: Rep. Titone

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Bill Status: House Education
Fiscal Analysts: John Armstrong | 303-866-6289
Louis Pino | 303-866-3566

Bill Topic: **TEACHER EXTERNSHIP PROGRAM FOR STEM DISCIPLINES**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- School District
- Statutory Public Entity

The bill establishes a teacher externship program in the Department of Labor and Employment and establishes a tax credit for participating employers. The bill decreases state revenue through 2028 and increase state expenditures on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$141,334 to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 23-1198

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	General Fund	(\$540,000)	(\$1.3 million)	(\$1.7 million)	(\$2.1 million)
	Total Revenue	(\$540,000)	(\$1.3 million)	(\$1.7 million)	(\$2.1 million)
Expenditures	General Fund	\$141,334	\$150,380	\$150,380	\$150,380
	Centrally Appropriated	\$50,110	\$62,670	\$62,670	\$62,670
	Total Expenditures	\$191,444	\$213,050	\$213,050	\$213,050
	Total FTE	1.6 FTE	2.0 FTE	2.0 FTE	2.0 FTE
Transfers		-	-	-	-
Other Budget Impacts	TABOR Refund	(\$540,000)	(\$1.3 million)	Not estimated	Not estimated
	GF Reserve	\$28,717	\$31,958	\$31,958	\$31,958

Summary of Legislation

The bill establishes a teacher externship program for K-12 science, technology, engineering and mathematics teachers to participate in experiential learning with employers to gain knowledge and improve their classroom curriculum. The Department of Labor and Employment (CDLE) will administer the program and create three models for participation. CDLE must collaborate with the Department of Education (CDE) to determine minimum standards for participation in the program and to select employers that can offer training and experience that will provide value to the school district.

Teachers may be compensated by the school district or participating employer, and may apply for graduate and professional development credits. The bill establishes data reporting requirements and adds the externship program as a professional development option for renewal of a teacher license. CDLE may accept gifts, grants and donations and create rules to implement this program.

The bill creates a tax credit for income tax years 2024 through 2028 that allows participating employers to claim a credit for all expenses incurred over up to eight weeks in placing a teacher in the externship.

Assumptions

The fiscal note assumes approximately 50 employers will participate in an externship program in tax year 2024, based on the number of employers currently participating in one school district's externship program. This fiscal note assumes that employers may receive tax credits for any wages paid to teachers. If wages are not eligible for the credit, then the bill's revenue impact and the expenditures required for the Department of Revenue will be less than estimated.

The fiscal note assumes approximately 200 K-12 teachers will participate in the program in the first year the credit is available. Of these, about 70 percent will participate in the program for two to six weeks, working 40 hours each week at \$25.00 per hour. The remainder will participate for the full eight weeks allowed under the bill working 40 hours per week at \$25.00 per hour.

It is assumed the number of employers and K-12 teachers participating in the program will increase during the period the income tax credit is available, consistent with other state income tax credits. By 2026, it is assumed at least 360 K-12 teachers will participate in an externship program.

State Revenue

The bill is expected to decrease General Fund revenue by \$540,000 in FY 2023-24 (half-year impact), by \$1.3 million in FY 2024-25, by \$1.7 million in FY 2025-26, and by \$2.1 million in FY 2026-27. Revenue impacts will continue through FY 2028-29. Estimates are based on the assumptions discussed above. The bill reduces corporate and individual income tax revenue, which is subject to TABOR.

Assumptions. The fiscal note assumes that wages qualify under "out-of-pocket expenses" incurred by the employer; however, if the bill is interpreted to exclude wages, the revenue increase will be less than estimated in the fiscal note.

State Expenditures

The bill increases state expenditures in the Department of Labor and Employment and Department of Revenue by \$191,444 in FY 2023-24 and \$213,050 in FY 2024-25, paid from the General Fund. The bill also increases workload in the Department of Education by a minimal amount. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 23-1192**

	FY 2023-24	FY 2024-25
Department of Labor and Employment		
Personal Services	\$105,218	\$140,288
Operating Expenses	\$2,160	\$2,700
Capital Outlay Costs	\$13,340	-
Centrally Appropriated Costs ¹	\$50,110	\$62,670
FTE – Personal Services	1.6 FTE	2.0 FTE
CDLE Subtotal	\$170,828	\$205,658
Department of Revenue		
GenTax Programming	\$20,616	-
Office of Research and Analysis	-	\$7,392
DOR Subtotal	\$20,616	\$7,392
Total Costs	\$191,444	\$213,050
Total FTE	1.6 FTE	2.0 FTE

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

Department of Labor and Employment. CDLE will hire a Grant Specialist IV, Grant Assistant III and a Labor and Employment Specialist II, totaling 2.0 FTE, to administer the program. These staff will work with eligible businesses and school districts to develop externship models, select employers, establish standards, promote the opportunities, gather data, and monitor employers. Costs include standard operating expenses and capital outlay costs and are prorated for the General Fund payday shift, with these employees expected to begin work in September 2023.

Department of Revenue. In FY 2023-24, this bill requires expenditures of \$20,616 to program, test, and update database fields in the Department of Revenue's GenTax software system. Programming costs are estimated at \$9,000, representing 40 hours of contract programming at a rate of \$225 per hour. Costs for testing at the department are estimated at \$11,616, representing 363 hours of user acceptance contract testing at a rate of \$32 per hour. Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$7,392 in FY 2024-25 and ongoing, representing 231 hours for data management and reporting at \$32 per hour.

Colorado Department of Education. CDE will have additional workload to coordinate with CDLE in implementing the program. No change in appropriations is required.

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, supplemental employee retirement payments, indirect costs, and leased space, are shown in Table 2.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

School Districts

School districts with teachers who participate in the externship program will have an increase in workload to coordinate with CDLE and CDE regarding these externship opportunities. This additional workload is assumed to be minimal.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires the following General Fund appropriations:

- \$120,718 to the Department of Labor and Employment, and 1.6 FTE;
- \$20,616 to the Department of Revenue.

State and Local Government Contacts

Education

Labor

Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.