MEMORANDUM

JOINT BUDGET COMMITTEE

TO	JBC Members
FROM	JBC Staff
DATE	March 17, 2023
SUBJECT	Figure Setting Comeback Packet 6

Included in this packet are staff comeback memos for the following items:

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Emily Hansen, JBC Staff (303-866-4961)
DATE	March 13, 2023
SUBJECT	Department of Public Safety Tabled Items - R12 Expand Fire Training and R15 Sustain Office of Grants Management

➔ R12 EXPAND FIRE TRAINING

REQUEST: The Department request includes $4,651,780 General Fund and 14.7 FTE in FY 2023-24 to increase state training resources for local firefighters. The request annualizes to $2,748,851 General Fund and 16.0 FTE in FY 2024-25.

The request reflects Recommendation 21-02 of the Colorado Fire Commission. FTE are requested at Q2 or the midpoint of the salary range. OSPB included this decision item as submitted in the initial Department request during agency comebacks, along with additional information regarding certification fees.

RECOMMENDATION: Staff recommends approval of the request as outlined in the table below. If the Committee supports the request without removing certification fees, staff recommends an appropriation of $4,401,779 General Fund and 14.7 FTE.

R12 FIRE TRAINING REQUEST		
	FY 2023-24	FY 2024-25
Regional Training Officers (6)	$612,408	$665,680
Wildland Training Officers (4)	255,689	277,914
Certification Coordinators (4)	249,758	271,467
Labor, trades, and crafts I (1)	69,327	75,355
Centrally approp. Costs	266,797	289,997
Standard operating	130,128	18,160
Leased space	68,448	74,400
Vehicles	284,174	284,174
Cell phones, tablets	39,520	1,725
Radios	94,600	-
Uniforms	24,750	-
Protective equipment	55,000	-
Travel	101,200	110,000
Personnel Subtotal	*$2,251,799*	*$2,068,872*
Mobile driving simulator (1)	$500,000	-
Mobile pump operation unit (1)	225,000	-
Aircraft rescue and firefighter unit (1)	400,000	-
Hazardous materials training prop trailer (1)	400,000	-
Car fire prop (1)	50,000	-
Prop storage	100,000	100,000
Prop tractor (1)	145,000	-
Equipment Subtotal	*$1,820,000*	*$100,000*

R12 Fire Training Request		
	FY 2023-24	FY 2024-25
Adjunct instructors	$319,980	$319,980
Remove certification fees	250,000	250,000
Books and training materials	10,000	10,000
Education Subtotal	*$579,980*	*$579,980*
Total	**$4,651,779**	**$2,748,852**

During the initial staff presentation, the Committee expressed concern regarding using General Fund to remove certification fees. The Professional Qualifications and Training Section (PQTS) currently charges fees for all certifications and select training classes. Certification fees cover the cost of certifications, including fees to accrediting bodies, fees for online testing programs, and fees for the online database used to track certifications.

Currently, PQTS charges $30 per certification test, and $20 per renewal to cover the administrative costs for the certification program. The request estimates that PQTS earns an average of $222,296 per year from certification fees to cover programmatic costs. The number of certifications administered by PQTS in 2020 and 2021 are provided in the table below.

Certification Activity		
	2020	2021
Initial Certifications	1,902	2,535
Written Exams	3,533	5,616
Renewal Certifications	5,024	5,276
Total	**10,459**	**13,427**

DFPC is statutorily required to provide trainings to improve firefighter safety and develop consistent practices across fire departments.[1] However, certification and participation in trainings is voluntary. Each year DPFC conducts a fire services needs assessment to survey local fire departments. The Department indicates that 239 fire departments, approximately 70.0 percent, responded to the survey in 2022. Of the responding departments, 50.0 percent indicated they seek state certifications. Of the remaining 50.0 percent that do not seek certifications, 40.0 percent indicate that they do not seek certifications due to cost.

In addition to certification fees, DFPC may charge fees for training courses to cover the cost of venue space and adjunct instructors. Courses that include lunch have a fee of $90 per day, while trainings without lunch have a fee of $60 per day. A local fire department may be required to cover additional costs for hosting trainings, such as the cost of propane to supply mobile training units.

DFPC has proposed supporting certification fees with General Fund at the recommendation of the Colorado Fire Commission. The Department notes that regardless of the size of the fire district and tax revenue available, fire departments may not be sufficiently resourced to make certification a priority in competition for limited resources to support personnel and equipment. Removing certification fees is anticipated to increase access to certification for all fire departments and improve fire safety practices across the state.

[1] Section 24-33.5-1203 (i), C.R.S.

➔ R15 Sustain Office of Grants Management

Request: The request includes an increase of $827,611 General Fund and 6.3 FTE in FY 2023-24 to increase General Fund support for the Office of Grants Management (OGM) in DHSEM. The request annualizes to $828,465 General Fund and 6.5 FTE in FY 2024-25 and ongoing. The request includes 1.8 new FTE and a General Fund refinance of 4.5 existing FTE. Existing FTE are requested at the actual salary levels, and new FTE are requested at the minimum of the salary range.

Recommendation: **Staff recommends an appropriation of $798,260 General Fund and 6.3 FTE**. Pursuant to Committee common policy, the recommendation does not include centrally appropriated costs in the first year for new FTE and calculates new positions at the minimum of the salary range.

Discussion: During the initial staff presentation, the Committee expressed concern regarding potential overlap in the requests and general programming overlap in emergency operations between DPS, DOLA, and the Governor's Office. Staff agrees that the requests from each agency do not overlap and relate to the specific expertise of each agency. However, staff is concerned about the overall efficiency of existing emergency programs across the state, particularly related to emergency preparedness.

Background

In response to the 2013 floods, the Governor appointed a Chief Recovery Officer and created the Colorado Resiliency Office (CRO) to coordinate the implementation of the state's resiliency framework. The Office was transferred from the Governor's Office to DOLA in 2018 with five positions funded by the Governor's Office through an interagency agreement. House Bill 18-1394 (Update Colorado Disaster Emergency Act) increased the responsibilities of the CRO and changed the funding source for the Office to gifts, grants, and donations.

In 2019, the Governor signed the current State Emergency Operations Plan (SEOP) which outlines the operations and responsibilities of state agencies in the event of a disaster. The SEOP can only be activated through Executive Order, and designates the Office of Emergency Management (OEM) in DHSEM as the lead agency for coordinating emergency response and recovery. The plan does not cover responsibilities for pre-disaster preparedness. Once the plan is activated, all state departments are mandated under the Colorado Disaster Emergency Act and the SEOP to respond as necessary to leverage expertise under the coordination of OEM.[2]

Primary agencies identified for response and recovery include DHSEM, DFPC, CSP, CDOT, OIT, CDPHE, CDA, CDHS, PUC, DORA, DNR, and DOLA. The SEOP designates DOLA as the state agency lead for community and economic recovery under the CRO, and housing recovery under the Division of Housing.

DHSEM is also the designated State Administering Agency (SAA) for FEMA Public Assistance (PA). PA is FEMA's largest grant program awarded to states through the Stafford Act. Local governments therefore receive response and recovery dollars from FEMA through the Office of Grants

[2] Section 24-33.5-701, C.R.S.

Management (OGM) in DHSEM. OGM is responsible for assisting local governments with complex application, compliance, and reporting standards to maximize federal funding.

When necessary, DHSEM will partner with other state and local agencies to leverage expertise during large scale disasters. Most frequently, this includes partnership with DOLA to coordinate housing recovery. While DHSEM administers FEMA grants, the Division of Housing (DOH) in DOLA is responsible for administering HUD grants in a disaster. According responses provided by DOLA, the Department can leverage HUD grants as the local match for FEMA grants. In large scale disasters, DOLA and DHSEM may enter into Interagency Agreements to formalize responsibilities and allocate funding, and even temporarily embed staff within the impacted local governments to increase the capacity of effected agencies.

In addition to these Departments, a Recovery Office has been temporarily established in the Governor's Office under the Office of Economic Development and International Trade (OEDIT). The Office was established in response to the COVID-19 pandemic to create a coordinated response specifically to the economic impacts of the pandemic across the state. The Office has become the lead in coordinating the distribution and tracking of one-time stimulus and ARPA funds, and consists of 16 term-limited FTE. The Office has imbedded recovery officers in 14 state agencies, including CDLE, DOLA, OIT, DEC, CDPHE, BHA, CEO, HCPF, CDA, CDHS, CDOT, CDE, and DNR.

OEDIT indicates that the Office partners and coordinates with all other state agencies, and is not duplicative of the efforts addressed in the budget requests as the Office does not address response for other emergencies and natural disasters, or develop resiliency plans for local communities.

DHSEM REQUEST

According to the request, OGM currently manages 25 federal and state preparedness and disaster-related grant programs. Responsibilities include the following categories:

- Subrecipient Monitoring: OGM conducts risk assessment of all subrecipients who receive grants from DHSEM, conducts on-site monitoring, and provides subrecipients with technical assistance and best practices.
- Grant Reporting: OGM oversees a grant management platform to oversee the entire lifecycle of a grant from application to closeout.
- Preparedness Grants and Agreements: OGM provides technical assistance for state and federal partners focused on pre-disaster preparedness.
- Public Assistance/Recovery Grant Unit: The Unit manages subrecipients impacted by a federally declared disaster requesting federal assistance through FEMA from preliminary damage assessment to closeout.

Federal grants often limit amounts that can be used for administrative costs to typically 3-5 percent, limiting the work OGM is able to do. Over the last three years, the number of grants OGM oversees has increased 50.0 percent from 16 to 25, totaling $2.5 billion. These have likely been due to extenuating circumstances such as the COVID-19 pandemic and the Marshall fire. During large disasters, the Department has also been required to hire contract staff to assist with grant management due to insufficient capacity and experience, even though state staff could have performed the work at lower cost.

Because OGM staff are supported by federal grants and emergency resources, they are required to work only on the projects they are funded by. Therefore, there are no staff available or funded to seek out additional grants and reimbursements, potentially leaving large sums of available resources on the table. The request states that Colorado ranks ninth out of the ten states with the lowest net federal funding per resident. The Department estimates that over the last five years, it is estimated that the state was unable to collect or obligate at least $100.0 million in federal funding to state and local jurisdictions due to limited staff capacity. Estimates include the following:

- $20.0 million for the 2018 wildfire season not being declared FEMA Public Assistance disasters;
- $10.0 million for the Hinsdale flooding incident not being declared a FEMA Public Assistance disaster;
- $50.0 million lost in COVID-19 eligibility due to no capacity to investigate expenditures and training to state agencies;
- $10.0 million in mitigation funds due to lack of capacity to train local agencies; and,
- $10.0 million in unobligated funding due to a lack of local agency understanding of grant rules.

The request would provide ongoing, dedicated General Fund resources to support existing OGM staff, as well as two new FTE. Existing staff are requested above the salary minimum to reflect actual wages, while new staff are requested at the minimum. Permanent funding will allow OGM to actively build relationships with community partners to improve process preparedness before emergencies occur, and more actively seek new federal funds while better managing existing programs.

Staff recommends approval of the request without centrally appropriated line items for new staff, pursuant to Committee common policy. The staff recommendation also reflects new FTE at the minimum of the salary range following the COWINS agreement, which is higher than the minimum salary range included in the initial request.

R15 Request and Recommendation						
	FY 2023-24			FY 2024-25		
	Request	Rec.	Difference	Request	Rec.	Difference
Existing FTE	4.5	4.5	0.0	4.5	4.5	0.0
Personal services	$469,294	$469,294	-	$469,294	$469,294	-
Centrally approp. costs	92,303	92,303	-	91,863	91,863	-
Standard operating	5,675	5,675	-	5,675	5,675	-
EM Grants Pro Maintenance	73,700	73,700	-	73,701	73,701	-
Existing FTE Subtotal	*$640,972*	*$640,972*	-	*$640,532*	*$640,532*	-
			-			-
New FTE	1.8	1.8	-	2.0	2.0	-
Personal services	$138,089	$141,018	$2,929	$150,097	$153,838	$3,741
Centrally approp. costs	32,281	0	(32,281)	35,567	38,599	3,032
Standard operating	16,270	16,270	-	2,270	2,270	-
New FTE Subtotal	*$186,640*	*$157,288*	*$(29,352)*	*$187,934*	*$194,707*	*$6,773*
			-			-
Total	**$827,612**	**$798,260**	**($29,352)**	**$828,467**	**$835,239**	**$6,773**

MEMORANDUM

JOINT BUDGET COMMITTEE

To	Members of the Joint Budget Committee
From	Abby Magnus, JBC Staff (303-866-2149)
Date	March 15, 2023
Subject	State and County Election Costs and Proposed Changes

Current Cost Structure for Administering Elections

- Counties are responsible for the entirety of costs to conduct all general, primary, and congressional elections in accordance with Section 1-5-505, C.R.S.;
- For Presidential Primary Elections, the Department reimburses counties for their actual direct costs from the General Fund in accordance with Section 24-21-104.5(2), C.R.S.; and
- In elections where there is a statewide ballot question, the Department subsidizes county costs at a rate of 80 or 90 cents per active registered voter, based on the number of eligible voters registered in each county, pursuant to Section 1-5-505.5, C.R.S. In rare instances, when there are odd-year elections in which the statewide ballot question is the only item on a county ballot, the Department reimburses the county for its actual direct costs.

Historically, statewide ballot questions occurred in odd-year elections, however more recently these have become an annual occurrence, and the Department has made payments to counties after every November election. In recent years, Department payments to the counties at the statutory rate per voter to support statewide ballot measures totaled:

- $2,840,287 in FY 2019-20 for the November 2019 Coordinated Election.
- $3,067,234 in FY 2020-21 for the November 2020 General Election; and
- $3,141,411 in FY 2021-22 for the November 2021 Coordinated Election.

Department of State Proposal

The Department would like to transition the statutory election payments for statewide ballot questions from the DOS Cash Fund to the General Fund. This would alleviate current pressures on reserves in the DOS cash fund caused by the increasing costs of elections. As shown in the table below, the DOS Cash Fund's historical revenue and expenditures have been relatively close, and the fund is in compliance with statutory reserve requirements. The Schedule 9 report for the DOS Cash Fund is attached to the end of this memo.

DOS Cash Fund Reports				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenue	$27,348,753	$40,330,488	$31,120,000	$32,170,000
Expenses	(27,738,855)	(41,079,862)	(29,755,073)	(34,540,984)
Net cash flow	(390,102)	(749,374)	1,364,927	(2,370,984)
Reserve	4,668,167	2,750,146	4,115,073	2,548,603

Proposed Changes by Counties

The rate at which the State subsidizes costs for statewide ballot questions has not increased since 2012, however the total amount the counties receive mirrors population changes. The counties have put forward a proposal that would restructure how elections are currently paid for in Colorado. The proposal includes two changes:

ESTABLISH COST SHARE BETWEEN THE STATE AND COUNTIES/COORDINATING ENTITIES FOR STATEWIDE BALLOT QUESTIONS

- Currently, for statewide ballot questions, the State subsidizes county costs at the rates identified in statute, and counties coordinate with any entities that are on their ballot on payments from entities to the counties. The 2020 statewide ballot questions cost counties an average $3.97 per voter, and State payments equated to the an estimated 20.0 percent of costs at $0.80 to $0.90 per voter.
- The proposal would restructure this system to have the State cover 45.0 percent and counties cover 55.0 percent of the costs of administering elections related to statewide ballot questions. This model allows counties to negotiate with coordinated entities on payment amounts.

ESTABLISH COST SHARE BETWEEN THE STATE AND COUNTIES FOR STATE PRIMARY ELECTIONS

- Currently, counties cover the entirety of the costs related to administering State Primary Elections.
- The proposal would split costs between the State and counties 50/50.

TIMELINE AND IMPACT OF COUNTY PROPOSAL

The proposal from the counties would not go into effect until the General Election in 2024. The first State Primary with the proposed changes would occur in 2026. Under the proposed cost splits, payments to counties by the Department would have increased by:

- $2,907,809 in 2018;
- $3,735,865 in 2020; and
- $4,599,755 in 2022 for the statewide primary election.

CONSIDERATIONS

- The Department of State currently only audits reported costs for Presidential Primaries. If the State were reimbursing counties annually for a percentage of direct costs, the Department would require an additional 1.0 FTE for their accounting team to complete annual audits.
- Staff does not have data on the amounts counties currently receive from coordinated entities for statewide ballot questions or what average ballot splits look like regarding questions for the State, counties, and coordinating districts.
- Estimates for the costs of elections can be difficult to nail down. During the 2022 primary recount, estimates were about twice as expensive as the costs, and in the 2020 presidential primary, estimates were significantly under actual costs, necessitating a supplemental budget request from the Department.
- Currently, the State subsidizes election costs for counties. If these proposed changes were to occur, this structure would shift from a subsidy of county costs to a State obligation to cover a percentage of the costs of elections.
- The counties have not identified a funding source in their proposed changes and staff would not recommend the Committee move forward with legislation without identifying a funding source.
- If the Committee is wanting to move forward with these changes, due to the structural adjustments to how elections are paid for, staff would recommend using General Fund rather than the DOS Cash Fund as the payment source.

OPTIONS MOVING FORWARD

1. Draft legislation to increase the subsidy rate for State payments to counties for elections costs related to statewide ballot measures, with the State contribution coming from the General Fund/DOS Cash Fund.

2. Draft legislation based on the proposal from the counties to split the costs of administering elections related to statewide ballot questions 45.0 percent and 55.0 percent between the State and counties, and 50.0 percent and 50.0 percent between the State and counties for Statewide Primary Elections, with the State contribution coming from the General Fund/DOS Cash Fund.

3. Draft legislation based on the proposal from the counties to split the costs of administering elections related to statewide ballot questions 45.0 percent and 55.0 percent between the State and counties, with the State contribution coming from the General Fund/DOS Cash Fund.

4. Add an RFI to collect data on: total annual election costs, amounts counties currently receive from coordinated entities for statewide ballot questions, and what average ballot splits look like regarding questions for the State, counties, and coordinating districts. This would facilitate a discussion on this issue next fall, with the additional data.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Abby Magnus, JBC Staff (303-866-2149)
DATE	March 16, 2023
SUBJECT	JBC staff comebacks for Department of Public Health and Environment – Family Planning Program

During public testimony on the FY 2023-24 budget on February 1, 2023, a number of individuals testified in support of increasing appropriations to the Family Planning Program by $2.0 million General Fund. During figure setting for the Department of Public Health and Environment on February 27, 2023, the Committee requested additional information on the Family Planning Program including how funding for the program is allocated.

FAMILY PLANNING PROGRAM

The Colorado Department of Public Health and Environment has provided family planning services via the Family Planning Program (FPP) since 1970. The Program's primary focus is to reduce unintended pregnancies (pregnancies that occur when a pregnancy is not desired at the time) and serves men and women throughout the state with a variety of contraceptive-related services such as education, counseling, and provision of contraceptive methods. Other services include:

- Pelvic examinations;
- Breast and cervical cancer screenings;
- Sexually transmitted disease (STD) and HIV prevention education, counseling, testing, and referral;
- Pregnancy and fertility counseling; and
- Pregnancy testing and counseling.

Historically, the program has been funded with a mix of state, federal, local, and private funding, with federal funding coming from Title X dollars. The Title X Family Planning program, enacted in 1970 as Title X of the Public Health Service Act, is a federal grant program designed to provide access to contraceptive services, with a priority to low-income families. The Family Planning Program's current appropriation totals $10,120,489 for administration, purchase of services, and federal grants. Federal funding has remained level in the last five years and General fund was last increased by $1.03 million in FY 2019-20. The Department applied for an additional $5.0 million from the Title X federal grant in 2022 and was not granted any additional funding.

In a report assessing the success of Colorado's family planning efforts ("Taking the Unintended Out of Pregnancy"), a team of University of Colorado economists concluded that between half and two thirds of the observed decline in births in Colorado among women ages 15-24 between 2010 and 2014 could be directly attributed to the FPP. Additionally, the economists attempted to calculate savings to government programs as a result of the decline in unintended pregnancies. Using two different methodologies, the estimated savings to Medicaid, TANF, SNAP, and WIC totaled between $66.1 and $69.6 million, with the largest savings attributed to Medicaid ($52.3 to $53.7 million).[1]

[1] https://drive.google.com/file/d/1Bfk7CS8I5W92iCS0g8_COTBmi8a-JxZ4/view

The Department estimates that more than 93,000 women ages 13-44 in Colorado are without family planning coverage because they are either uninsured or are not using their insurance coverage due to confidentiality reasons and in 2022 the FPP program served 43,602 women. The increased $1.03 million General Fund from FY 2019-20, was estimated to allow the FPP to serve approximately 2,537 additional individuals. The Department is reporting increasing strain on providers in Colorado for family planning services. The Department's application for additional federal funding in 2022 outlined goals to increase access to services, add outreach clinics and telehealth in more sparsely populated regions, and connect to new providers around the state to increase FPP sites.

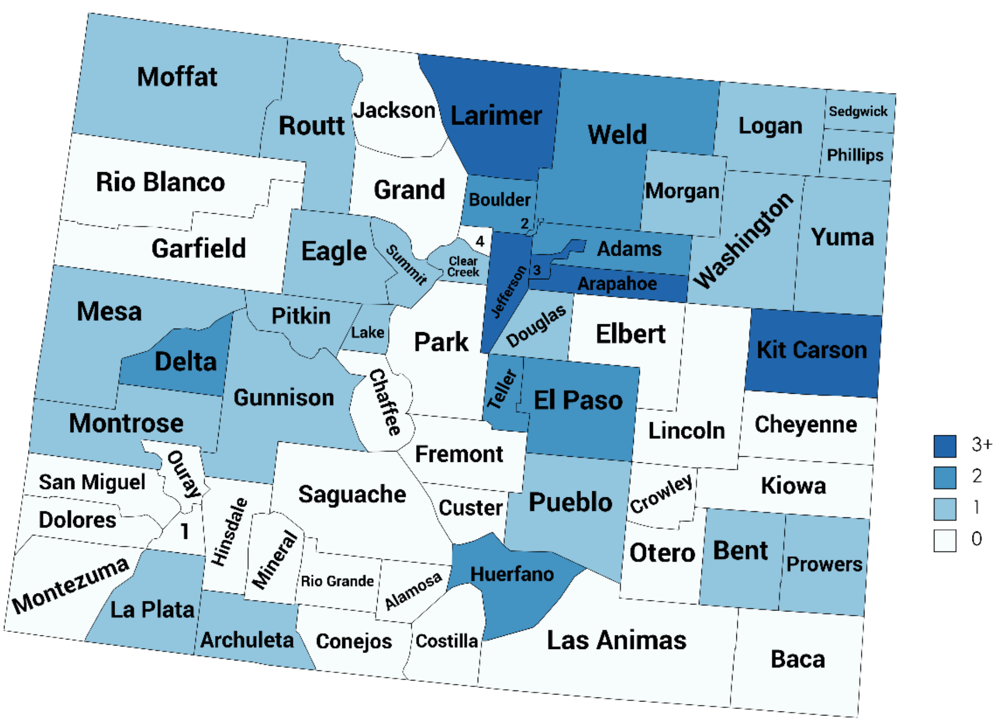
FPP Service Model

The FPP is not a direct service provider. Instead, the Program contracts with Title X clinics across the state to provide reimbursable services. Available funding for each clinic is determined via a formula based on the number of clients seen at each clinic. Clinics then submit for reimbursement based on the qualifying services provided. Clinics first bill a client's insurance, if available. If a client does not have insurance, or does not wish to use insurance, services are offered based on a sliding fee scale. However, 77.0 percent of clients are 100.0 percent below poverty level and pay no fees. The Department estimates an average cost of $404 per visit.

FPP Clinic Distribution

The map and table below identify the distribution of FPP clinics around the state. Currently, there are 35 counties in Colorado with at least one FPP clinic.

Family Planning Program Clinic Distribution in Colorado by County



Family Planning Program Clinics in Colorado by County*	
Counties	FPP Clinics
Jefferson	5
Arapahoe	4
Denver	3
Kit Carson	3
Larimer	3
Adams	2
Boulder	2
Broomfield	2
Delta	2
El Paso	2
Huerfano	2
Teller	2
Weld	2
Archuleta	1
Bent	1
Clear Creek	1
Douglas	1
Eagle	1
Gunnison	1
La Plata	1
Lake	1
Logan	1
Mesa	1
Moffat	1
Montrose	1
Morgan	1
Phillips	1
Pitkin	1
Prowers	1
Pueblo	1
Routt	1
Sedgwick	1
Summit	1
Washington	1
Yuma	1
*Some clinics may have multiple locations throughout counties	

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Justin Brakke, JBC Staff (303-866-4958)
DATE	March 16, 2023
SUBJECT	Natural Resources: R3 Wildfire mitigation, outreach, and capacity

The Committee delayed action on this request from the Department of Natural Resources. The request also impacts the Colorado State Forest Service in the Department of Higher Education and the Department of Public Safety.

SUMMARY OF REQUEST, JBC STAFF RECOMMENDATION, OSPB COMEBACK

- **Original request**: JBC sponsored legislation for a one-time transfer of **$9.0 million General Fund** to multiple cash funds as shown in the table below.

R03 WILDFIRE MITIGATION, OUTREACH, AND CAPACITY PACKAGE PROPOSED TRANSFERS				
DEPARTMENT	FUND	AMOUNT	FUND TYPE	PURPOSE
Natural Resources	Wildfire Mitigation Capacity Development Fund	$2,000,000	Continuously-appropriated	Support up to two large-scale, high-priority wildfire mitigation projects through the Colorado Strategic Wildfire Action Program (COSWAP)
Higher Education	Healthy Forests Vibrant Communities Fund	4,000,000	Continuously-appropriated	$2.0 million for Good Neighbor Authority projects on federal lands $2.0 million would go to public education and outreach efforts.
Higher Education	Forest Restoration and Wildfire Risk Mitigation Fund	1,000,000	Continuously-appropriated	Local and state agency planning & management
Public Safety	Wildland Urban Interface Home Hardening Fund	2,000,000	New fund	Home hardening incentives

- **JBC staff recommendation**: **$2.0 million General Fund** appropriation in Long Bill for the Healthy Forests Vibrant Communities Fund related to Good Neighbor Authority projects on federal lands.

- **OSPB comeback**: **$7.0 million General Fund** as shown in the table below.

OSPB COMEBACK: R03 WILDFIRE MITIGATION, OUTREACH, AND CAPACITY				
DEPARTMENT	FUND	AMOUNT	FUND TYPE	PURPOSE
Appropriation/Transfer = $3.0 million General Fund				
Higher Education	Healthy Forests Vibrant Communities Fund	$2,000,000	Continuously-appropriated	Good Neighbor Authority projects on federal lands
Higher Education	Forest Restoration and Wildfire Risk Mitigation Fund	1,000,000	Continuously-appropriated	Local and state agency planning & management
Legislative Placeholder = $4.0 million General Fund				
Higher Education	Healthy Forests Vibrant Communities Fund	4,000,000	Continuously-appropriated	Public outreach and education
Public Safety	Wildland Urban Interface Home Hardening Fund	2,000,000	New fund	Home hardening incentives

➔ R3 WILDFIRE MITIGATION, OUTREACH, AND CAPACITY PACKAGE

REQUEST: The Department requests that the JBC sponsor legislation for a one-time transfer of $9.0 million General Fund to multiple cash funds as shown in the table below. This request aims to "reduce overall wildfire risk in Colorado through effective mitigation projects combined with community outreach, education, and incentive efforts that advance the mission of wildfire risk reduction and home hardening." The Department describes this request as "theory-informed."

R03 WILDFIRE MITIGATION, OUTREACH, AND CAPACITY PACKAGE PROPOSED TRANSFERS				
DEPARTMENT	FUND	AMOUNT	FUND TYPE	PURPOSE
Natural Resources	Wildfire Mitigation Capacity Development Fund	$2,000,000	Continuously-appropriated	Support up to two large-scale, high-priority wildfire mitigation projects through the Colorado Strategic Wildfire Action Program (COSWAP)
Higher Education	Healthy Forests Vibrant Communities Fund	4,000,000	Continuously-appropriated	$2.0 million would support the hiring of 11 positions for four years in various Colorado State Forest Service office. These positions would develop and implement wildfire mitigation projects on federal lands (leveraging federal funding), possibly facilitating 5,000-15,000 acres of mitigation work per year. $2.0 million would go to public education and outreach efforts, building off of efforts developed in response to S.B. 22-007 (Increase Wildfire Mitigation Outreach Efforts).
Higher Education	Forest Restoration and Wildfire Risk Mitigation Fund	1,000,000	Continuously-appropriated	Local and state agency planning & management
Public Safety	Wildland Urban Interface Home Hardening Fund	2,000,000	New fund	Provide funds to make homes more fire-resistant. Priority for existing homes in areas deemed to be moderate or higher risk in wildland-urban interface areas.

RECOMMENDATION: Staff recommends a one-time increase $2.0 million General Fund in FY 2023-24 for the Healthy Forests Vibrant Communities Fund for FTE to develop wildfire mitigation projects on federal lands. The HFVC fund is managed by the Colorado State Forest Service. Legislation is not necessary. Staff recommends that these funds be appropriated to the existing line item for the HFVC fund in the Department of Higher Education.

Staff does not recommend General Fund appropriations/transfers to the following cash funds:

- $2.0 million requested for the Wildfire Mitigation Capacity Development Fund, which supports the Colorado Strategic Wildfire Action Program (COSWAP)
- $2.0 million requested for the Healthy Forests Vibrant Communities Fund for public outreach
- $1.0 million requested for the Forest Restoration and Wildfire Risk Mitigation (FRWRM) Fund for local and state agency project planning and management capacity.
- $2.0 million for the Wildland Urban Interface Home Hardening Fund (legislation required to create the fund and related grant program)

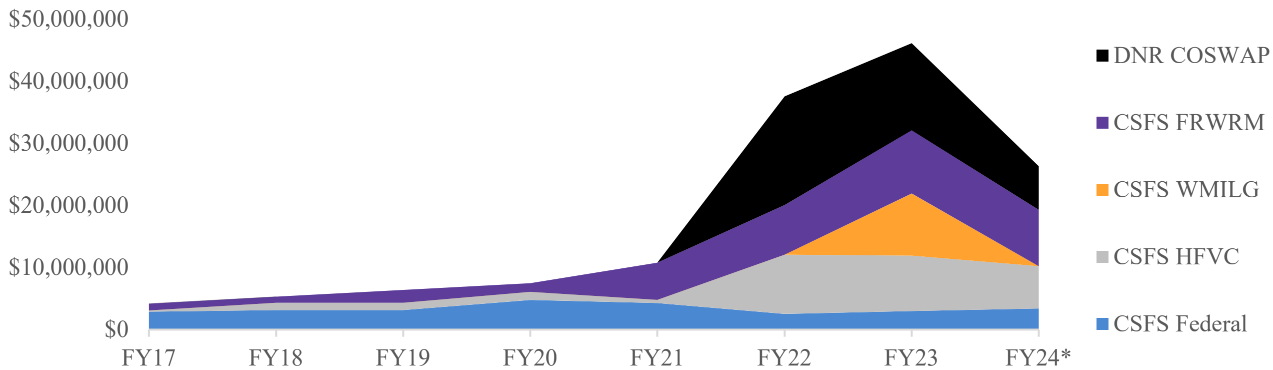
EVIDENCE LEVEL: The Department indicated that this request item is a t*heory-informed program or practice*. Staff agrees with this rating.

ANALYSIS:

BACKGROUND: STATE FUNDING FOR WILDFIRE MITIGATION

The following graph shows wildfire preparation and mitigation funding allocated to various cash funds managed by the Colorado State Forest Service in the Department of Higher Education and the Department of Natural Resources. The table that follows the graph provides additional detail.

Wildfire preparation and mitigation funding, all sources
(Colorado State Forest Service and Department of Natural Resources only)



** Requested for FY 2023-24.*

The underlying data for this graph comes primarily from Legislative Council Staff. Link to "Updated Wildfire-related Funding in Colorado, FYs 2016-17 through 2022-23," July 20, 2022. The table below lays out the acronyms referenced in the table above.

CSFS and DNR Wildfire Mitigation Expenditures/Appropriations/Transfers								
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24*
CSFS-Various federal	$2,899,404	$3,140,224	$3,165,896	$4,767,294	$4,265,316	$2,538,807	$3,000,000	3,396,706
CSFS-Health Forests Vibrant Communities Cash Fund (HFVC)	189,979	1,186,363	1,186,363	1,305,000	521,531	9,500,000	8,895,047	6,807,248[a]
CSFS-Wildfire Mitigation Incentives Local Government Cash Fund (WMILG)	0	0	0	0	0	0	10,000,000	0
CSFS-Forest Restoration and Wildfire Risk Mitigation Cash Fund (FRWRM)	1,107,401	954,545	2,050,000	1,419,623	6,000,000	8,000,000	10,200,000	9,088,159[b]
DNR COSWAP Cash Fund	0	0	0	0	0	17,500,000	14,000,000[c]	7,000,000[c]
Total	**$1,297,380**	**$2,140,908**	**$3,236,363**	**$2,724,623**	**$6,521,531**	**$35,000,000**	**$43,095,047**	**22,895,407**

**FY 2023-24 request and estimated federal funds based on prior years.*

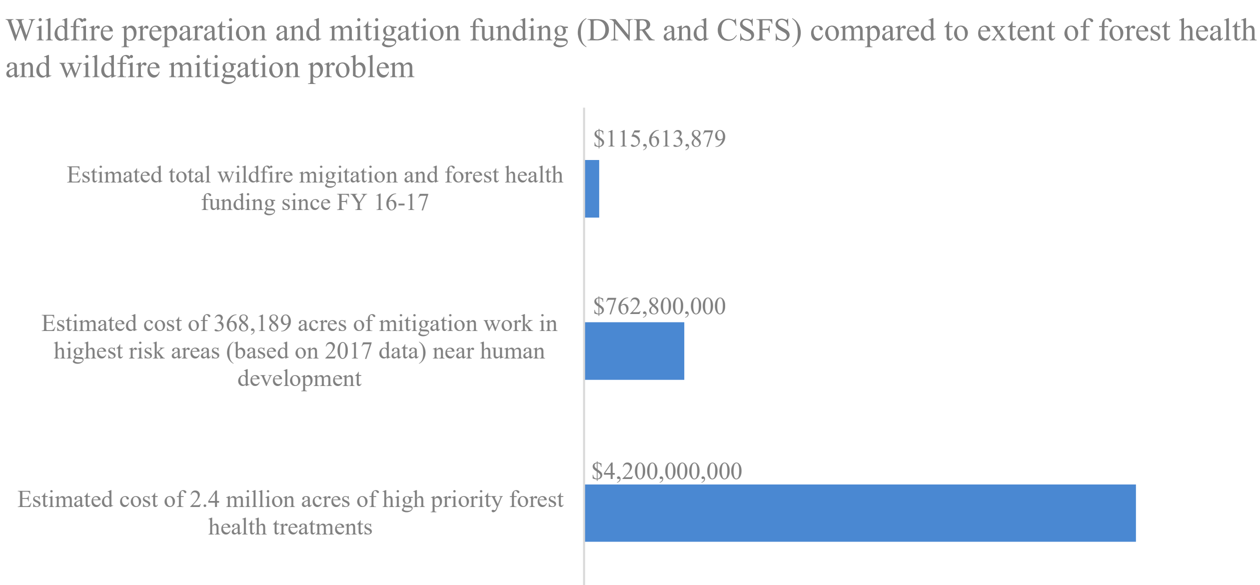
a) HFVC FY 2023-24 amount includes a $2.0 million General Fund base appropriation via the Long Bill and the $4.0 million requested General Fund transfer via this budget request.

b) FRWRM FY 2023-24 amount includes an $8.0 million General Fund base appropriation via the Long Bill and the $1.0 million requested General Fund transfer via this budget request.

c) COSWAP FY 2022-23 amount includes the $10.0 million appropriation from the Severance Tax Operational Fund via S.B. 23-139 (State Severance Tax Trust Fund Allocation). COSWAP FY 2023-24 amount includes a $5.0 million appropriation from the Severance Tax Operational Fund as allowed by S.B. 23-139 (State Severance Tax Trust Fund Allocation). It also includes a $2.0 million General Fund transfer via this budget request.

Staff notes that all of the cash funds listed above are continuously appropriated. That means that unspent appropriations from previous years remain in each fund and can be spent by the department without further approval by the General Assembly.

HOW EXISTING AND REQUESTED FUNDING COMPARES TO "NEEDED" FUNDING
Per the CSFS' 2020 Forest Action Plan, about 10.0 percent of Colorado's 24.0 million acres of forest "…are in urgent need of treatment to address forest health, wildfire risk and watershed protection threats, at a cost of approximately $4.2 billion."[1] When focusing exclusively on the highest risk areas near human development, the cost is still significant. Per the DNR's R4 Severance Tax for Wildfire Mitigation request, "…focusing treatment and mitigation efforts only on the highest risk areas…[is] estimated to cost at least $762.8 million." If this $9.0 million request and the $5.0 million request for R4 is approved, total funding since FY 2016-17 is estimated to be $115.6 million. Staff notes that not all of this $115.6 million has been (or would be) spent on forest health treatments, as some of this amount has been or is earmarked for planning, capacity development, and outreach purposes. With that caveat in mind, the following table visualizes the figures described above.



RECOMMENDATIONS

JBC STAFF RECOMMENDED $2.0 MILLION FOR THE HEALTHY FORESTS VIBRANT COMMUNITIES (HFVC) FUND FOR GOOD NEIGHBOR AUTHORITY PROJECTS

The Good Neighbor Authority (GNA) allows the CSFS to enter into agreements with federal agencies like the United States Forest Service (USFS) and the Bureau of Land Management (BLM) to accomplish forest management goals on federal lands. For example, when a wildfire mitigation project

[1] https://csfs.colostate.edu/wp-content/uploads/2020/10/2020-ForestActionPlan.pdf (page 5 of pdf)

needs to cross federal, state, and/or private land to be effective, the GNA facilitates work on the federal land portion. Funding for GNA projects come through both the federal government and the State of Colorado and represents both treatment costs and forester capacity to implement the project. In September 2022, the USFS and the CSFS entered into an agreement to increase the CSFS' project implementation capacity with an initial investment of $1.99 million federal funds. This increased the CSFS' workforce by 5.0 FTE, who will focus on developing a pipeline of GNA projects that can be implemented once funding is secured. The requested $2.0 million General Fund would support a total of 10.0 FTE for four years when combined with the previously awarded $1.99 million federal funds. Per the request, each FTE will develop between 500-1,500 acres of mitigation work, meaning they could identify and prepare up to 60,000 acres of GNA mitigation work over four years. These FTE would be located in Fort Collins, Boulder, Franktown, Woodland Park, Durango, Montrose, Granby, and Steamboat Springs.

Per the request, developing "shovel-ready" projects could incentivize additional federal funds. For example, the USFS has $160.0 million available over the next five years for GNA projects nationwide. The CSFS has only asked for the previously referenced $1.99 million, but could expand future asks with additional personnel. There are other federal funds that could be requested through the GNA program.

JBC staff concluded that this request was reasonable due to specific and measureable goals. Actual acres of implementation will be tracked on an annual basis from these positions and will be directly related to goals jointly identified by both CSFS and DNR.

FUNDING NOT RECOMMENDED BY JBC STAFF

$2.0 MILLION GENERAL FUND TO THE HFVC FUND FOR PUBLIC OUTREACH

Senate Bill 22-007 (Increase Wildfire Risk Mitigation Outreach Efforts) provided $800,000 General Fund to the HFVC Fund. This money will support a public awareness campaign about wildfire risk from May 2023 through 2024. The bill also required the CSFS to convene a working group of local, state, and federal partners to enhance outreach efforts. This working group is expected to provide outreach recommendations in the Fall of 2023.

Per the request, the requested $2.0 million General Fund (in addition to the existing $800,000) would "allow for a more robust, wider-reaching and more impactful campaign already in development for Senate Bill 22-007." The request says that the campaign will include metrics to gauge success, which are still being developed. JBC staff received possible metrics, none of which included actual changes in behavior.

The request also says that if this request is not approved, the campaign developed through S.B. 22-007 "will remain limited in scope," and that, "In the end, fewer residents will know of their wildfire risk and be prepared for fire." Lastly, the request says that the requested $2.0 million should allow state agencies to "implement recommendations of the working group [established by S.B. 22-007]."

Staff concludes that additional funding for public outreach is not justified for four reasons. First, staff assumes that the $800,000 General Fund provided through S.B. 22-007 indicates legislative intent regarding the scope of the public outreach campaign. In other words, if a broader campaign was desired, it would have been funded at $2.8 million General Fund. Furthermore, staff notes that there is already a $2.0 million General Fund base appropriation to the HFVC Fund in the Long Bill.

Second, the S.B. 22-007 working group has not made its recommendations yet and will not do so until the fall of 2023. In JBC staff's view it is premature to appropriate money to implement recommendations before those recommendations have been made.

The third reason relates to possible overlap with other programs. H.B. 22-1011 created the Wildfire Mitigation Incentives for Local Government Grant Program and transferred $10.0 million General Fund to a newly-created, continuously appropriated cash fund bearing the same name.[2] This new program and fund is also managed by the CSFS. Statute allows these funds to be used for "outreach and education efforts directed at property owners and other members of the public." The overlap between this program and the requested funds is not clear.

Lastly, with regards to Colorado residents understanding wildfire risk, it is not clear to JBC staff why a public outreach campaign will achieve that which the destructive wildfires of 2020 and 2021 could not.

$1.0 MILLION GENERAL FUND TO THE FRWRM CASH FUND FOR LOCAL AND STATE AGENCY PLANNING AND PROJECT MANAGEMENT CAPACITY

The Forest Restoration and Wildfire Risk Mitigation (FRWRM) Grant Program is a competitive grant program that funds forest health & wildfire mitigation projects and capacity building projects. Statute allows up to 25.0 percent of the money in the fund to be used for capacity-building efforts, which includes planning and implementation.

There is already an $8.0 million General Fund base appropriation for the FRWRM program. This base appropriation started in FY 2021-22. During FY 2021-22 budget cycle, the Executive Branch requested a $5.0 million transfer of General Fund to the FRWRM Cash Fund. This was in addition to a $1.0 million General Fund appropriation to the FRWRM Cash Fund in the Long Bill for the Department of Higher Education.

[2] Section 23-31-318 (7)(d), C.R.S.

JBC staff recommended an ongoing $8.0 million General Fund appropriation to the FRWRM Fund in the Long Bill, along with an ongoing $2.0 million General Fund appropriation to the HFVC Fund. This $8.0 million appropriation for FRWRM has been built into the base budget for the Department of Higher Education and is included in the Department of Higher Education's FY 2023-24 budget request. Statute allows the CSFS to distribute up to $2.0 million of the $8.0 million appropriation for capacity building purposes.

The request did not present information regarding the extent of local and state agency planning and project management deficiencies and/or what $1.0 million additional General Fund will actually achieve. It is staff's understanding that it may help local communities be more competitive for federal grants, but the exact link between the two was not readily apparent to staff. Applicants can use FRWRM funding as a local match for federal grants, but that does not strike staff as a capacity building use of state funds.

$2.0 MILLION GENERAL FUND TO THE WILDFIRE MITIGATION CAPACITY DEVELOPMENT FUND (COSWAP)

The General Assembly already appropriated $10.0 million from the Severance Tax Operational Fund to the COSWAP Cash Fund in FY 2022-23. An additional $5.0 million is slated for FY 2023-24. The Executive Branch originally requested $7.0 million for COSWAP, including this $2.0 million General Fund transfer. Staff concludes that additional General Fund appropriations are not necessary due to the amount of funding provided by the Severance Tax Operational Fund.

$2.0 MILLION GENERAL FUND TO THE WILDLAND URBAN INTERFACE HOME HARDENING FUND [REQUIRES LEGISLATION TO CREATE THE PROGRAM AND THE FUND]

Approval of this request would require the JBC to sponsor legislation to create both the grant program and the related cash fund. The request did not provide much detail about this program and fund, which would require the JBC and JBC staff to conceptualize the program and fund largely from scratch. Consequently, JBC staff believes the Department of Public Safety should work with the General Assembly to craft legislation outside of the budget process and that said legislation should be routed through the appropriate committees of reference. Staff's recommendation to pursue alternative legislative paths should not be viewed as an endorsement of the concept.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Matthew Valeta, JBC Staff (303-866-5434)
DATE	March 15, 2023
SUBJECT	Department of Agriculture Comeback – Agriculture Workforce Services Program (Updated)

Representative Bird requested that staff research a request from Rocky Mountain Farmer's Union to provide $75,000 General Fund in additional support to the Agricultural Workforce Services Program.

On March 13th, Senator Kirkmeyer requested information about the Department's activities related to the Agricultural Workforce Services Program in Weld and Adams counties. The Department's program manager has been in contact with the Northern Migrant Rural Coalition in Adams and Weld counties and presented on the Agriculture Workforce Services Program at the Farm Show in Greeley.

➔ C1 AGRICULTURAL WORKFORCE SERVICES PROGRAM

REQUEST: The request is for $75,000 General Fund for FY 2023-24 to the Department of Agriculture to develop resources for farm workers and employers about statutory requirements for agricultural workers' compensation and working condition requirements.

BACKGROUND: Senate Bill 21-087 (Agricultural Workers' Rights) removed the agricultural worker exemption from the Colorado Labor and Peace Act and granted agricultural workers the right to organize and join labor unions, engage in collective bargaining and strike. The bill also guaranteed agricultural workers' rights to meal breaks, rest periods, to have visitors at employer-provided housing, and created rules for overtime pay. Additionally, the Department was required to promulgate rules on agricultural working conditions and create a process for reviewing applications for certificates of variance for more than occasional or intermittent hand weeding. In order to review applications, process certificates, conduct site visits when necessary, and work with the Department of Law on appeals, ongoing funding for 1.0 FTE was appropriated to the Department. Ongoing funding of $33,800 was also provided to fund the maintenance of the tracking system for farm applications for certificates of variance.

SB 21-087 AGRICULTURAL EMPLOYER RESPONSIBILITIES AND WORKERS' RIGHTS PROVISIONS		
COLORADO REVISED STATUTES SECTION	NEW RULES	DESCRIPTION
Section 8-6-101.5	Minimum Wage; Meal Breaks; Rest Breaks	• The minimum wage requirements in the state constitution apply to agricultural workers • 30-minute meal breaks for shifts longer than five consecutive hours • 10 minute rest breaks within each four hours of work
Section 8-6-120	Overtime Rules	• The director shall promulgate rules providing meaningful overtime and maximum hours protections to agricultural employees
Section 8-13.5-202	Key Service Provider Access	• Reasonable access to visitors • At least one day per week, the employer shall provide transportation to a location where workers can access basis necessities
Section 8-13.5-203	Heat Stress and Hand Weeding	• Protections when outside temperatures reach eighty degrees or higher • Prohibition of weeding and thinning by hand or with a short-handled tool • Additional rest periods for workers engaged in hand weeding

SB 21-087 AGRICULTURAL EMPLOYER RESPONSIBILITIES AND WORKERS' RIGHTS PROVISIONS		
COLORADO REVISED STATUTES SECTION	NEW RULES	DESCRIPTION
Section 8-14.4-109	Employer Provided Housing during Public Health Emergencies	• Minimum space and air filtration requirements for employer-provided housing

During last year's legislative session, HB 22-1308 created the Agricultural Workforce Services Program and appropriated $100,000 General Fund to the Department to implement the program and create an online resource portal for agricultural employees to access information about their rights under labor laws and for agricultural employers to access information about compliance with labor laws. The portal must include a wage and hour calculator, and explanations of the provisions of Senate Bill 21-1087 regarding wages and workplace protections.

HB 22-1308 AGRICULTURAL WORKFORCE SERVICES PROGRAM DEPARTMENT OF AGRICULTURE FINAL FISCAL NOTE		
COST COMPONENTS	FY 2022-23	FY 2023-24
Personal Services	$22,211	$29,615
Operating Expenses	675	675
Capital Outlay Costs	6,200	
Portal Creation and Maintenance	70,914	18,600
Centrally Appropriated Costs		7,667
FTE – Personal Services	0.4 FTE	0.5 FTE
Total	**$100,000**	**$56,557**

HB 22-1308's fiscal note was updated twice after introduction. The original fiscal note appropriated $443,443 for the Department including $285,223 for a grant program to fund workplace improvements to comply with labor and workplace standards. The second fiscal note reduced the grant program to $200,000 and the final fiscal note removed funding for the grant program and translation services entirely.

HB 22-1308 IMPLEMENTATION UPDATE

The Department hired a program manager who started on January 3rd this year to engage with agricultural employees and employers, state agencies, and nonprofit associations. The program manger's initial direct outreach will focus on San Luis Valley, Arkansas River Valley, Grand Valley, Northwest Colorado, and Northeastern Colorado. The first series of workforce resources and the wage and hour calculator are expected to be released in early April 2023.

ADDITIONAL FUNDING REQUEST

If the Department is appropriated $75,000 General Fund for FY 2023-24, they plan to use it to implement the following non-required educational resources on the Department's online resource portal suggested by HB 22-1308:

- A publicly available page on the Department's official website that includes a portal to resources for use by agricultural employees and agricultural employers. If created, the website is required to be available in both English and Spanish. (mandatory in the introduced version of HB 22-1308).

- Video modules to help employers comply with labor laws and help employees understand the rights they are afforded (mandatory in the introduced version of HB 22-1308).
- Online portal information concerning agricultural employee safety and working conditions, agricultural employee labor rights, mental health, and agricultural employers' labor requirements.

These resources are intended to provide employers with information about whether they are in compliance with the new requirements and help employees assess whether their current working conditions meet the updated standards required by Colorado labor law.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Matthew Valeta, JBC Staff (303-866-5434)
DATE	March 17, 2023
SUBJECT	Department of Agriculture Technical Adjustment – Agricultural Markets Line Items

➔ STAFF INITIATED COMEBACK – LINE ITEM TECHNICAL ADJUSTMENT

REQUEST: Staff is proposing to move the line items for the Community Food Access Program and the Small Food Business Recovery and Resilience Grant Program from the Agricultural Services Division to the Agricultural Markets Division.

This will align the FY 2023-24 Long Bill with the Department's budget schedules. Both programs were created by HB 22-1380 Critical Services for Low-income Households.

Staff needs permission to move these line items as they were included as part of the Agricultural Services Division during figure setting for the Department.

RECOMMENDATION: **Staff recommends approval of moving the Community Food Access Program and the Small Food Business Recovery and Resilience Grant Program line items to the Agricultural Markets Division.**

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Scott Thompson, JBC Staff (303-866-4957)
DATE	March 16, 2023
SUBJECT	JBC Staff Comeback: OIT BA1 IT Accessibility Testing and Remediation

On March 7, 2023, the Joint Budget Committee delayed action on BA1 IT Accessibility testing and remediation submitted by the Office of Information Technology due to rumors a forthcoming bill would be adjusting the costs of implementation. Upon further investigation, JBC Staff and staff from the Office of Information Technology do not believe any legislation in discussion will have an impact on the work that needs to be done to bring the states information technology in compliance with H.B. 21-1110 and changes are likely to be focused on the private cause of action create for members of the disabled community to fine the state for noncompliant websites.

JBC Staff recommended the Committee approve the requested changes statewide. The modified recommendation includes adjustments recommended by individual department JBC analysts and is summarized in the following table:

Statewide IT Accessibility as Requested and Recommended but Excluding Independent Agency Requests						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Agriculture	$1,637,964	$1,061,400	$576,564	$0	$0	0.0
Corrections	886,357	886,357	0	0	0	0.0
Early Childhood	1,148,357	551,480	0	0	596,877	2.0
Education*	2,929,144	2,346,830	582,314	0	0	1.8
Governor	5,138,103	1,132,649	0	4,005,454	0	5.0
Health Care Policy & Finance	3,158,278	1,257,706	297,857	5,431	1,597,284	5.0
Higher Education*	3,227,543	2,827,543	400,000	0	0	14.0
Human Services	1,139,338	416,770	0	722,568	0	2.8
Judicial	0	0	0	0	0	0.0
Labor and Employment	3,481,855	850,617	1,541,765	30,989	1,058,484	1.0
Law	0	0	0	0	0	0.0
Legislative	0	0	0	0	0	0.0
Local Affairs	579,813	229,433	219,401	20,641	110,338	0.0
Military & Veterans Affairs	228,036	228,036	0	0	0	0.0
Natural Resources	2,109,274	149,337	1,829,892	107,839	22,206	3.0
Personnel	6,549,380	2,113,485	191,897	4,243,998	0	6.0
Public Health and Environment	8,365,460	3,510,984	1,100,058	2,695,351	1,059,067	1.8
Public Safety	1,687,046	853,610	81,591	751,845	0	0.9
Regulatory Agencies	1,282,709	0	1,282,709	0	0	0.0
Revenue	2,329,986	1,596,040	733,946	0	0	0.0
State	0	0	0	0	0	0.0
Transportation	0	0	0	0	0	0.0
Treasury	0	0	0	0	0	0.0
Total	45,878,643	20,012,277	8,837,994	12,584,116	4,444,256	43.3

Independent agencies are greyed because they were not included in the request due.

*Items in blue represent adjustments recommended by JBC staff that differ from the fund splits originally requested.

On the following pages are a reproduction of the original staff recommendation and the OSPB comeback.

➔ OIT BA1 IT ACCESSIBILITY TESTING AND REMEDIATION

REQUEST:
On behalf of all state agencies, the Governor's Office of Information Technology (OIT) requests a one-time appropriation of $45,653,545 total funds for FY 2023-24 with two years of spending authority via Long Bill footnote for compliance with HB 21-1110, Colorado Laws for Persons with Disabilities. One of the requirements of H.B. 21-1110 was for all state agencies to create IT Accessibility Adoption Plans by June 30, 2022. The completion of these plans provided the data needed to understand the current gap that exists across state agencies when it comes to having accessible technology systems.

JTC RECOMMENDATION:
The Joint Technology Committee recommends approval of the request, with expectations of quarterly reporting from the Office to the Joint Technology Committee and with an emphasis on advertising the app.

RECOMMENDATION:
JBC Staff recommends approving the request. Consistent with JBC policy, because the statewide increase of FTE is 59.5 exceeds 20.0 FTE, the recommendation includes centrally appropriated line items. Finally, the recommendation includes appropriations in use agencies in a new line item titled "IT Accessibility" JBC Staff requests permission for individual analysts to work with state agency staff to determine the right mix of funds to reach the final appropriation.

OSPB Comeback OIT BA-01 IT Accessibility Testing and Remediation

	Original Request	JBC Action	Comeback Request
Total Funds	$45,653,545	Delay	$45,653,545
FTE	59.5		59.5
General Fund	$16,862,547		$16,862,547
Cash Fund	$9,898,890		$9,898,890
Reappropriated Funds	$15,157,235		$15,157,235
Federal Funds	$3,734,872		$3,734,872

Summary of JBC Action:
The Joint Budget Committee delayed action on the Office of Information Technology's BA-01 IT Accessibility Testing and Remediation request to comply with H.B. 21-1110. JBC staff recommended fully funding the request. The JBC requested that OIT provide more information and cost estimates on an alternate solution of building a new unified state website that would address the current accessibility remediation work. The JBC hoped this new website would be cheaper, prevent wasted remediation on items no longer used, and address the State's accessibility issue.

Summary of Comeback Request:
The Office of State Planning and Budgeting and the Office of Information Technology on behalf of 19 state agencies respectfully request the Joint Budget Committee approve the original request for $45,653,545 ($16.9M GF) with 59.5 term limited FTE. OIT, in coordination with agencies, has identified that the State of Colorado has at least $45,653,545 in accessibility remediation work to do with $3,844,707 of this remediation work related to websites and $34,777,252 related to applications (and other tech tools such as kiosks).

Building a new unified state web presence is estimated to cost between $10-15 million, while only addressing 10% of the total liabilities for the state. While OIT is eager to work with the legislature on improving the experience of government for all Colorado residents, unfortunately, a new web presence only solves a very small part of the accessibility problem that the state has.

Analysis
As part of addressing the stateâ€™s accessibility needs, OIT assessed whether there were feasibility in achieving efficiencies by reviewing the current conditions of all the state websites. As we have 400+ websites across the state, the total cost to test and remediate those sites is close to $5M (shown in the table below). This includes fixing the current websites without making any major enhancements. During this analysis, OIT considered the alternate solution of building a new website for the state. The cost to completely build a new accessible website is almost double to

triple ($10-15M) the cost of remediation and would take a considerable amount of effort for all state agencies.

However, if funding was only made available to address state websites, the state would still be left with the 1000+ applications needing testing and remediation unaddressed, which the majority of this funding request is for.

Based on this finding, the strategy OIT would recommend that would yield the greatest benefit for the state would be to pursue and focus on testing and remediating the websites and applications we currently have, as we continue to monitor for any changes to the platforms that may impact the websites. Throughout the process OIT and agencies will continue to look for efficiencies in addressing accessibility.

Below are the results of the statewide cost analysis of data collected from the IT accessibility adoption plans that 19 agencies and OIT worked on for months. These plans helped identify the highest priorities in each agency to address accessibility website and application remediation needs. The requested amount reflects this work and the best estimate for what is required to make major improvements in IT accessibility for each agency. The funding split differs for each agency, so any reduction would need to be explicit about the funding source being reduced or the proposed method of reduction.

Agency (19 Total)	Agency FTE (Term Limited/ Contractors) #	Agency FTE (Term Limited/ Contractors) $	Website Testing $	Website Remediation $	Application Testing $	Application Remediation $	Other $	Total Funds $
Total Request	**59.5**	**$6,811,156**	**$1,456,919**	**$2,387,788**	**$8,617,216**	**$23,697,086**	**$2,462,950**	**$45,653,545**

Testing software such as siteimprove only catches 30% of accessibility issues which means that applications and websites have to be manually tested. Once issues are identified, they have to be fixed. Both of these processes can be very time consuming based on the complexity of the issue and level of effort required to remediate.

This accessibility work is required by H.B. 21-1110 which created specific requirements for all state agencies to ensure that the technology used was accessible to all. It also mandated a full compliance deadline of July 1, 2024. If the state is not in full compliance with the requirements of H.B. 21-1110 by this date, the state could be fined $3,500 per violation, per person. Not funding this request will prevent the important work of making state services available to all residents including those using assistive technology to receive those services, and it could cost the state millions of dollars in fines. According to UsableNet research, in 2021, a digital lawsuit regarding accessibility is filed every hour. It would only take 13,043 fines to equal the $45.7 million of the request.

This funding is critically needed to invest in testing and remediation of current websites, applications, and systems while also putting in place better processes and systems to ensure that the web development and application development lifecycle proactively test for accessibility and ensure accessibility from the start.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Scott Thompson, JBC Staff (303-866-4957)
DATE	March 16, 2023
SUBJECT	IT Capital Comeback

JBC staff recommends the Committee adopt the "above the line" IT Capital list as prioritized by the Joint Technology Committee. This priority is summarized below and include both "above the line" and "below the line" projects.

JTC	OSPB	CCHE	FY 2023-24 Information Technology Projects - JTC Prioritized Recommendations for Funding	Total Funds	Capital Construction Fund	Cash or Federal Funds	Cumulative Capital Cons'n Fund	Add'l Out-Year State Funds
			FY 2022-23 Appropriation					
			FY 2022-23 Long Bill (H.B. 22-1329)	146,428,435	109,102,442	37,325,993	$0	
			TOTAL	**146,428,435**	**109,102,442**	**37,325,993**	**$0**	
Priority								
JTC	**OSPB**	**CCHE**	**JTC Prioritized** Recommendations "Above the Line projects"					
1	**2**		HCPF Medicaid Enterprise Solutions Re-Procurement	$52,552,516	$6,043,541	$46,508,975	$6,043,541	$36,879,501
2	**9**		LAB Vocational Rehabilitation Case Management System	4,677,866	0	4,677,866	6,043,541	1,234,465
3	**6**		GOV/OIT Modernizing Aging IT Systems	15,103,996	15,103,996	0	21,147,537	0
4	**7**		PubHea Stationary Sources Solution Modernization	4,530,695	0	4,530,695	21,147,537	4,373,158
5	**1**		PER Payroll Modernization	14,249,228	14,249,228	0	35,396,765	32,665,638
6	**3**		COR Offender Records Management System (DeCORuM)	6,140,514	6,140,514	0	41,537,279	0
7	**8**		LAB Conveyance Database	693,000	0	693,000	41,537,279	0
8	**5**		PubHea Vital Event System of Colorado (VESCO)	1,410,064	1,410,064	0	42,947,343	515,170
9	**4**		HUM Information Management Systems & Data Reporting	2,093,951	2,093,951	0	45,041,294	3,852,439
10		**8**	HED/FRCC Network and IT Security Upgrade	3,800,000	3,420,000	380,000	48,461,294	0
11		**5/6**	HED/UNC ERP Modernization & Cloud Migration	1,346,873	1,291,651	55,222	49,752,945	0
12		**3/4**	HED/CCD Classroom and Conference Room Technology	1,731,807	1,627,899	103,908	51,380,844	0
13		**9**	HED/FLC & WCU Next Generation WiFi	1,835,702	1,760,438	75,264	53,141,282	0
14		**5/6**	HED/CCA Improving Server Room	885,833	814,740	71,093	53,956,022	0
15		**11**	HED/CSUP WiFi Technology Infrastructure Upgrade	810,550	810,550	0	54,766,572	0
16		**2**	HED/MSU Network Infrastructure Modernization	1,295,000	795,000	500,000	55,561,572	0
17		**3/4**	HED/CMU ERP Modernization	3,660,000	3,290,340	369,660	58,851,912	0
			Total Recommended Funding Above the Line	**116,817,595**	**58,851,912**	**57,965,683**		**79,520,371**
JTC	**OSPB**	**CCHE**	**Recommendations if Additional Funding is Allocation** "Below the Line Projects"					
18	**x**		REV Licensing and Case Management Software	1,000,000	1,000,000	0	59,851,912	9,000,000
19		**1**	HED/CSU Network Hardware Upgrade	2,992,445	2,244,053	748,392	62,095,965	0
20		**10**	HED/Mines ERP Modernization	2,635,000	2,345,000	290,000	64,440,965	unknown
21	**x**		COR Human Resources Software (HRMES)	2,605,507	2,605,507	0	67,046,472	0
22		**10**	HED/MSU Reimagining the Campus Digital Experience	5,410,000	4,753,163	656,837	71,799,635	0
			Total Funding Prioritized Below the Line	**14,642,952**	**12,947,723**	**1,695,229**		**9,000,000**
			Total Above and Below the Line	**131,460,547**	**71,799,635**	**59,660,912**		**88,520,371**

*An "x" indicates a projects that was requested but for which OSPB or CCHE did not include in the prioritization list.

**CCHE Prioritization number 10 was split into two projects on this list, which are identified as projects 20 and 22 on the JTC prioritization.

➔ JTC PRIORITIZATION AND JBC STAFF RECOMMENDED

JTC RECOMMENDATION:
The JTC has prioritized and recommended 17 information technology projects for FY 2023-24. These items total $116.8 million, including $58.9 million Capital Construction Fund and $58.0 million cash and federal funds.

JBC STAFF RECOMMENDATION:
In deference to the legislative process for capital construction and the role of the JTC, JBC staff does not typically make recommendations on the prioritization of capital projects.

Staff recommends that the Committee approve and fund information technology projects to the extent that funding is available for projects as prioritized by the JTC.

➔ 2. GF TRANSFER TO THE IT CAPITAL ACCOUNT OF THE CCF

STAFF RECOMMENDATION: **Staff recommends that the Committee approve legislation for a transfer of General Fund to balance the IT Capital Account of the Capital Construction Fund for all state-funded appropriations for approved information technology projects.** Historically, this transfer is included in a single capital-related transfer bill for all Capital Construction Fund appropriations and JBC staff recommends combining the transfers again this year.

STAFF ANALYSIS:
The following table outlines the transfer necessary for all JTC recommended information technology projects above the line. Projects recommended by the JTC but not funded by the JBC will reduce the necessary transfer. Additional projects moved above the line will increase the necessary transfer.

FY 2023-24 IT CAPITAL ACCOUNT OF THE CCF	
IT Capital Account End Balance - June 30, 2023	**$0**
ITCA Reversions - FY 2021-22	445,198
ITCA Interest - FY 2021-22	531,736
ITCA Beginning Balance - FY 2023-24	**$976,934**
FY 2023-24 Recommended State Funds for IT Capital	
Continuation Projects above the line	39,326,701
New Items above the line	19,525,211
Subtotal - JTC and staff recommendations	$58,851,912
ITCA Balance	**($57,874,978)**
Recommended Transfer to from the General Fund	$57,874,978

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Scott Thompson, JBC Staff (303-866-4957)
DATE	March 16, 2023
SUBJECT	Office of the Governor Office of Information Technology R2 myColorado App

JBC ACTION TO DATE:
The motion on March 7, 2023 from the Committee was to approve the Staff recommendation, however, the motion failed on a vote of 3-3.

The table below summarizes by agency and fund type the staff recommendation, which continues to be the Department's original request.

MYCOLORADO APP ANTICIPATED USER AGENCY FUNDING SPLITS					
	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUND	FEDERAL FUNDS	TOTAL FUNDS
Agriculture	$22,098	$12,004	$0	$0	$34,102
CBMS (appropriated in DHS)	$0	$0	$988,903	$0	$988,903
Corrections	$389,890	$0	$0	$0	$389,890
Early Childhood	$0	$0	$0	$0	$0
Education	$7,712	$2,712	$3,218	$0	$13,642
General Assembly	$692	$0	$0	$0	$692
Governor's Office	$15,512	$0	$0	$0	$15,512
Health Care Policy and Financing	$89,720	$23,326	$437	$116,333	$229,816
Higher Education	$4,047	$0	$0	$0	$4,047
History Colorado	$0	$2,497	$0	$0	$2,497
Human Services	$368,706	$0	$639,238	$0	$1,007,944
Judicial	$83,717	$0	$0	$0	$83,717
Labor and Employment	$101,026	$183,113	$3,680	$125,714	$413,534
Law	$2,254	$1,474	$5,678	$258	$9,664
Local Affairs	$14,839	$14,190	$1,335	$7,136	$37,501
Military and Veteran Affairs	$6,140	$0	$0	$0	$6,140
Natural Resources	$39,607	$157,840	$8,186	$4,223	$209,856
Personnel and Administration	$26,044	$2,365	$52,298	$0	$80,707
Public Health and Environment	$84,417	$26,449	$64,806	$25,464	$201,136
Public Safety	$50,674	$61,281	$90,741	$434	$203,131
Regulatory Agencies	$0	$0	$90,450	$0	$90,450
Revenue	$81,895	$37,660	$0	$0	$119,555
State	$0	$9,311	$0	$0	$9,311
Transportation	$0	$357,039	$0	$0	$357,039
Treasury	$1,295	$900	$0	$0	$2,195
Total	**$1,390,287**	**$892,162**	**$1,948,970**	**$279,563**	**$4,510,981**
Percent of Total	30.8%	19.8%	43.2%	6.2%	100.0%

The following is a reproduction of the original staff discussion and OSPB comeback. The original request and recommendation was for $4,510,981 reappropriated funds and 18.0 FTE. The modified request identified in the OSPB comeback is for $3,690,303 reappropriated funds and 15.0 FTE.

If the JBC takes no further action, JBC staff will reflect the JBC action to date, which resulted in denying the changes requested by the Office.

➔ OIT R2 SCALE AND SUSTAIN MYCOLORADO

REQUEST:
The Governor's Office of Information Technology (OIT) requests $4,510,981 in Reappropriated Funds with 18.0 FTE in FY 2023-24 and $4,384,981 in Reappropriated Funds with 18.0 FTE ongoing to provide the necessary resources to support the growing adoption and expansion of the myColorado™ mobile application. This will ensure the continuance of the myColorado platform and support for the more than 800,000 Coloradans currently using this service. About 40 percent of account holders access the myColorado mobile app in any given month to access their Colorado Digital ID™, myVaccine Record, digital fishing license, vehicle registrations, insurance cards and more.

JTC RECOMMENDATION:
The Joint Technology Committee recommends approval of the request, with expectations of quarterly reporting from the Office to the Joint Technology Committee and with an emphasis on advertising the app.

RECOMMENDATION:
JBC staff recommends approving the Office's request, but excluding centralized costs and assuming an August 1 start date for new FTE instead of July 1. The request and recommendation are summarized below.

REQUEST AND RECOMMENDATION SUMMARY						
CHANGE DESCRIPTION	FY 2023-24 REQUEST		FY 2023-24 RECOMMENDATION		FY 2024-25 ANNUALIZATION	
	FTE	Cost	FTE	Cost	FTE	Cost
Personal Services						
Various IT Positions	18.0	$1,887,836	16.5	$1,597,418	18.0	$1,742,448
Subtotal - Personal Services	**18.0**	**$1,887,836**	**16.5**	**$1,597,418**	**18.0**	**$1,742,448**
POTS		368,408		0		361,677
Operating Expense		13,230		13,230		13,230
Capital Outlay		126,000		126,000		0
Contracts		607,768		607,768		607,768
Licenses		1,507,739		1,507,739		1,507,739
Total	**18.0**	**$4,510,981**	**16.5**	**$3,852,155**	**18.0**	**$4,232,862**

DISCUSSION:
The award-winning myColorado™, the State of Colorado's official mobile app, was launched in January 2019 to provide residents a convenient and secure way to access state services and resources from their smartphone, anytime and anywhere. The first state service in the app was driver license renewal. As an added convenience, users were able to securely store payment information for future in-app purchases and the ability to opt in to receive push communications such as renewal notifications and important state information like disaster declarations, weather emergencies, or road closures.

This innovative platform set the stage for future services and revolutionized the way Coloradans interact with businesses, health providers, state agencies, law enforcement and other organizations. For example, on Oct. 30, 2019, Governor Polis issued an Executive Order encouraging the adoption of a digital ID and required state agencies to begin accepting it as proof of identification beginning December 2019. In March 2020, new features were added in response to the COVID-19 pandemic and stay-at-home order, including convenient access to real-time COVID-19 information, 17 additional Division of Motor Vehicles (DMV) services, and state of Colorado job opportunities.

Notices about the proper usage of the digital ID are expected to be updated on forthcoming myColorado app updates, due to law enforcement agencies only being encouraged by the executive order to accept it as official identification. The OIT also continues to engaged with members of the Joint Technology Committee about the potential to codify the requirement that law enforcement accept the ID statewide.

More than 958,000 Coloradans have downloaded this groundbreaking app and are using one or more of its digital features:

- Identification - aligning with Colorado Department of Revenue's mDL as the evolution of the digital credential and is well defined under ISO/IEC 18013-5 formalized in 2021. It is a reimagined secure digital identification standard developed from scratch with security at the core of its design.
- myVaccine Record - partnering with Colorado Department of Public Health & Environment this record mirrors the paper card issued by the Centers for Disease Control and Prevention (CDC) and users can download a copy to their device for quick access at any time.
- Colorado SMART® Health Card - a free feature of myVaccine Record that enables contactless verification of the app user's vaccination status via QR code. Merchants may scan the Colorado SMART® Health Card at restaurants, concert venues and other places for public gatherings where showing vaccine status may be required.
- Digital Fishing License - residents access purchases from the Colorado Department of Natural Wildlife, Division of Parks and Wildlife.

myColorado also allows users to:

- store their vehicle registrations, insurance cards and other important documents in the digital wallet;
- access Division of Motor Vehicles options;
- look up Colorado state sales tax by location;
- search the State of Colorado job listings;
- apply for medical, food, cash and early childhood assistance on Colorado PEAK; and
- view the latest COVID-19 updates and helpful resources.

The current mobile landscape for state services can be difficult to navigate, and with 97 percent of Americans owning a cellphone of some kind, OIT wishes to take command of the state's mobile and digital identity strategy. Many of the state's online services have not been optimized for mobile viewing, engagement and accessibility. Agencies that have developed mobile applications have done so to provide a single service requiring Coloradans to download multiple applications for limited use. The myColorado application offers secure and optimized mobile engagement, streamlining the process to access state services and providing the opportunity to engage with multiple services from one application.

JBC Staff had previously described this request as being funded as part of the common policy. While that characterization is not incorrect, as OIT transitions from a payment model that was wholly a common policy before to one the bills for services based on a rate per unit, things that once looked entirely common policy are really components of the real-time billing methodology.

Contrary to the prior assumption by JBC staff that even agencies not utilizing services on myColorado would be charged for the state developing and running the app, OIT is requesting spending authority so that it can include development of myColorado services and operations of myColorado as one of the many services to offers to individual agencies. Approving this request prevents future myColorado development to occur outside of direct appropriations to OIT (that originate from the user agency), much like the interagency agreements discussed *R4 Interagency spending authority* that follows this discussion.

In summary, the demand for myColorado is seeing a sizable increase in resident use, agency features, digital government alignment and overall system stability and accessibility. These demands cannot be met with the current resources available, and as such, OIT is requesting resource funding to meet the constituent, legislative, and agency demands.

Without funding, the platform will not be able to be maintained properly and customers will not have adequate support. Regardless of the solution chosen, ongoing funding will be required. OIT platform, security and architectural support will be required even if a managed vendor solution was implemented using private sector competency.

Office of Information Technology

OIT R-02: myColorado Platform Sustainability & Scalability

	Original Request	JBC Action	Comeback Request
Total Funds	$4,510,981	$0	$3,690,303
FTE	18.0	0.0	15.0
General Fund	$0	$0	$0
Cash Fund	$0	$0	$0
Reappropriated Funds	$4,510,981	$0	$3,690,303
Federal Funds	$0	$0	$0

Summary of JBC Action:
The Joint Budget Committee rejected OIT's myColorado Platform Sustainability & Scalability budget request for FY 2023-24. JBC Staff recommended approval of the full request (modified by application of JBC common policies for centrally appropriated costs); however, Committee members were concerned with the number of FTE required to support the platform and suggested other funding requests across the state should take higher priority.

Summary of Comeback Request:
The Office of State Planning and Budgeting and the Office of Information Technology respectfully request the JBC reconsider the decision to deny the request and instead approve the request for $3,690,303 reappropriated funds and 15.0 FTE funded for the full year to advance offerings within the myColorado app that will improve customer service to Coloradans, including FAMLI benefits, fishing licenses, and child support, among others.

<u>Current Funding and myColorado Use</u>
The funding request for 15.0 FTEs is to establish ongoing funding for the existing employees who are currently supporting this platform and who are needed on an ongoing basis to continue to support the foundational services of the myColorado mobile application. These FTEs provide user experience, software application, product implementation, and enhancements. The platform operating costs and existing 15.0 FTEs supporting the application are currently federally funded; however, these federal funds expire on June 30, 2023 and cannot be used beyond that date.

If the request is not funded, the myColorado app will be disabled for all users as of June 30, 2023. One million current Colorado users will lose access to a tool that is used ~400,000 times a month. There are currently no other sources of funds to support this program.

myColorado is the central tool that OIT plans to use for digital government efforts going forward. Agencies want to use myColorado to deliver services to constituents. If not funded, programs like FAMLI and DNR licenses will need to build stand-alone mobile apps with unique vendors as opposed to a central app that allows easy access to state services for 1 in 5 Coloradans today. The state will lose a critical tool to advance the state's digital government strategic plan and constituent identity management. This means constituents will continue to have to fill out dozens of forms with duplicative information for each agency any time they apply for programs. Constituents will need to know which agency provides each service in order to gain access, as opposed to a single front end. Services provided by the state will continue to be siloed, archaic and confusing for constituents.

Current FTE and Their Responsibilities

Members raised concerns about creating 18 new FTE positions for a new program. However, this request does not establish new FTE positions, but rather establishes a new funding source for an existing program and FTE through a standard billing model through common policy. Reappropriated funds are allocated across the agencies using OIT services. All agencies have the option and ability to leverage the myColorado platform. These funds support the existing and ongoing program.

Below is information on the current 15 FTE positions and their day-to-day responsibilities:

Product Manager	1.0	Developer	2.0	Quality Lead	1.0
User Experience	1.0	Release Mgr	1.0	Engineering Lead	1.0
Data Analyst	1.0	Tester	1.0	Service Desk	5.0
Marketing	1.0				

Responsibilities include:

- Help desk and call center support along with chatbot for 1.1 million users (2,500+ tickets per month)
- Updating accessibility options and making improvements to complete June 30, 2023
- Ongoing user experience evaluation and improvements
- Merchant portal enhancements supporting Colorado State Patrol and other police entities
- Improved infrastructure scalability and stability
- Ongoing infrastructure and app operations, support and maintenance
- mDL integration and approach along with future Colorado Digital ID™ strategy
- Login.gov pilot to align with digital government identity strategy
- Implement additional agency features, including:
  - Department of Education licensing digital wallet
  - Department of Natural Resources and Colorado Parks and Wildlife combined licenses
  - FAMLI integration and dashboard (discovery started to implement by June 2024)
- User Experience Enhancements to core myColorado Services:
  - Identity Management
  - Single Sign On (SSO)
  - Verified Digital Credentials

Currently Planned Features to be Added to myColorado

- **Paid Family and Medical Leave Insurance Act (FAMLI)**
    - Integrate benefits support into myColorado to increase awareness of the program and provide additional value to people of Colorado

- **DNR- expanded licenses** (the most requested ask from customers)
    - CPW Combo Licenses - Expand the current digital annual fishing license to allow Coloradans to access their Combo licenses.

- **myColorado and the Colorado Department of Labor and Employment**
    - Benefit Services Access - preliminary discussions with CDLE indicate that myColorado's Single Sign On capabilities will make engaging with Benefit services easier for Coloradians
- **Fraud reduction Access** - preliminary discussions with CDLE indicate that myColorado's ability to increase "known identities" via industry standards of Identity Assurance Levels (IAL) should result in measurable reductions in state fraud through false identities

- **My Colorado Journey (CDHE + CWDC) - Learning and Employment Records digital credentials**
    - Standards-based digital certificates of achievement / proficiency
    - Allows students and job seekers to have great autonomy over skills developed and leverage achievements as part of the job hunting journey

- **Automated Child Support Enforcement System (ACSES) - child support feature**
    - Traceability / Accountability of child support enforcement via the myColorado app to augment the current "snail mail" process
    - Immediate update to the myColorado based driver's license image to reflect the suspended state
    - Reduce court docket backlog by providing a clear, actionable and timely resolution path to child support enforcement via a "Pay Now" link upon enforcement notification.

- **Colorado Department of Agriculture (CDA)** - pesticide licensing

If R-02 is not funded, existing myColorado functions will cease and new planned functions will not be developed or launched for Colorado users.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff (303-866-4960)
DATE	March 17, 2023
SUBJECT	Department of Higher Education Comebacks: Amounts for Department BA2 Request FTE; Auraria Higher Education Center; Food Advisory Council at CSU

➔ AMOUNTS FOR DEPARTMENT BA2 REQUEST (STRATEGIC STAFFING SUPPORT FOR DEPARTMENT OF HIGHER EDUCATION)

Department of Higher Education request BA2 was for funding for four new positions and increased salary for two positions: chief research officer and chief financial officer. Staff recommended the positions and salary increases with some adjustments but did not recommend specific dollar amounts due to insufficient information from the Department.

During figures setting for the Department of Higher Education on March 9, 2023, the Committee voted to add:

- 1.0 FTE workforce development coordination position;
- 1.0 FTE two-year term limited position to manage a statewide affordability campaign; and
- Provide salary increases

Staff indicated that Staff would return with related funding amounts. **The staff recommendation for amounts associated with the Committee's action are shown below and total $256,047 General Fund and 1.9 FTE for FY 2023-24.** For the workforce development coordination position, staff based funding on a classified program management I position. For the term limited affordability campaign position, staff split the position into two, with 0.5 FTE for a marketing and communications specialist and 0.5 FTE for a program management I position. Staff believes the two positions combined represent the skill sets required. The Department could hire one individual who has sufficient skills in both areas or two part-time staff positions. The salary level for all these positions is the same, with an annual salary of $86,928 (minimum for FY 2023-24). Staff is also recommending the pay increases for the chief research officer and chief financial officer at the level requested. Consistent with Committee common policy, the recommendation does not include funding in the first year for centrally appropriated benefits.

APPROPRIATIONS FY 2023-24 (YEAR 1) – GENERAL FUND							
	PRORATED FTE	PAY PER FTE MONTHLY	ANNUAL PAY	PRORATED PAY	PERA (11.5%)	MEDICARE	TOTALS
PROGRAM MANAGEMENT I	0.9	$7,244	$86,928	$79,684	$9,164	$1,155	$90,003
MKTG & COMM SPEC V	0.5	7,244	86,928	39,842	4,582	578	45,002
PROGRAM MANAGEMENT I	0.5	7,244	86,928	39,842	4,582	578	45,002
Pay Increase CRO & CFO							50,000
Standard Operating							2,700
Capital outlay							13,340

Appropriations FY 2023-24 (Year 1) – General Fund							
	Prorated FTE	Pay per FTE monthly	Annual Pay	Prorated Pay	PERA (11.5%)	Medicare	Totals
Outreach Materials/Travel							10,000
Total	**1.9**						**$256,047**

Appropriations FY 2024-25 (Year 2) – General Fund							
Position Title	Prorated FTE	Pay per FTE monthly	Annual Pay	Prorated Pay	PERA (11.5%)	Medicare	Totals
PROGRAM MANAGEMENT I	1.5	$7,244	$86,928	$130,392	$14,995	$1,891	147,278
MKTG & COMM SPEC V	0.5	7,244	86,928	43,464	4,998	630	49,092
Pay Increase CRO & CFO							50,000
Standard Operating							2,700
Outreach Materials/Travel							10,000
Total							**$259,070**
Centrally appropriated benefits estimate							40,446
Total with benefits							**$299,516**

Appropriations FY 2025-26 (Year 3) – General Fund							
Position Title	Prorated FTE	Pay per FTE monthly	Annual Pay	Prorated Pay	PERA (11.5%)	Medicare	Totals
PROGRAM MANAGEMENT I	1.0	$7,244	$86,928	$86,928	$9,997	$1,260	98,185
Pay Increase CRO & CFO							50,000
Standard Operating							1,350
Materials/Travel							5,000
Total							**154,535**
Centrally appropriated benefits estimate							20,223
Total with benefits							**$174,758**

➔ Food Systems Advisory Council Sunset Review

As noted during the staff figure setting presentation, the Food Systems Advisory Council repeals September 1, 2023, pursuant to Section 23-31-1107, C.R.S., and is subject to sunset review. This program is funded through a limited purpose fee-for-service contract between the Department and the Colorado State University System. A 2022 Sunset Review Report recommended continuation of the Council and S.B. 23-159 (Sunset Colorado Food Systems Advisory Council) extends the Council by seven years, until September 1, 2030.

- As part of figure setting, the Committee approved a staff recommendation to continue funding for this limited purpose fee-for-service contract in the FY 2023-24 Long Bill, noting that if S.B. 23-159 is not enacted, staff assumed the Department will not enter into a limited purpose fee-for-service contract for the program with Colorado State University and related funds will revert.
- Upon further reflection and noting that the repeal is on September 1, 2023, s**taff's revised recommendation is to remove funding for the Food Systems Advisory Council from the**

Long Bill and anticipate that S.B. 23-159 will carry the appropriation for the Council for FY 2023-24.

- Making this adjustment will result in **reduction of $151,068 General Fund** in the appropriation to the Department for Limited Purpose Fee-for-service Contracts and in the appropriation to the Colorado State University System of $151,068 reappropriated funds.

➔ T2 AURARIA HIGHER EDUCATION CENTER SPENDING AUTHORITY

During figure setting for the Department of Higher Education on March 9, 2023, the Committee approved the staff recommendation, which matched the Department request for a $100,000 increase in reappropriated spending authority for Auraria Higher Education Center (AHEC) for a total of $24,239,958 reappropriated funds spending authority. Staff is confirming that original recommendation but with a caveat. Specifically, **staff will support an FY 2023-24 supplemental adjustment for the Auraria Higher Education Center, assuming it is grounded in negotiations between AHEC and institutions on the Auraria campus and a thoughtful response to the RFI request that staff has also recommended related to the TABOR impact of the AHEC legal and financial structure.**

ANALYSIS INCLUDED IN FIGURE SETTING PACKET:
Background: The three institutions that share the Auraria campus work with AHEC to determine fair rates and the allocation of costs among the institutions. These costs typically increase due to inflationary adjustments for salary and benefits, changes to the student population on the AHEC campus, and may be adjusted based on other agreements among the institutions to support AHEC operations.

For FY 2014-15, staff recommended an increase to the AHEC reappropriated funding in the Long Bill (not included in the executive request), to address the impact of inflationary cost increases on the AHEC budget, as AHEC had capped out its spending authority. Since that time, the Department has requested a technical adjustment for inflation of $100,000 per year, which has been approved each year.

FY 2022-23 and FY 2023-24 Spending Estimates: The table below summarizes FY 2022-23AHEC estimated revenue for the core operating contributions from the institutions compared to current and requested appropriations. As shown below, the current appropriation exceeds estimated revenue and spending for **FY 2022-23**. However, *AHEC recently indicated to staff that it would like substantially more spending authority than the official executive request. It has suggested $25,819,548 or $1.6 million more than the official request as its desired spending authority amount.*[1] Because of the TABOR implications of AHEC receiving additional revenue from the institutions, staff believes a further increase in payments from the institutions requires more careful consideration than staff has given such requests in the past. **Staff is therefore recommending the $100,000 in the official request and has told AHEC that it should return with a more specific proposal and institutional agreement before staff will recommend a higher figure.**

[1] Staff notes that institutions have already been making payments of $2.0 million per year for deferred maintenance outside of the Long Bill appropriation but believes that the figure cited excludes these.

FY 2022-23 Institutional Operating Support for Auraria Higher Education Center	
Type	Reappropriated Funds
Estimated FY 2022-23 Revenue	
Metro State U. Denver	$11,942,599
CU Denver	8,922,405
Community College of Denver	2,983,681
Total FY 2022-23 Estimated Operating*	**$23,848,685**
Comparison to Current Appropriations	
Current FY 2022-23 appropriation	**$24,139,958**
Appropriation above/(below) FY 22 estimate	$291,273
AHEC FY 2022-23 Estimated Operating Expenses	
FY 2023-24 Requested Appropriation Official request	**$24,239,958**
Request above/(below) **FY 23** Estimate	$391,273

Background on Requested RFI: Staff recommends a Request for Information to explore options for addressing the fact that payments by state institutions of higher education to the Auraria Higher Education Center are counted as revenue to the state's TABOR district and thus may be seen as a double-count of state General Fund revenue. The issue is similar to the indirect costs issue on which the JBC has already taken action. Specifically, the State pays the institutions for services through fee-for-service contracts. The three institutions on the Auraria Higher Education Center campus then pay Auraria for services, which is counted as revenue to the State's TABOR district. **Data from Legislative Council Staff indicates that Auraria Higher Education Center Revenue was the source of $27,283,313 of nonexempt TABOR revenue in FY 2021-22.**

The Committee approved the following RFI during figure setting:

N Department of Higher Education, Colorado Commission on Higher Education and Higher Education Special Purpose Programs, Administration; Governing Boards; and Auraria Higher Education Center – The Department is requested to convene representatives of the Auraria Higher Education Center and higher education institutions operating on the Auraria campus, in consultation with the Attorney General, to explore changes to the structure and funding for the Auraria Higher Education Center that would reduce or eliminate the impact to the State's TABOR district of the current funding structure for the campus. The Department is requested to report on the results of these discussions by November 1, 2023.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff (303-866-4960)
DATE	March 17, 2023
SUBJECT	Higher Education Request R1 and R2

During figure setting for the Department of Higher Education on March 9, 2023, the JBC took no action on Requests R1 and R2. Staff has therefore excerpted those portions of the figure setting document for the Committee's further consideration.

For FY 2023-24:

- The recommendation includes estimates for tuition revenue based on the LCS enrollment forecast and institutions' rate increase assumptions.
- The recommendation includes updates to multiple cash funds amounts shown for informational purposes.
- Amounts in a request for 4.0 new FTE are pending.
- The recommendation includes multiple other common policy and technical differences ranging from inflationary adjustments for the Colorado Geological Survey to adjustments to funding sources based on money available in reserves.

DECISION ITEMS AFFECTING MULTIPLE DIVISIONS

➔ REQUEST R1 INCREASE OPERATING SUPPORT FOR PUBLIC INSTITUTIONS OF HIGHER EDUCATION AND FINANCIAL AID

REQUEST: he request includes an increase of $85,990,045 General Fund for public higher education institutions and financial aid. As summarized in the table below, the request provides an average increase of 6.8 percent for the public institutions of higher education, with variation by institution, and an aligned increase for financial aid and student stipends at private institutions.

TABLE 1: R1 INCREASE FOR PUBLIC HIGHER EDUCATION AND FINANCIAL AID

	BASE FUNDING FOR STUDENT STIPENDS, FEE-FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID BASE (FY 22-23 APPROPRIATION+ annualizations)[1]	FY 22-23 REQUEST: STUDENT STIPENDS, FEE-FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID	R1 INCREASE REQUESTED	PERCENTAGE INCREASE IN FUNDING
Adams State University	$21,009,471	$22,559,678	$1,550,207	7.4%
Colorado Mesa University	40,143,534	43,056,212	2,912,678	7.3%
Metropolitan State University	82,497,655	89,654,071	7,156,416	8.7%
Western State Colorado University	18,120,398	19,344,395	1,223,997	6.8%
Colorado State University System	202,360,491	215,018,693	12,658,202	6.3%
Fort Lewis College	17,111,407	18,261,618	1,150,211	6.7%
University of Colorado System	275,755,786	293,210,048	17,454,262	6.3%
Colorado School of Mines	30,209,496	32,291,289	2,081,793	6.9%

Table 1: R1 Increase for Public Higher Education and Financial Aid				
	Base Funding for Student Stipends, Fee-for-Service Contracts under 23-18-303.5, Specialty Education, and Grants for local district and area technical colleges, and aligned financial aid base (FY 22-23 appropriation+ annualizations)[1]	FY 22-23 Request: Student Stipends, Fee-for-Service Contracts under 23-18-303.5, Specialty Education, and Grants for local district and area technical colleges, and aligned financial aid	R1 Increase Requested	Percentage Increase in Funding
University of Northern Colorado	56,984,728	60,559,548	3,574,820	6.3%
Community College System	241,771,555	259,008,968	17,237,413	7.1%
Sub-total, State Governing Boards	**985,964,521**	**1,052,964,520**	**$66,999,999**	**6.8%**
Colorado Mountain College	10,831,151	11,562,751	731,600	6.8%
Aims Community College	12,787,311	13,656,257	868,946	6.8%
Area Technical Colleges	18,392,334	19,642,162	1,249,828	6.8%
Total	**$1,027,975,317**	**$1,097,825,690**	**$69,850,373**	**6.8%**
Financial aid programs aligned with funding for governing boards, including $3.0 million for COSI $500,000 for the Dependent Tuition Assistance Program (DTAP), and $12.5 million for Need Based Aid	236,654,884	252,682,708	16,027,824	6.8%
Student stipends at private institutions aligned with public institutions	1,655,048	1,766,896	111,848	6.8%
Total	**$1,266,285,249**	**$1,352,275,294**	**$85,990,045**	

[1]The request did not include annualization of S.B. 21-213 (Use of Increased Medicaid Match). Once the additional federal Medicaid Match adjustment is fully eliminated, an estimated $11,166,420 will need to be restored to the CU budget. The discount is applied one year in arrears, so continuation of the enhanced FMAP through at least part of FY 2022-23 will reduce the annualization required in FY 2023-24.

[2]The Department does not appear to have included a new financial aid program for foster care youth in the base.

The funding request uses the funding model created in H.B. 20-1366. The statutory provisions include three possible components:

- Performance Funding
- Ongoing Additional Funding
- Temporary Additional Funding

Consistent with the model as used in FY 2021-22 and FY 2022-23, the FY 2023-24 request incorporates both *Ongoing Additional Funding* (3.3 percent increase) and *Performance Funding* (3.5 percent increase) components.

The request also includes a statutorily-required financial aid component. For this component of the request, the Department requests the following increases:

$500,000 for the Dependent Tuition Assistance Program
$3,000,000 for the Colorado Opportunity Scholarship Initiative (COSI)
$12,522,768 for Need Based Grants

EVIDENCE LEVEL: The request highlights COSI as "Proven" on the S.B. 21-284 Evidence Continuum, based on its work with Colorado Evaluation and Action Lab at DU to conduct an annual qualitative and quantitative evaluation of the program using a quasi-experimental design. A "proven program or practice" means a program or practice that reflects a high or well-supported level of Confidence of effectiveness, ineffectiveness, or harmfulness as determined by one or more high-quality randomized control trials, multiple evaluations with strong comparison groups, or an equivalent measure. While COSI has only been evaluated by one organization so far as Staff is aware, the evidence that it has positive impacts appears strong. https://cdhe.colorado.gov/about

REQUEST R2 (TUITION SPENDING AUTHORITY): The Executive request includes limiting resident undergraduate tuition increases to 4.0 percent. This takes into account institutions' reliance on tuition to sustain their operations, rising personnel costs, and a projected 8.3 percent inflation rate then-projected for Colorado in 2022 (final inflation is 8.0 percent). The request also assumes a 5.5 percent increase in nonresident tuition, although this does not reflect a limit. Based on these assumptions, the request includes an increase of $112.7 million in cash funds spending authority for tuition revenue. If approved, the limits on tuition increases would be incorporated in Long bill footnotes that express the General Assembly's assumptions in setting tuition spending authority. As outlined in the staff budget briefing document, if the institutions increased tuition at the level requested and had flat enrollment

REQUEST FROM HIGHER EDUCATION INSTITUTIONS: In January, the higher education institutions submitted a request for a much larger increase, totaling over $176 million General Fund if aligned financial aid increases are included. The table below compares the key components of the institutions' request (including small recent updates) with the November 1 request from the Governor.

COMPARISON GOVERNOR'S NOVEMBER 1, 2022 REQUEST FOR HIGHER EDUCATION INSTITUTIONS' REQUEST SUBMITTED JAN 9, 2023 BY LETTER, REVISED MARCH 1, 2023

	GOVERNOR REQUEST	INSTITUTION REQUEST USING 4.0% TUITION CAP	INSTITUTION REQUEST ABOVE/(BELOW) GOVERNOR	NOTES
Request R1 - General Fund				
Ongoing Additional Funding/"Step 1"	$33,631,094	$33,631,094	$0	3.3% on base
Performance Funding Increase/"Step 2"*	36,219,279	109,956,903	73,737,624	
Subtotal - Governing Boards	**69,850,373**	**143,587,997**	**73,737,624**	Increase on base of 6.8% for Gov request; 14.1% institutions' request
Financial Aid	16,027,824	33,100,000	17,072,176	Includes COSI and Need Based Aid in Governor request
Private institution COF stipend	111,848	*111,848*	0	Not included in institution request - statutory requirement
Grand Total R1	**$85,990,045**	**$176,799,845**	**$90,809,800**	
Request R2 - Tuition Cash Funds				
Increase on resident tuition	52,905,017	*52,905,017*	0	

COMPARISON GOVERNOR'S NOVEMBER 1, 2022 REQUEST FOR HIGHER EDUCATION INSTITUTIONS' REQUEST SUBMITTED JAN 9, 2023 BY LETTER, REVISED MARCH 1, 2023				
	GOVERNOR REQUEST	INSTITUTION REQUEST USING 4.0% TUITION CAP	INSTITUTION REQUEST ABOVE/(BELOW) GOVERNOR	NOTES
Increase on nonresident tuition	66,283,881	*42,794,983*	(23,488,898)	Governor request assumes 5.5% nonresident increase
Grand Total R2 (before any enrollment adjustment)	**119,188,898**	**95,700,000**	(23,488,898)	Institution request does not differentiate between resident and nonresident tuition
Base Core Minimum Cost Calculation Assumptions				
Increase for Governing Boards Used in Calculating Request	69,850,373	109,956,903	40,106,530	Governor's request uses total increase for governing boards; Institutions use solely Step 2
Tuition assumption	119,188,898	95,700,000	(23,488,898)	Governor's request assumes greater nonresident tuition increase
Total Increase R1 & R2 Assumed	189,039,271	205,656,903	16,617,632	
Base Core Minimum Cost Calculation	*201,168,132*	201,168,132	0	Governor's request did not identify an amount
R1/R2 above/(below) Base Core Calc	**($12,128,861)**	**$4,488,771**	**$16,617,632**	

RECOMMENDATION: The staff recommendation includes:

- Provide the requested 6.8 percent General Fund increase ($86.0 million) as requested by the Governor, with minor technical adjustments related to the updated funding model. Do not include a footnote directing the use of amounts provided in "Step 1" of the model (Ongoing Additional Funding). Recognize that funds provided will be required in most cases to cover institutions' ongoing operational expenses.
- Consistent with the Governor's request, authorize an accompanying 4.0 percent increase in resident undergraduate tuition at the institutions, with some adjustments requested by institutions.
- Staff acknowledges that many institutions are struggling due to declining enrollment, and their overall revenue is therefore under pressure. Staff believes the Executive Request is reasonable given the limitations on the State budget. However, if the Committee wishes to provide additional support, given both the State's overall low level of support for higher education and to assist institutions with enrollment impacts, staff suggests that the Committee decide about such additional funding as part of its final budget balancing process. The institutions have requested that the General Assembly provide an increase of 14.1 percent (total cost exceeding $178 million)*
- If the General Assembly has funds available beyond the level in the Executive Request, staff suggests considering an overall increase of 10.0 percent (total funding increase of $127.4 million or $41.4 million more than the Executive Request) associated with a 4.0 percent tuition increase.

College Opportunity Fund Stipend: The request and the recommendation are based on allocating the total funding between College Opportunity Fund student stipends and fee-for-service contracts. The COF stipend amount is based on increasing the current stipend from $104 per credit hour to $116 per credit hour and using the 2022 actual use of the COF stipend by students. The balance of funding is allocated through fee-for-service contracts.

ANALYSIS:

Basis for the staff recommendation – in brief:

*Note: The institutions submitted slightly revised figures late in the process. This reduces their request by 0.1%. The staff calculation for financial aid alignment also differs, leading to slight differences in amounts cited..

- The public institutions emphasize that, like other sectors of state government, they must address **inflationary increases.** They typically provide a model of their "base core minimum costs" (described in more detail below) that identifies these inflationary needs. **The most recent version of this model suggests a need for a 6.0 percent increase to cover inflationary pressures. Given overall inflationary pressures on state government, this seems a plausible number**.

- **The institutions' model is built around assuming a stable enrollment, that all costs are fixed, and that they must provide salary and benefits commensurate with the rest of state government.** In reality: (1) Enrollment is not stable. Resident student enrollment has been declining at most institutions. At the same time large research institutions have seen an increase in nonresident enrollment, which supports their bottom line. (2) Particularly at institutions that rely heavily on adjunct faculty, not all costs are fixed. (3) For most of their employees, institutions are not required to provide increases commensurate with the rest of state government. Historically (and staff anticipates for FY 2023-24), salary and benefits for non-classified may not go up at the same level as increases for state statewide, because institutions that are relying heavily on cash funds from tuition may not have sufficient resources to provide larger salary increases. **While the model does not represent reality, it does reflect the spending pressures the institutions face, particularly with respect to staff compensation and maintaining employment levels (even when student enrollment may be falling).**

- **The tables below provide different ways to look at the situation from a state government and institutional perspective.** Note that this is different from a <u>student</u> perspective, which legislators must also keep in mind.

  The tables below are built on the following assumptions.

  1) The Governor's request for a 6.8 percent increase with the distribution of funds requested; and
  2) The Legislative Council Staff forecast for institutional enrollment and revenue for FY 2022-23 and FY 2023-24. These figures **incorporate current institutional assumptions about tuition rate increases, as well as LCS's projections for enrollment changes**. In some cases, rate increases have already been determined. Most institutions, however, have taken the Governor's request (4.0% resident; 5.5% nonresident) into consideration and are waiting to see how much General Fund support will be provided. In the majority of cases, institutions are anticipating tuition rates that are at or below the level in the Governor's request.
  3) Various other sources shown in the Long Bill for informational purposes, including student mandatory fees and limited gaming revenue.

The first table shows overall institutional revenue that would be reflected in the Long Bill based on the staff recommendation. As shown, the weighted average increase in estimated revenue is 4.3 percent, and some institutions are anticipating considerably less revenue growth.

TOTAL AMOUNT REFLECTED IN THE LONG BILL FROM STATE SUPPORT, TUITION, FEES, OTHER SOURCES FY 2023-24 INCREASE OVER FY 2022-23*				
	FY 2022-23 REVENUE ESTIMATE (REVISED)	FY 2023-24 REVENUE ESTIMATE	CHANGE	PERCENTAGE CHANGE
Adams State University	$46,274,747	47,950,170	$1,675,423	3.6%
Colorado Mesa University	119,605,577	126,796,749	7,191,172	6.0%
Metropolitan State University	216,210,727	223,219,361	7,008,634	3.2%
Western Colorado University	46,843,686	48,785,864	1,942,178	4.1%
Colorado State University System	801,557,641	839,690,313	38,132,672	4.8%
Fort Lewis College	63,936,909	67,426,560	3,489,651	5.5%
University of Colorado System	1,599,686,517	1,639,938,240	40,251,723	2.5%
Colorado School of Mines	227,782,518	239,742,045	11,959,527	5.3%
University of Northern Colorado	142,486,375	147,817,339	5,330,964	3.7%
Community College System	543,208,202	591,062,705	47,854,503	8.8%
TOTAL	**$3,807,592,899**	**3,972,429,346.5**	**$164,836,447**	**4.3%**

*Excludes indirect cost adjustments

The second table is related to **resident students** and the **General Fund only and excludes costs and revenue for nonresident students. Staff has generally taken the position that cost-increases associated with non-residents should not need to be subsidized by the General Fund. This is a way to look at the situation from that perspective; but the results are similar.** As shown, from this perspective, projected revenue increases remain quite low because, even with a 6.8 percent increase in General Fund support, resident tuition revenue is increasing at a slower pace.

GENERAL FUND AND RESIDENT TUITION REVENUE (EXCLUDES NON-RESIDENT STUDENT IMPACTS)					
	FY 23 GF+RESIDENT TUITION	FY 24 GF+RESIDENT TUITION	CHANGE	% CHANGE	PORTION OF GF+RESIDENT TUITION ORIGINATING FROM THE GF (FY 24 EST)
Adams	$32,709,277	$34,411,876	$1,702,599	5.2%	65.7%
Mesa	97,617,262	102,480,735	4,863,473	5.0%	42.3%
Metro	178,451,344	184,156,742	5,705,398	3.2%	48.9%
Western	30,409,781	31,803,598	1,393,817	4.6%	61.7%
CSU System	431,168,917	451,691,391	20,522,474	4.8%	48.0%
Fort Lewis[2]	25,999,829	27,275,858	1,276,029	4.9%	67.2%
CU System	821,773,457	843,999,742	22,226,285	2.7%	35.2%
Mines	98,199,483	101,600,068	3,400,585	3.5%	31.8%
UNC	108,552,683	113,337,468	4,784,785	4.4%	53.5%
Community Colleges	491,736,653	518,906,585	27,169,932	5.5%	50.0%
TOTAL	**$2,316,618,686**	**$2,409,664,063**	**$93,045,377**	4.0%	44.0%

[2]Excludes GF provided for Fort Lewis Native American tuition waiver and other state-funded financial aid

The table below shows the General Fund provided per resident student and how that is changing. This is not the perspective the institutions typically highlight. However, it is a reasonable perspective to think about from a state budget perspective. As shown, because of declining student populations, the total state funding per resident is increasing significantly, because of the combination of state funding increases and enrollment declines.

Changes in State Support per Resident Student						
	FY 2022-23		FY 2023-24		Change FY 23 to FY 24	
	FY 23 Resident students	General Fund per Resident Student	FY 24 Resident Students	General Fund per Resident Student	Per SFTE Funding Change	Percentage Funding Change
Adams	1,462.9	$14,406	1,471.8	$15,371	$965	6.7%
Mesa	6,247.4	6,484	6,210.3	6,980	496	7.6%
Metro	11,220.6	7,385	10,940.1	8,229	844	11.4%
Western	1,662.1	11,061	1,647.6	11,914	852	7.7%
CSU System	18,376.5	11,089	18,283.5	11,849	760	6.9%
Fort Lewis[2]	1,247.2	13,772	1,214.4	15,093	1,321	9.6%
CU System	39,526.0	7,067	38,991.0	7,621	554	7.8%
Mines	3,980.1	7,590	3,936.7	8,204	613	8.1%
UNC	5,202.5	10,966	5,023.0	12,067	1,101	10.0%
Community Colleges	43,145.7	5,618	43,145.7	6,017	399	7.1%
Weighted Average	**132,071.1**	**7,517**	**130,864.1**	**8,101.8**	**584.8**	**7.8%**

How Much Funding?

In determining funding for the institutions, the Committee must address the questions both of **how much funding** to provide and then **how to allocate it.**

- **Every 1.0 percent increase in General Fund support for the higher education institutions above the FY 2022-23 base costs $12.74 million**, including $10.3 million for the institutions and $2.4 million for financial aid.

- **Funding for higher education has historically been driven by the revenue available to the General Assembly.** The Committee could establish the minimum General Fund it wishes to provide for higher education during the figure setting process, but staff anticipates that both the final amount and the allocation plan may not be settled immediately.

- **The Governor's Office has proposed a total increase of $86.0 million for the institutions and financial aid**, representing a **6.8 percent** increase in state support for the institutions, based an assumption that **tuition increases for resident undergraduates will be limited to 4.0 percent.**

- **The institutions have come directly to the Committee (not through the Governor's Office) seeking an increase of $144.7 million for the institutions—which would result in an overall increase of over $178 million General Fund (14.1 percent)** once aligned increases for financial aid are included—if resident tuition increases are limited to 4.0 percent. Thus, the institutions' request would cost approximately **$92.1 million more than the Governor's request.**

- Apart from minor tweaking, **staff concurs with the institutions' expectations that they will experience inflationary increases in the range of 6.0 percent**, assuming no other adjustments to the size of their operations and assuming salary increases similar to other state staff of 5.0 percent.

- **Further, staff believes that increases in the range of 10.0 to 11.0 percent in state funding can be justified based on inflationary needs if the General Assembly assumes that institutions must maintain operations at their current size and adjust for inflationary increases**, despite declines in resident enrollment and tuition. (Staff reaches this conclusion differently from the institutions, as outlined in calculations below, but the scale is similar.)

- However, **staff does not agree that amounts requested in "Step 1" ($33.6 million of the total) should be excluded from covering institutions' inflationary needs.** While the recent practice has been to treat these funds as solely for special purposes, there is no related requirement in law. Staff supports including funding in "Step 1" in order to target institutions that serve predominantly resident students and often harder-to-serve populations but does not believe its uses should be restricted, given the enrollment pressures faced by the institutions.

- **Staff believes an overall increase in the range of 10.0 percent ($127.0 million) General Fund in General Fund support provided through a combination of "Step 1" (ongoing additional funding) and Step 2 ("Performance Funding"/Base increases) would be a reasonable target** to cover inflationary needs and help stabilize institutional finances, based on costs associated with resident students and inflation. This would still require approximately $41.5 million more than the Executive Request.

- There is ample evidence that the state higher education system is "underfunded" in comparison to other states, and **staff is supportive of additional increases for the institutions to the extent the General Assembly feels it has sufficient resources. However, staff recommends that the Committee set the General Fund operating budget for higher education at a level it thinks is likely to be a sustainable base point for the General Assembly over the next several years**. The public higher education institutions are an industry with over $9 billion in combined annual revenues and rely far more heavily on tuition and other cash revenues than the General Fund. Thus, even a $69.9 million increase spread across the institutions represents a modest increase from the perspective of many of the institutions, though it represents a large amount from a state budget perspective. The General Assembly should not over-extend its own limited resources to provide additional support that will be welcome--but will not change the fundamental dynamic that makes the largest institutions highly dependent upon tuition.

CALCULATING INSTITUTIONAL INFLATIONARY NEED – "BASE CORE MINIMUM COSTS"

The institutions have costs that they must cover to keep their organizations functioning, including annual salary and benefits increases. The ten state governing boards employ an estimated 26,241.4 state FTE in Education and General functions in FY 2022-23. This represents one-quarter to one-half of all staff employed by the institutions. In prior year requests the Department has cited data indicating that nearly 60 percent of all State of Colorado government employees work in higher education.[3] Most of these are "off budget" and work for the institutions in research and auxiliary services, which are expected to be self-supporting.

Unlike other parts of state government, the General Assembly does not appropriate funds to the governing boards based on common policy salary and benefits calculations. Instead, institutions are expected to use General Fund, tuition revenue and other sources of support to cover these costs. This is true even for those institutional staff whose salary and benefits are determined by state personnel system rules (classified staff). Salary and benefits for *classified* staff represented 10.6 percent of salaries and benefits overall in the Education and General Budget in FY 2019-20. Other classified staff are employed in housing, dining, and other "auxiliary enterprises" but these enterprises are assumed to be self-sustaining. The table below summarizes the sources and uses of funds in FY 2019-20 that were funded from the Education and General budget.

FY 2019-20 Actual Education and General Budgets		
	Expenditure/Revenue	Percentage of Total
Total Salaries and Benefits - 26,103.3 FTE (about 50% salaries and 15% benefits)	$2,414,898,402	64.8%
Other Expenditures	1,310,001,231	35.2%
Total Education & General Budget	**$3,724,899,633**	**100.0%**
General Fund	824,151,477	22.1%
Resident tuition	1,324,508,231	35.6%
Nonresident tuition	1,105,532,933	29.7%
Other state funds sources	30,163,736	0.8%
Fees, indirect recoveries, other	440,543,256	11.8%
Classified Staff Salaries and Benefits (included above)	$256,473,228	*10.6% of all salaries and benefits*

As outlined in the staff budget briefing presentation, the institutions' typically provide a "base core costs" calculation as the basis for their inflationary needs calculation. The approach is highly simplified, but it provides some foundation for an inflationary needs calculation.

Institutions' Base Core Costs Calculation: General Fund and Tuition								
	From FY23 Long Bill, $s in Millions			Increase on Salaries (53.0% of Total Expenses)	Increase on HLD Benefits (16% of total expenses)	Increase on Other Expenses (32% of Total Expenses)		
	FY 2022-23 State General Fund	Total Tuition	Total	5.00%	5.00%	8.00%	FY 23 Total Base Cost Increase	Summary Percentage Increase to Cover "Base Core Costs"
Adams State University	$21.00	$22.00	$43.00	$0.90	0.3	$1.4	$2.6	6.1%
Colorado Mesa University	40.1	73	113.1	2.8	0.8	3.2	6.8	6.0%

[3] According to prior year Department requests, the U.S. Census Bureau report on State Government employment and payroll data for 2016 showed that 50,472 FTE worked in higher education in 2016, representing 59.0 percent of all State of Colorado government FTE. The Bureau of Labor Statistics reported 79,600 state employees in Colorado working in education in 2019, most of whom are presumed to be higher education staff, including student workers.

Institutions' Base Core Costs Calculation: General Fund and Tuition								
	From FY23 Long Bill, $s in Millions			Increase on Salaries (53.0% of Total Expenses)	Increase on HLD Benefits (16% of total expenses)	Increase on Other Expenses (32% of Total Expenses)		
	FY 2022-23 State General Fund	Total Tuition	Total	5.00%	5.00%	8.00%	FY 23 Total Base Cost Increase	Summary Percentage Increase to Cover "Base Core Costs"
Metropolitan State University - Denver	82.5	107.8	190.3	5.1	1.5	4.8	11.4	6.0%
Western Colorado University	18.1	17.7	35.8	1.1	0.3	0.7	2.1	5.8%
Colorado State University System	202.4	473.2	675.6	16.4	4.3	20.9	41.6	6.2%
Fort Lewis College	17.1	48.8	65.9	1.8	0.5	1.6	3.9	6.0%
University of Colorado System	275.8	1132.6	1408.4	37.7	12.6	32.3	82.6	5.9%
Colorado School of Mines	30.2	181.9	212.1	5.9	1.5	5.1	12.5	5.9%
University of Northern Colorado	57	70.8	127.8	3.7	1	2.6	7.3	5.7%
Colorado Community College System	241.8	264.8	506.6	13.4	4	12.9	30.3	6.0%
Total	**$986.00**	**$2,392.50**	**$3,378.40**	**$88.80**	**$26.80**	**$85.53**	**$201.1**	**6.0%**

Source: IHEs; constructed using Budget Data Book data

- Staff is comfortable recognizing that institutions may face inflationary pressures in the range of 6.0 percent,
- Over the years staff has objected to institutional calculations that suggest that the General Fund should be responsible for covering any gap between inflationary needs and revenue from both resident and nonresident tuition. Staff instead typically focuses on the need to cover inflationary costs related to resident students.
- Further, for timing reasons, staff has better information than the Department or institutions can present earlier in the year about enrollment trends. These have a significant impact which is not reflected in the institutions' "base costs" calculation.
- For FY 2023-24, staff has used the following methodology to explore the revenue that might be required to support resident students versus the revenue that is likely to be available—or could theoretically be available—with a 4.0 percent tuition increase for residents. **As shown, this suggests a need for a 10.0 to 11.4 percent increase if the goal of the General Assembly is to keep institutions—broadly—whole in the face of slow resident tuition growth and inflationary pressures.**

Base Cost Calculation - limited to General Fund and Resident Tuition						
	FY 2022-23 General Fund+ Revised Resident Tuition	6.0% of Base GF+Resident Tuition	Resident Tuition change for FY 24 if use LCS Forecasted Resident Tuition	Balance of funding needed (assumed GF)	Resident Tuition increase if Apply 4.0 percent on enrollment trends*	Balance of funding needed (assumed GF)
Adams	$32,709,277	$1,962,557	$153,427	$1,809,129	$592,954	$1,369,603

Base Cost Calculation - limited to General Fund and Resident Tuition	FY 2022-23 General Fund+ Revised Resident Tuition	6.0% of Base GF+Resident Tuition	Resident Tuition change for FY 24 if use LCS Forecasted Resident Tuition	Balance of funding needed (assumed GF)	Resident Tuition increase if Apply 4.0 percent on enrollment trends*	Balance of funding needed (assumed GF)
Mesa	97,617,262	5,857,036	2,026,292	3,830,744	2,026,292	3,830,744
Metro	178,451,344	10,707,081	(1,457,727)	2,164,808	1,338,242	9,368,838
Western	30,409,781	1,824,587	150,455	1,674,132	392,672	1,431,915
CSU System	431,168,917	25,870,135	7,663,981	18,206,154	7,876,680	17,993,455
Fort Lewis	25,999,829	1,559,990	123,732	1,436,258	123,732	1,436,258
CU System	821,773,457	49,306,407	4,423,003	44,883,404	13,895,196	35,411,211
Mines	98,199,483	5,891,969	1,315,417	4,576,552	1,988,285	3,903,684
UNC	108,552,683	6,513,161	1,222,599	5,290,562	1,222,599	5,290,562
Community Colleges	491,736,653	29,504,199	9,973,725	19,530,474	9,973,725	19,530,474
Total	**2,316,618,686**	**138,997,121**	**25,594,904**	**$113,402,217**	**$39,430,378**	**99,566,742.91**
Percentage GF increase				**11.4%**		**10.0%**

*Includes 6.0 percent for UNC in this model.

Important caveats to the "base core costs"-type calculation:

- **Institutions face a complex array of factors affecting revenue and have a variety of tools for managing expenditures. Many of these components are outside of the General Assembly's control.** For example, while the tables above include nonresident and graduate tuition and make related assumptions about these tuition rates, the General Assembly has not generally chosen to control these revenue components.

- **While institutions face inflationary pressures similar to the rest of state government, they have some flexibility in how they respond to those pressures.** Even if the General Assembly adds 5.0 percent for salary increases, non-classified staff might receive no increases or 10.0 percent increases, depending upon enrollment trends and other factors. Institutions are required to comply with salary requirements for classified staff, but classified staff represent about 10.0 percent of institutional employees.

- **Ultimately, institutions will ensure that their expenditures align with their revenue.** Staff believes it is appropriate to recognize inflationary pressures on institutional budgets but also recognizes that the General Assembly will not be able to fully compensate for some trends, like declining enrollment, and institutions may need to do some related retrenching.

- **While this inflationary calculation works from the perspective of developing a high level estimate of need, it works less well once adjustments are applied at the individual governing board level,** particularly if the adjustments are to the General Fund, rather than tuition. This is because: (1) Governing boards rely on General Fund versus resident versus nonresident tuition to vastly different extents; and (2) governing boards' total revenue is also significantly affected by enrollment, both in absolute numbers and in the mix of students: resident, non-resident, particular disciplines.

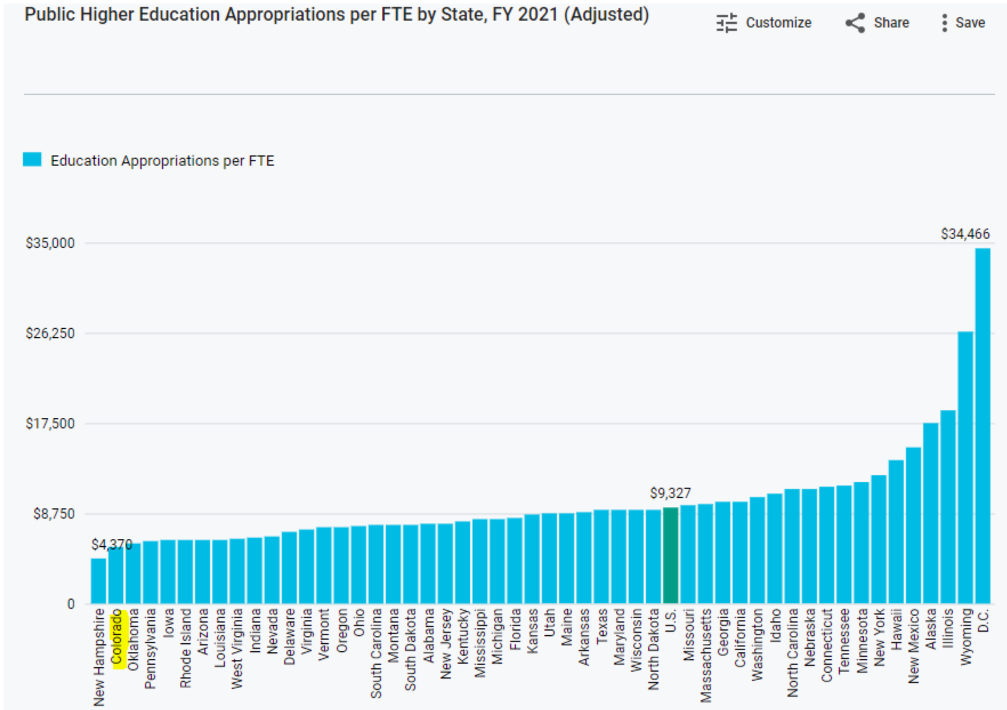
- **Staff would support providing the institutions with additional funding beyond this level for the reasons described below, but only to the extent that the General Assembly has funds available after addressing other state priorities.**

JUSTIFICATION FOR SUPPORT: LOW LEVEL OF STATE FUNDING, BURDEN ON STUDENTS
Colorado is a low-state-support state and has been for decades. As reflected in the charts below from the *State Higher Education Finance Report* (SHEF) prepared by the State Higher Education Officer's Association[4], in FY 2020-21, even after including the impact of federal stimulus funding allocated by the Governor, Colorado had one of the lowest levels of state support per student FTE in the country, at **$5,462 per student FTE** using the SHEF methodology**. To get to the U.S. average, the Colorado would need to increase funding by 70.8 percent.**[5]

[4] All charts and data at: https://shef.sheeo.org/

[5] Colorado does, however, provide more support for financial aid than many other states.

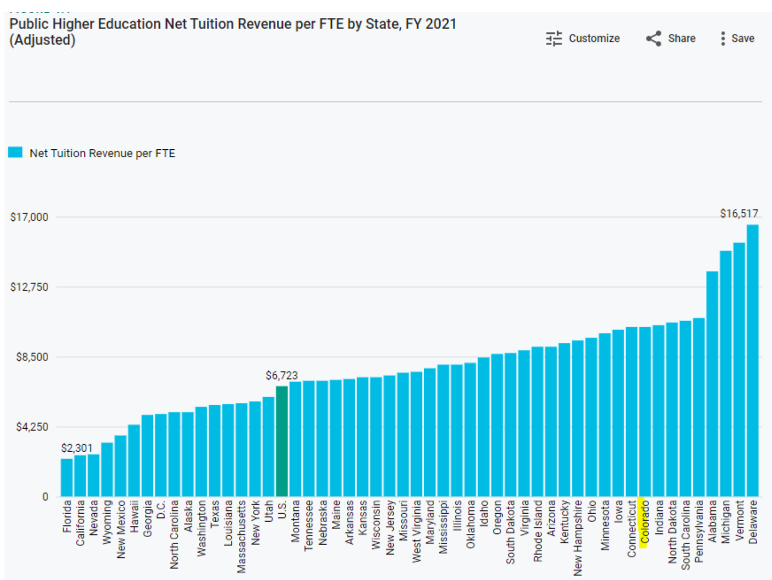
PUBLIC HIGHER EDUCATION APPROPRIATIONS PER FTE BY STATE FY 2021



Source: SHEF Report, FY 2021

To compensate for low state support, public institutions rely heavily on net tuition revenue, with **average net tuition revenue of $10,310 per FTE**. Some of this is derived from nonresident students.

PUBLIC HIGHER EDUCATION NET TUITION REVENUE PER FTE BY STATE FY 2021



Source: SHEF Report, FY 2021

The Department's 2020 *Hanover Resource Analysis Report* was designed to provide a related analysis at the institutional level, comparing each state institution to its national peers. The report highlights dramatically lower state support as well as, at most institutions, higher tuition.

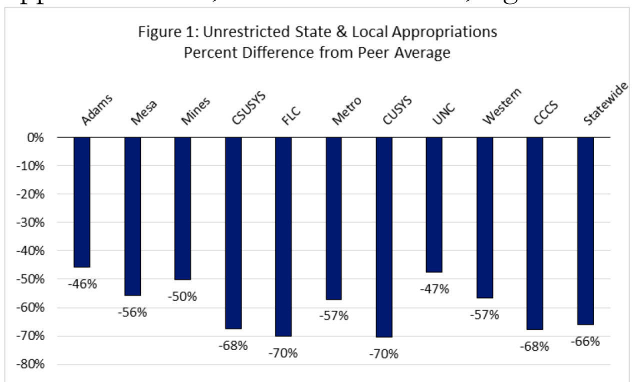


Figure 1: Unrestricted State & Local Appropriations
Percent Difference from Peer Average

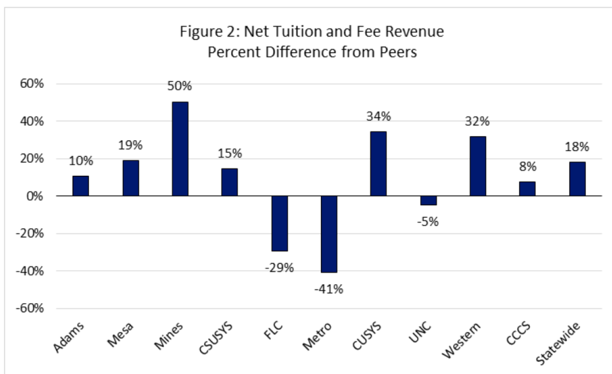


Figure 2: Net Tuition and Fee Revenue
Percent Difference from Peers

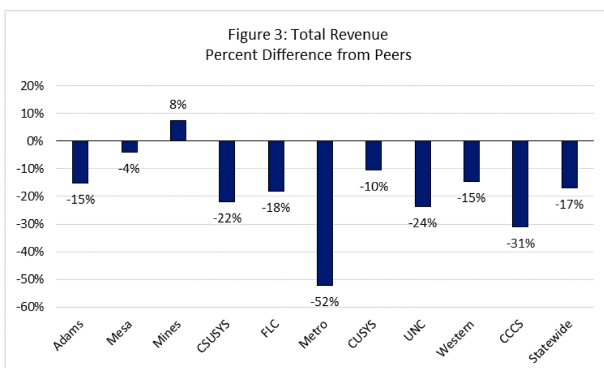


Figure 3: Total Revenue
Percent Difference from Peers

High costs borne by students have short and long term consequences for students. As staff has highlighted in the past:

- **Studies indicate that student participation is inversely related to higher education cost**. For example, a study of tuition increases from 1980 to 1992 found that for every $1,000 increase in tuition, participation in community colleges fell by 4.7 percent and participation in 4-year institutions fell by 1.2 percent. While low-income students, in particular, may not actually pay the sticker price, they are far more likely to be aware of the sticker price than of the amount they will actually pay. As a result, a *higher sticker price discourages participation, particularly* among low-income students.[6] In addition, students likely take more time to complete their degrees than in the past in large part due to higher education costs: students often work many hours to finance their educations, and this can make it difficult for them to take a full course load. A recent survey of over 6,000 community college students across the country indicated that their top obstacles to success were work obligations and paying expenses.[7] Colorado's Master Plan includes ambitious goals for increasing completion at state higher education institutions. Allowing tuition to continue to rise at high rates runs directly contrary to state goals.

- The average student loan debt of resident loan recipients graduating from a public institution with a baccalaureate degree ranged from $11,679 to $37,410. Of all resident students graduating with a baccalaureate degree, 36.6 percent graduated with loans. The average student loan debt for associates graduates ranged from $9,410 to $18,364. Among those resident students graduating with associates degree, 36.7 percent graduated with loans. While these figures have improved over time in Colorado, student debt is still a significant challenge. Nationally, student loan debt has now surpassed all other forms of non-mortgage consumer debt. According to the Federal Reserve Bank of New York, nationally, per-borrower higher education debt increased at a rate of about five percent per year between 2008 and 2018, student repayment is slow (2005 graduates had repaid less than 40 percent of their outstanding balances 10 years after leaving school), and more than 15 percent of borrowers in the second quarter of 2019 were 90 or more days past due or in default. In many cases students may simply avoid pursuing higher education to avoid taking on debt.

How to Allocate Available Funds Among Institutions?

Allocation Method Requested

Staff has attached additional background on the higher education funding model that was presented as part of the staff budget briefing. As part of the staff figure setting presentation, Thomas Rosa from Legislative Council Staff will join the presentation to demonstrate a new tool that shows the impact of changes to the model and tuition assumptions, which staff hopes will help the Committee understand the model mechanics better. However, in short:

- **Most of the funding in the model passes through what is called "Step 2" or "Performance Funding". This portion of the model functions as base funding for the institutions.** It shifts with calculated performance outcomes, but only very slowly over time and in very small increments. *When funding is added into the Performance Funding" model, it is largely distributed consistent with the current shares of funding for the higher education institutions.*

- **"Step 1" of the model, also known as "Ongoing Additional Funding" is the mechanism available to the General Assembly if it wishes to target funding toward particular types of**

[6] Kane, 1995, cited in Heller, Donald. Student Price Response in Higher Education: An update to Leslie and Brinkman. The Journal of Higher Education, Vol. 68, No 6 (Nov – Dec., 1997), pp. 624-659. See also David Deming and Susan Dynarski, *Into College, Out of Poverty? Policies to Increase the Postsecondary Attainment of the Poor*, National Bureau of Economic Research, September 2009. w15387.pdf (nber.org)

[7] RISC, "What Challenges Do Community College Students Face?". January 2019. https://www.risc.college/sites/default/files/2019-01/RISC_2019_report_natl.pdf

institutions and particular state needs, based on higher education Master Plan goals. For the last two years, and as requested this year, the General Assembly has used five different components for allocating Step 1 funds. Most of these components direct larger shares of funding to community colleges and other institutions serving disadvantaged populations.

Ongoing Additional Funding Components (All Discretionary; Reflects Prior Year Action & Current Request)	
Category	Weight
First-generation student FTE	20%
First-generation student headcount (described in statute)	20%
URM Race/Ethnicity headcount calibrated to GF Share	20%
Pell (low income) headcount calibrated to GF Share	20%
Retention of underrepresented minority students	20%
Total	**100%**

Request Approaches

- **The Governor's Request** includes $69,850,373 for the institutions of higher education, including a **3.5 percent increase ($36.2 million) in Step 2/base funding, and a 3.3 percent increase ($33.6 million) in "Step 1" of the model, with total funding for the institutions of** The assumption in the Governor's request is that funding provided in both sections of the model may be used to support institutions' core inflationary and other needs.

- **The institutions' request** includes $143,587,997 for the institutions of higher education, including **an increase of 10.7 percent or ($110.0 million) in Step 2/base funding and 3.3 percent increase ($33.6 million) in Step 1 of the model** (same as the Governor request)**.** The institutions take the position that Step 1 funding should be used only for dedicated initiatives for disadvantaged populations (as suggested by prior year Long Bill footnotes) and that all inflationary needs should be supported through Step 2/base funding in the model.

The charts below demonstrate how the various components used for Ongoing Additional Funding operate and compares the resulting funding distributions with the incremental distribution from the FY 2023-24 Performance Portion of the model. **The color coding reflects how each governing board would view model results. A "green" result means that the particular model component was better for that governing board. A "red" result means that the model component was worse for that board.** Color gradations reflect the relative benefits of various components of "Step 1".

FY 2023-24 Share of Total General Fund Allocation By Governing Board in Performance versus Ongoing Additional Funding Components		
	Performance Funding	Ongoing Additional Funding
Adams	2.6%	2.3%
Mesa	4.9%	5.5%
Metro	10.0%	15.1%
Western	2.2%	1.1%
CSU System	14.8%	10.9%
Fort Lewis	2.1%	1.5%
CU System	23.7%	17.2%

FY 2023-24 Share of Total General Fund Allocation By Governing Board in Performance versus Ongoing Additional Funding Components		
	Performance Funding	Ongoing Additional Funding
Mines	3.7%	2.2%
UNC	6.9%	5.6%
Community Colleges	29.1%	38.6%
Total	**100%**	**100%**

FY 2023-24 Share Of Total General Fund Allocation By Governing Board In Performance Versus Ongoing Additional Funding Components - Additional Detail						
	Performance Funding	Ongoing Additional Funding "Step 1"				
		First Generation by FTE	First Generation Allocation FY 2021-22 (Headcount, per statute)	URM distribution - Headcount calibrated to GF	Pell distribution - Headcount calibrated to GF	URM Retention
Adams	2.6%	1.2%	0.7%	3.7%	3.4%	2.6%
Mesa	4.9%	7.0%	6.0%	4.2%	5.7%	4.6%
Metro	10.0%	19.1%	18.3%	13.9%	13.9%	10.3%
Western	2.2%	0.5%	0.2%	1.9%	1.3%	1.7%
CSU System	14.8%	6.5%	5.7%	12.3%	14.8%	15.1%
FLC	2.1%	1.0%	0.7%	1.9%	2.2%	1.9%
CU System	23.7%	11.3%	9.4%	20.1%	20.6%	24.7%
Mines	3.7%	0.8%	0.5%	2.0%	2.7%	4.8%
UNC	6.9%	4.9%	3.7%	6.5%	7.6%	5.5%
Community Colleges	29.1%	47.7%	54.9%	33.6%	27.9%	28.8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Staff Position

- **Staff believes that the Governor's request did a credible job of balancing the need to provide funding to all institutions and to continue to target funds** by dividing the request between "Step 1" and "Step 2" components. This is consistent with the approach taken by the General Assembly in recent years, albeit when more resources were provided.

- **Staff also concurs with the Governor's Office that "Step 1" funding does not need to be directed solely to new initiatives designed to target high-needs students**. While this has been the General Assembly's intent in the last two years, if less funding is available, there is no reason all funding cannot be used more broadly. Realistically, the General Assembly has never been able to mandate narrow uses for Step 1 funds through a Long Bill footnote.

- **Given limited state resources, staff continues to support directing more resources to the students with greatest needs and the institutions with fewest financial resources for serving these students.** "Access" institutions are most dependent on either General Fund or <u>resident</u> student tuition because they do not have substantial access to nonresident tuition. As enrollment has declined over time, these institutions have filled financial holes in part by increasing resident tuition rates. This places a severe burden on the students with the fewest resources. "Access" institutions also need to improve their performance in helping students to successfully complete their educations, but this is difficult to accomplish with very limited resources.

- **Staff is happy to work with members on alternative distribution scenarios.** JBC Staff and Thomas Rosa are available to work with JBC Members to explore options, if desired.

Rationale for Additional Support for Access Institutions

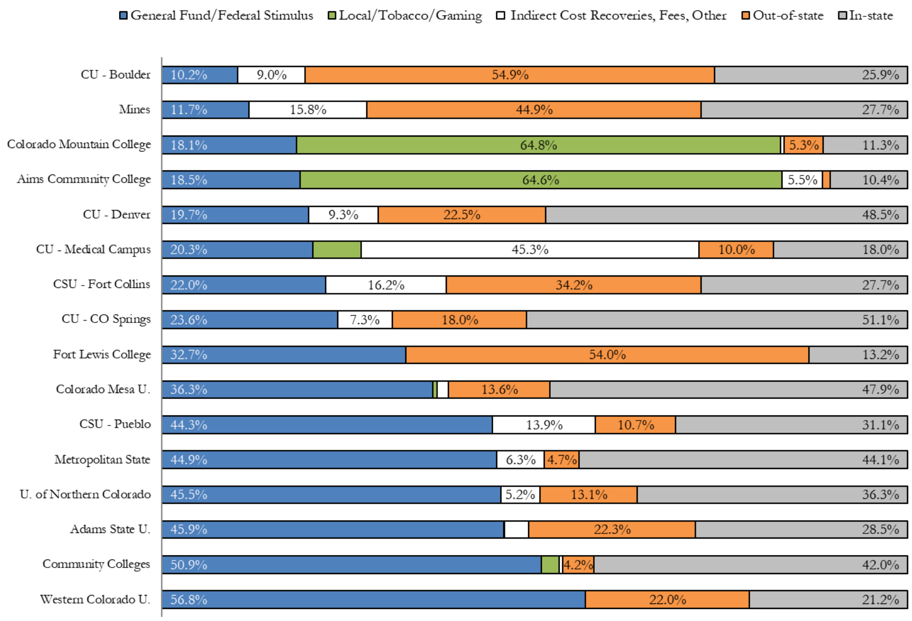
Staff has been supportive over the years of efforts to direct a larger share of state support to institutions that serve the students with the greatest challenges: the "access" institutions. **This is not because staff believes that other institutions are over-funded by the State but rather because, with few state resources to go around, the large research institutions have been far more effective at bringing in other resources, including through their recruitment of nonresident students**. State support per resident student is not large at the research institutions. Indeed, *state support per resident student FTE is less at most CU campuses than at Metropolitan State University of Denver*. However, the state institutions that are not "R1" research institutions simply have fewer alternatives for supporting their operations, and their primary alternative to state support is tuition from students who are often already struggling both financially and academically. The access institutions have important weaknesses, including abysmal graduation rates, but their ability to improve these rates is dependent both on the support services they can provide and the level of financial strain faced by their students.

STATE GENERAL FUND PER RESIDENT STUDENT FTE AND TOTAL FUNDS PER TOTAL STUDENT FTE FY 2021-22

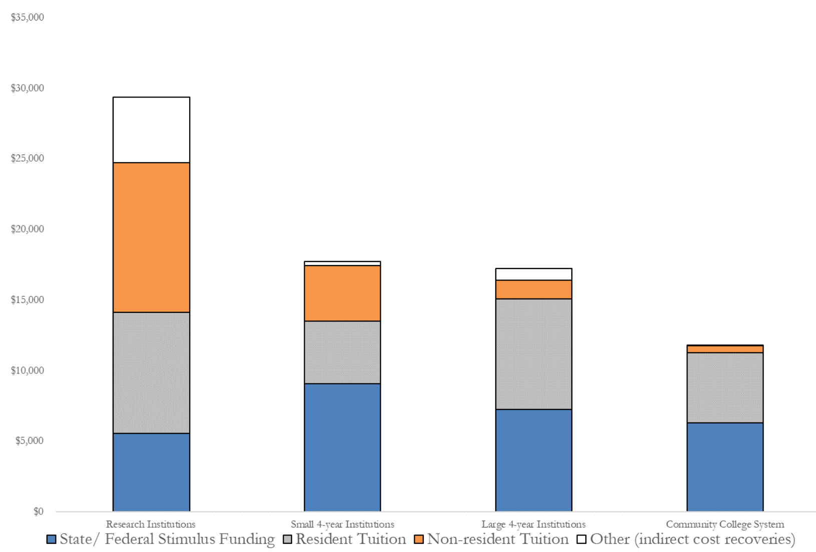
	STATE FUNDING PER Resident Student FTE	TOTAL FUNDING PER Total Student FTE
Community College System	$5,119	$10,178
Colorado Mesa	5,822	14,729
MSU Denver	6,157	15,971
CU Denver	4,475	19,147
UCCS	4,701	17,467
CU Boulder	5,457	30,612

Source: Budget Data Book Submissions

Proportion of Funding from the State versus Students FY 21-22



Revenue per Student FTE by Funding Source FY 2021-22



How to Allocate Financial Aid?

Section 23-3.3-103, C.R.S. requires that the annual appropriations for student financial assistance (need-based, merit-based, work-study, and assistance to national guard members and to dependents of deceased or disabled national guard members and first-responders), and the Colorado Opportunity Scholarship Initiative, increase, in total, by at least the same percentage as the aggregate percentage increase of all General Fund appropriations to institutions of higher education.

However, the General Assembly has flexibility in which type of financial aid to support among the funding categories in Section 23-3.3-103. For FY 2023-24, The Governor's Office has proposed that the funding be used in three categories:

- $500,000 for the Dependent Tuition Assistance program
- $3,000,000 for the Colorado Opportunity Scholarship Initiative; and
- $12,522,768 (the balance) for Need Based Grants

Staff supports this proposal, except that Staff calculates a somewhat higher figure for overall aligned aid. Staff has added additional amounts into Need Based Grants.

The Dependent Tuition Assistance Program provides financial assistance for the dependents for deceased or permanently disabled national guard members, law enforcement officers, firefighters and prisoners of war/military personnel missing in action. The current appropriation is $1,143,700 General Fund. Statute requires this program to be the first-priority for state financial aid. Therefore, when funding is insufficient for this program, the Department must transfer funds from other financial aid line items. The program has been growing quite rapidly, despite statutory changes adopted in the 2019 session that require costs to be offset by federal financial aid benefits, when provided. The table below shows actual growth in the last three years and Staff's projection of funding need if growth continues at the compound average annual growth rate. If so, an additional $477,011 above the current appropriation would be required in FY 2023-24, which is very close to the additional funding proposed in the Executive Request.

DTAP LINE ITEM GROWTH ANALYSIS		
	COST	GROWTH %
FY 19	880,145	
FY 20	937,470	7%
FY 21	1,143,700	22%
FY 22	1,269,536	11%
FY 23 proj	1,434,417	13%
FY 24 proj	1,620,711	13%

The Colorado Opportunity Scholarship Initiative (COSI) promotes public/private partnerships to fund scholarships and support services for students who might not otherwise pursue or complete higher education. Its current appropriation is $7,000,000 General Fund per year (excluding one-time ARPA appropriations). The request would increase this figure to $10,000,000 General fund.

Created in H.B. 14-1384, COSI was initially seeded with a transfer of $33.4 million from the CollegeInvest Financial Need Scholarship Fund and a $1.0 million appropriation. In FY 2015-16 and FY 2016-17, the General Assembly appropriated $5.0 million General Fund to the COSI Fund, from which the Department has continuous spending authority. In FY 2018-19, the Long Bill appropriation was increased to $7.0 million. Senate Bill 20-006 modified the program to allow greater program flexibility. The appropriation was reduced by $1.0 million in FY 2020-21 to assist in addressing the state budget shortfall related to the COVID-19 pandemic. This reduction was restored in FY 2021-22.

- Student Support Services: Funds may be awarded to state agencies and nonprofit organizations to assist such agencies and organizations with ensuring that student-success and precollegiate, postsecondary student support services are available to students who are classified as Colorado residents for tuition purposes; increasing the capacity for student support services at postsecondary institutions; and developing connections between local employers, public schools, precollegiate organizations, and postsecondary institutions.

- Administration: Up to 7.5 percent of amounts expended in the prior fiscal year may be used for direct and indirect administrative costs. Allows for a larger amount to be used for administration if authorized in any fiscal year by a footnote in the Long Bill.

- Scholarships: Money not used for the purposes above must be used to build a financial corpus capable of providing tuition assistance to eligible Colorado students attending eligible Colorado higher education institutions. Such assistance may include direct awards; matching incentives to create or increase other scholarships; loans, or any combination of these.

- Eligible Students: To the extent practicable, tuition assistance must be awarded to students representing rural and urban areas and students attending all types of higher education institutions (vocational schools, community colleges, 4-year institutions, research institutions). Also, to the extent practicable, tuition assistance must be evenly distributed between students with an expected family contribution (EFC) of less than 100 percent of the annual federal PELL grant award and students with an EFC between 100% and 250% of the annual federal PELL grant award.

The program has an advisory board comprised of the executive committee of the State Workforce Development Council, and three Governor appointees to represent research institutions, four-year postsecondary institutions and community colleges and area vocational schools. It requires this board to establish:

- eligibility for state agencies, nonprofit organizations, and public institutions of higher education to participate in the initiative;
- criteria for eligibility of students to apply for and receive grants from the initiative; and
- rules establishing permissible uses of grant and scholarship moneys from the initiative.

Community Partner Program (CPP) Grants: Consistent with the legislation, the program funds community partner grants for student support programs operated by non-profits, K-12 and higher education institutions with pre-collegiate, collegiate, and bridge programs to support student participation and success in higher education.
Matching Student Scholarship (MSS) Grants: The program offers grants to counties, higher education institutions, and workforce programs for matching scholarship grants. These grants have historically represented $7.0 to $7.5 million of annual COSI allocations. State grants are matched by scholarship funds from state and philanthropic sources. State higher education institutions and institutional foundations operating on behalf of county governments provide the matching funds. These entities then distribute the grants (state funds and matching funds) to income-eligible students. Disbursements vary between one and four years.

According to the request, COSI has served over 75,000 students across the state, providing scholarships (MSS) and wraparound student support services (CPP) utilizing over $60 million of state funds and leveraging an additional $30 million in local and private investment. The most recent annual program evaluation (2020-2021) data show that 88% of COSI students enrolled in CPP (TRIO-style support services) persist on their educational path. This is a significant outcome because the persistence rate of CPP students is up to 27 percentage points higher than their peers from similar socioeconomic and ethnic backgrounds. Students who receive COSI scholarships (MSS) perform even better with a 90% persistence rate from year one to two, outpacing their non-COSI counterparts by 17-22 percentage points. When a student receives a combination of both program supports (MSS and CPP), the students persist at much higher rates (92% for years one to two) than those who received CPP or MSS support alone. **The program has been subject to evaluation for multiple years by the DU Evaluation and Action Lab, and the request identifies this as a "proven", from an evidence based policy perspective.**

Colorado Need Based Grants are provided for full-time and part-time graduate and undergraduate students with demonstrated financial need attending eligible institutions in Colorado, which include some private institutions.

Determining Need: Financial need is determined by the formula of [cost of attendance] – [estimated family contribution] = need. The federal Pell grant formula determines the estimated family contribution and is the amount the family is expected to contribute before any aid (including low interest subsidized federal loans) can be offered. The State Auditor's Office confirms that need-based aid, including both state and federal need-based aid, has been authorized consistent with this formula.

Allocations to Institutions: Pursuant to Section 23-3.3-102, C.R.S., CCHE is responsible for determining the allocation of financial aid among the institutions. However, public institutions are authorized to administer their financial assistance program according to policies and procedures established by their governing boards. According to CCHE, some public institutions' need-based aid policies authorize use of state-funded need based aid for individuals with estimated family contribution of up to 150 percent of Pell-grant eligibility.

The CCHE's current formula for allocating need-based aid is based on the number of Pell-eligible individuals at each institution. It provides an increasing level of funding depending upon whether the student is a freshman, sophomore, junior, etc. The formula is designed to incentivize institutions in their efforts to retain students. In FY 2021-22, the program served 53,443 students with an average award of $3,183

See information included in the Colorado Commission on Higher Education Financial Aid division for additional information about student financial aid and need.

Aligned Financial Aid Calculation

The calculation for the alignment, is based on the base figures below. Any amount above the base governing board funding for FY 2022-23 must be matched with a proportionate increase to financial aid. Staff notes that both the Department's and the institutions' request somewhat underestimated the amounts required for aligned financial aid based on staff's calculations and recommendations for funding for the governing boards. Therefore, the Staff recommendation for financial aid includes:

- $500,000 for the Dependent Tuition Assistance program
- $3,000,000 for the Colorado Opportunity Scholarship Initiative; and

- **$12,760,058** (the balance) for Need Based Grants

Base for Aligned Financial Aid Increase		
		Share of Total
Base FY 2022-23 Governing Board Support (proportionate financial aid increase for any amount above this) Includes: College Opportunity Fund program (except COF stipends at private institutions) and General Fund grants for the local district colleges and area technical colleges	1,034,793,123	81.2%
Base FY 2022-23 Financial Aid. Includes all appropriations for programs authorized in Article 3.3 of Title 23. This currently includes Need Based Aid, Work Study, the Dependent Tuition Program, the Colorado Opportunity Scholarship Initiative, Career and Technical Education scholarships, and Foster Youth Financial Assistance	239,265,459	18.8%
Total	**$1,274,058,582**	

➔ R2 Tuition Spending Authority Increase

Note: Tuition spending authority only directly affects the state-operated governing boards. However, because the need for tuition spending authority is closely related to the General Fund operating request for the institutions, staff has included it directly below R1.

Request: The Governor's request included cash funds spending or the institutions based on a proposed tuition cap of 4.0 percent for resident undergraduates (expressed as an assumption via Long Bill footnote) and 5.5 percent for nonresident students. Consistent with the General Assembly's usual practice, the request does not assume restrictions on non-resident or graduate tuition or mandatory fees.

The January 2023 letter from the higher education institutions proposes a "sliding scale" in which more General Fund is associated with lower tuition caps, although the governing boards indicate that they are agreed to not oppose adjustments sought by individual institutions. Thus, the institutions propose that :

- With increased General Fund support $268.7 million, including funding for financial aid, tuition could be restricted to 1.0 percent.
- With increased General Fund support of $176.6 million, including financial aid, tuition could be restricted to 4.0 percent increase (consistent with the Executive request for tuition restrictions).
- With increased General Fund support of $84.6 million (similar to the Executive request for General Fund support), tuition could be restricted to a 7.0 percent increase.

Staff would characterize the Institution's proposal as indicating that each 2.4 percent increase in General Fund (including aligned financial aid) will "buy down" a 1.0 percent increase in tuition. As noted previously, each 1.0 percent in General Fund support = $12.7 million. Thus, an increase of approximately 2.4 percent in General Fund (at $12.7 million per percent or $30.6 million) should result in a reduction in tuition of 1.0 percent, given total tuition revenue (resident and non-resident) of $2.5 billion (1.0 percent = $25.3 million).

In addition, the JBC has recently received letters from two institutions indicating that they would like permission to increase tuition levels related to special circumstances.

Western Colorado University has requested permission to include a differential tuition rate for engineering students who are in a 2+2 program that is a collaboration with the University of Colorado. Students remain at Western's location in Gunnison throughout their studies, but they are enrolled at WCU for the first two years and enrolled and taught by professors from the University of Colorado for their last two years. Under the current pricing structure, partnership students do not pay for the fees that support the co- and extra-curricular opportunities in years 3 and 4 of their program. The proposed differential would allow Western to front-load fees for years 3 and 4. WCU notes that even with the additional charge, students will pay less for their tuition and fees enrolled at WCU than they would at Boulder. As shown, the proposed differential tuition would represent a large increase for engineering students at WCU.

Rady School CS&E Resident Student Cost of Attendance: Full Academic Year			
	FY2022-23 Actual	FY2023-24 Approved	$ Change
Tuition (student share)	$ 6,936.00	$ 10,272.00	$ 3,336.00
Mandatory Fees	$ 3,877.10	$ 3,955.25	$ 78.15
Total	**$ 10,813.10**	**$ 14,227.25**	**$ 3,414.15**

University of Northern Colorado has requested tuition flexibility up to a maximum of 6.0 percent. It states that underlying this request are the following elements:

- "All Pell-eligible students, which includes students with an expected family contribution (EFC) of up to $6,656 and can include annual household incomes of up to $72,000, will receive increases in financial aid sufficient to cover the increases in tuition and fees, and more in most cases.
- We have successfully responded to recent years of financial pressures with prudent and effective reductions in operating expenses, aligning limited resources with critical needs, and will continue to do so in FY24 and beyond.
- In collaboration with other Colorado institutions, we have advocated for an increase in state funding to higher education that would cover increases in base core minimum costs. However, inflationary pressures experienced by UNC in fiscal 2022-23 (FY23), which are expected to continue into FY24 and beyond, will exceed base core minimum cost increases.
- UNC is the most affordable research institution in Colorado and will continue to be so even with an increase in tuition of up to 6%."

RECOMMENDATION:

- **As described during the budget briefing, staff recommends that, as a starting point, undergraduate resident tuition be restricted to a 4.0 percent increase via assumptions expressed in Long Bill footnotes**. *Staff is dubious that most institutions can, should, or would increase tuition much above this level*, given the declining enrollment visible at most institutions. Cost is not the sole factor that leads a student not to attend or retain but it **is** a factor, particularly for low-income students who are the ones the institutions need to begin attracting and retaining. It is notable that many of the smaller institutions, including Adams and Western, have expressed their intention to keep most tuition increases well below 4.0 percent for resident students, even at the funding level requested by the Governor. Metropolitan State University has, furthermore instituted a "tuition lock" in which it promises that students will not pay more than their entering rate for four years, in an effort to retain more students.

- All of the above said, **staff has generally been receptive to institutional proposals to increase tuition based on specific circumstances.** The State remains a "minority shareholder" in the majority of institutions—particularly the large research institutions. Public higher education in Colorado is a $9.0 billion per year industry. While the State is able to provide meaningful support to small institutions, it does not have the financial capacity to bail out large institutions if they are struggling financially. Given this, it is difficult to second guess institutions' business decisions.

- As described earlier in this document, in order to cover institutions' inflationary increases in the face of declining enrollment, **it is not hard to justify a need for an increase of 10.0 to 11.0 percent in state support** combined with a 4.0 percent tuition cap. **If the General Assembly is unable to provide funding at this level, it should at least be willing to consider additional tuition increases for those institutions that wish to make this case.** Staff simply notes that at this moment, institutions seem to be all-over-the-map with respect to how they feel it is best to address declining enrollment and whether tuition increases will actually yield more revenue.

- From a theoretical perspective, if the General Assembly is going to contemplate "buying down" tuition rates, staff continues to believe its focus should be on resident student rates. From this perspective, staff would suggest that a 1.3 percent increase in General Fund support should "buy down" resident tuition by 1.0 percent, given that the state institutions were receiving just short of $1.0 billion in state funding for FY 2022-23 and resident tuition for FY 2022-23 is $1.3 billion. However, **given the wide variation in institutional circumstances, the current declining enrollment situation, and the wide variability in General Fund as a percentage of institutions' budgets, this is difficult moment for "one size fits all".**

- **Staff is comfortable recommending the WCU increase.** The rationale of needing to capture costs in the initial two years of enrollment at the school seems logical. Furthermore, engineering is one of the few fields in which the return on investment for students should be clear. Students graduating with an engineering degree will have earnings that should cover their educational costs, and costs related to providing engineering education are consistently higher than costs for other kinds of degrees across the State.

- **Staff has not had time to fully analyze the UNC request.** However, as staff has noted in the past UNC's enrollment has fallen dramatically, and it has had to take many steps to cut its costs. Staff is not certain that a 6.0 percent tuition increase is a good bet for the institution, but also recognizes that it is managing a difficult situation as best it can. **Thus, staff has built an increase of 6.0 percent for UNC into the LCS tuition forecast as a preliminary measure.**

- **Staff assumptions continue to reflect no increase in nonresident tuition for Fort Lewis College, given that the General Fund pays the sticker price for the majority of nonresidents at the college.**

Calculation Details

Each year, the institutions submit their estimates of tuition and fee revenue for the current fiscal year and their forecast for the next year. Legislative Council Staff review actual enrollment data and discuss projections with the institutions to develop a separate tuition and enrollment forecast model. Staff has at times used the LCS model and at times the institutions' model.

For the FY 2022-23 Long Bill supplemental and FY 2023-24 Long Bill staff is recommending using the Legislative Council Staff forecast, which now includes more helpful detail than in the past on resident, nonresident, graduate and undergraduate tuition. In recent years, the institutions' projections of revenue for the current fiscal year have at times been better than Legislative Council Staff's, and at times worse (which staff finds surprising given the institutions' day-to-day management of revenue and expenditures). The Legislative Council Staff forecast is $28.8 million (1.2 percent) above the institutions' for the current year in total, and variances at most institutions are under 1.0 percent. The largest discrepancy is with Western Colorado University, and this is because WCU did not include graduate students and related tuition in its forecast, consistent with its historic practice, because these students are in cash-funded programs. However, it provided related data on students and revenue. To align with the data provided by other institutions, LCS included this data in its forecast. For FY 2023-24, the LCS forecast is also very similar if the same assumptions are included, with a variance of $27,808,175 (1.1 percent). Apart from the difference in how WCU graduate students are treated in the two forecasts, the greatest differences are with the Colorado State University forecast. Legislative staff believe that there are technical problems in the Colorado State University institutional forecast, and the Colorado State University System has stated that it is "comfortable" with the LCS forecast.

FY 2022-23 Long Bill Supplemental - Tuition Forecast Revision				
	Original FY 23 Forecast	Revised FY 23 Forecast	Change	Percentage Change
Adams State University	$22,637,194	$21,060,770	($1,576,424)	-7.0%
Colorado Mesa University	72,433,545	72,474,731	41,186	0.1%
Metropolitan State University of Denver	107,790,989	105,933,365	(1,857,624)	-1.7%
Western Colorado University	18,119,098	22,606,338	4,487,240	24.8%
Colorado State University System	504,153,663	514,295,872	10,142,209	2.0%
Fort Lewis College	46,325,775	41,082,166	(5,243,609)	-11.3%
University of Colorado System	1,222,479,222	1,231,985,642	9,506,420	0.8%
Colorado School of Mines	186,319,694	179,951,047	(6,368,647)	-3.4%
University of Northern Colorado	73,858,137	69,529,354	(4,328,783)	-5.9%
Community College System	273,669,582	273,542,690	(126,892)	0.0%
Total Tuition Revenue	**$2,527,786,899**	**$2,532,461,975**	**$4,675,076**	0.2%

FY 2022-23 and FY 2023-24 Recommended Tuition Cash Funds Appropriation				
	FY 2022-23 (revised)*	FY 2023-24	Change	Percentage Change
Adams State University	$21,060,770	21,181,571	120,801	0.6%
Colorado Mesa University	72,474,731	75,541,067	3,066,336	4.2%
Metropolitan State University of Denver	105,933,365	104,408,139	(1,525,226)	(1.4%)
Western State Colorado University	22,606,338	23,180,549	574,211	2.5%
Colorado State University System	514,295,872	538,476,261	24,180,389	4.7%
Fort Lewis College	41,082,166	43,148,578	2,066,412	5.0%
University of Colorado System	1,231,985,642	1,252,970,975	20,985,333	1.7%
Colorado School of Mines	179,951,047	187,886,990	7,935,943	4.4%
University of Northern Colorado	69,529,354	71,143,252	1,613,898	2.3%
Community College System	273,542,690	284,477,121	10,934,431	4.0%
Total Tuition Revenue	**$2,532,461,975**	**$2,602,414,502**	**$69,952,527**	**2.8%**

*Includes recommended Long Bill Supplemental

The tables below show two viewpoints: (1) Institution viewpoint - The total revenue from General Fund and cash fund sources included in the Long Bill and how this changes by governing board under staff's recommendation; and (2) The student viewpoint - the projected average weighted tuition and fees that will be paid per student.

Institution Viewpoint: Total Revenue and Total Revenue Per Student			
	FY 2022-23 Long Bill (Staff Rec)		
	Total E&G Revenue	Total Student FTE	Revenue per SFTE
Adams State University	$47,950,170	2,295	$20,890
Colorado Mesa University	126,796,749	7,403	17,128
Metropolitan State University	223,219,361	11,377	19,620
Western State Colorado University	48,785,864	2,215	22,028
Colorado State University System	839,690,313	27,936	30,058
Ft. Lewis College	67,426,560	2,875	23,453
University of Colorado System	1,639,938,240	58,099	28,227
Colorado School of Mines	239,742,045	7,008	34,208
University of Northern Colorado	147,817,339	5,846	25,284
Community College System	591,062,705	44,936	13,153
Total or Weighted Avg.	**$3,972,429,347**	**169,991**	**$23,369**

Student Viewpoint: FY 2023-24 Projected Tuition and mandatory Fee Revenue per Student FTE			
	Resident Tuition	Nonresident Tuition	Fees
Adams State University	$8,009	$11,406	$1,801
Colorado Mesa University	9,522	13,759	827
Metropolitan State University	8,604	23,522	2,530
Western Colorado University	7,390	19,406	2,699
Colorado State University System	12,856	31,435	2,995
Fort Lewis College	7,368	20,596	2,069
University of Colorado System	14,025	36,954	1,207
Colorado School of Mines	17,605	38,606	2,791
University of Northern Colorado	10,497	22,370	2,747
Community College System	6,010	14,052	352

➔ BA2 Strategic Staffing Support for Department of Higher Education

Request: The Department requests funding for four new positions: a director of legislative affairs, a director of workforce development and credential attainment, a workforce development coordinator, and a college affordability outreach coordinator. It also seeks additional funds to increase salaries for two existing positions, its chief research officer and chief financial officer, as it has not been successful at recruiting and retaining for those positions. The total requested is $534,270 General Fund in FY 2023-24. As requested, the Department anticipated that the positions would annualize to $540,960

FY 2023-24 Governing Board Detail

	Rate	Gov. Boards	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
	$ 104											
FY 2022-23 Long Bill + Tuition	30											
Stipend-eligible SFTE assumption		115,688.4	852.8	5,868.1	11,631.0	1,332.1	16,639.1	1,117.0	28,968.4	2,852.6	5,438.5	40,988.8
State-operated Stipends @		$ 360,947,808	2,660,736	18,308,472	36,288,720	4,156,152	51,913,992	3,485,040	90,381,408	8,900,112	16,968,120	127,885,056
FFS per Section 303.5		$ 464,287,879	18,348,735	21,835,062	46,208,935	13,964,246	70,039,230	13,626,367	105,052,813	21,309,384	40,016,608	113,886,499
Specialty education		$ 160,728,834					80,407,269		80,321,565			
imited purpose FFS/special grant		$ 6,817,806	65,000	365,000	365,000	265,000	1,416,068	65,000	3,589,778	0	65,000	621,960
SUBTOTAL State Funds (Long Bill/landscape bills only)		$ 992,782,327	21,074,471	40,508,534	82,862,655	18,385,398	203,776,559	17,176,407	279,345,564	30,209,496	57,049,728	242,393,515
Resident		$ 1,323,836,359	11,634,806	57,108,728	95,588,689	12,024,383	227,392,358	8,823,422	542,427,893	67,989,987	51,502,955	249,343,138
Nonresident		$ 1,208,625,616	9,425,964	15,366,003	10,344,676	10,581,955	286,903,514	32,258,744	689,557,749	111,961,060	18,026,399	24,199,552
Tuition		$ 2,532,461,975	$21,060,770	$72,474,731	$105,933,365	$22,606,338	$514,295,872	$41,082,166	$1,231,985,642	$179,951,047	$69,529,354	$273,542,690
State/Tuition		$ 3,525,244,302	$ 42,135,241	$ 112,983,265	$ 188,796,020	$ 40,991,736	$ 718,072,431	$ 58,258,573	$ 1,511,331,206	$ 210,160,543	$ 126,579,082	$ 515,936,205
Marijuana CF		$ 3,900,000	$ -	$ -	$ -	$ -	$ 900,000	$ -	$ 3,000,000	$ -	$ -	$ -
Tobacco		$ 15,206,425							15,206,425			
Gaming		$ 12,139,419	5,506	659,347								11,474,566
SPARC Cash Fund		$ 900,159										900,159
Mandatory Fees (all)		250,202,594	4,134,000	5,962,965	27,414,707	5,851,950	82,585,210	5,678,336	70,148,886	17,621,975	15,907,293	14,897,272
TOTAL		$ 3,807,592,899	$ 46,274,747	$ 119,605,577	$ 216,210,727	$ 46,843,686	$ 801,557,641	$ 63,936,909	$ 1,599,686,517	$ 227,782,518	$ 142,486,375	$ 543,208,202
Total CF in base Long Bill		$ 2,814,810,572	$ 25,200,276	$ 79,097,043	$ 133,348,072	$ 28,458,288	$ 597,781,082	$ 46,760,502	$ 1,320,340,953	$ 197,573,022	$ 85,436,647	$ 300,814,687
Amounts NOT included above or in calculations below												
FY 2022-23 REGULAR sup adjustment (all treated as one-time only)												
FFS per Section 303.5 adjustments/other sp		*(3,902,477)*	*$ (48,876)*	*$ (212,547)*	*$ (308,271)*	*$ (46,386)*	*$ (622,141)*	*$ (61,957)*	*$ (1,273,013)*	*$ (134,300)*	*$ (173,829)*	*$ (1,021,157)*
FY 2022-23 Floor Amendments-GF appropriations (treated as one-time)												
Direct GF CSU agnext and climtate change		*175,000*					*$ 175,000*					
FY 2022-23 Other Legislation -2022 Session												
HB 22-1323 Direct GF - CSU Tree Nursery		*5,000,000*					*$ 5,000,000*					
SB 22-147 Behavioral Health-care - CF AR.		*4,600,000*							*$ 4,600,000*			
SB 22-181 Behavioral Health care - CF ARI		*15,000,000*										*$ 15,000,000*
HB 22-1302 Healthcare Practice - CF ARP.		*250,000*							*$ 250,000*			
SB 22-226 Healthcare Workforce - CF - AR.		*$ 26,000,000*										*$ 26,000,000*

	Rate	Gov. Boards	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
Recommended Adjustments for - FY 2023-24												
	$ 116											
	30											
Final Action												
Stipend-eligible SFTE assumption		(5,762.7)	(54.9)	(74.0)	(1,155.6)	90.2	(836.9)	(42.0)	(1,914.1)	36.9	(505.4)	(1,306.8)
State-operated Stipends @		21,593,766	115,934	1,855,053	165,718	793,417	3,077,731	255,859	3,767,394	1,155,175	199,121	10,208,364
FFS per Section 303		34,484,105	1,433,238	982,128	6,997,407	449,945	4,042,971	896,438	8,401,077	929,993	3,363,065	6,987,843
Specialty education		11,561,286	-	-	-	-	5,737,791	-	5,823,495	-	-	-
Limited purpose FFS		-	-	-	-	-	-	-	-	-	-	-
ed for annualization of SB21-213									$ (188,684)			
SUBTOTAL State Funds		$ 67,639,157	$ 1,549,172	$ 2,837,181	$ 7,163,125	$ 1,243,362	$ 12,858,493	$ 1,152,297	$ 17,991,966	$ 2,085,168	$ 3,562,186	$ 17,196,207
Resident		25,594,904	153,427	2,026,292	(1,457,727)	150,455	7,663,981	123,732	4,423,003	1,315,417	1,222,599	9,973,725
Nonresident		$ 44,357,622	(32,627)	1,040,045	(67,499)	423,756	16,516,408	1,942,680	16,562,330	6,620,525	391,299	960,705
Tuition		69,952,526	120,800	3,066,337	(1,525,226)	574,211	24,180,389	2,066,412	20,985,333	7,935,942	1,613,898	10,934,430
State/Tuition		$ 137,591,683	$ 1,669,972	$ 5,903,518	$ 5,637,899	$ 1,817,573	$ 37,038,882	$ 3,218,709	$ 38,977,299	$ 10,021,110	$ 5,176,084	$ 28,130,637
Marijuana CF		-	-	-	-	-	-	-	-	-	-	-
Tobacco		1,463,108	-	-	-	-	-	-	1,463,108	-	-	-
Gaming		19,923,830	5,451	1,126,611	-	-	-	-	-	-	-	18,791,768
SPARC Cash Fund		(6,781)	-	-	-	-	-	-	-	-	-	(6,781)
Mandatory Fees (all)		6,053,291	-	161,043	1,370,735	124,605	1,093,790	270,942	-	1,938,417	154,880	938,879
TOTAL		$ 165,025,131	$ 1,675,423	$ 7,191,172	$ 7,008,634	$ 1,942,178	$ 38,132,672	$ 3,489,651	$ 40,440,407	$ 11,959,527	$ 5,330,964	$ 47,854,503

	Rate	Gov. Boards	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
	$ 116											
Final FY 2023-24 Long Bill	30											
Total Stipends + FFS per 303 to allocate			22,558,643	42,980,715	89,660,780	19,363,760	129,073,924	18,263,704	207,602,692	32,294,664	60,546,914	258,967,762
assumption (based on FY 22		109,925.7	797.9	5,794.1	10,475.4	1,422.3	15,802.2	1,075.0	27,054.3	2,889.5	4,933.1	39,682.0
State-operated Stipends @	$3,480	$ 382,541,574	2,776,670	20,163,525	36,454,438	4,949,569	54,991,723	3,740,899	94,148,802	10,055,287	17,167,241	138,093,420
FFS per Section 303.5		$ 498,771,984	19,781,973	22,817,190	53,206,342	14,414,191	74,082,201	14,522,805	113,453,890	22,239,377	43,379,673	120,874,342
Specialty education		$ 172,290,120					86,145,060		86,145,060			
Limited purpose FFS		$ 6,817,806	65,000	365,000	365,000	265,000	1,416,068	65,000	3,589,778	0	65,000	621,960
ed for annualization of SB21-213		*$ (188,684)*							*-188,684*			
SUBTOTAL State Funds		$ 1,060,232,800	22,623,643	43,345,715	90,025,780	19,628,760	216,635,052	18,328,704	297,148,846	32,294,664	60,611,914	259,589,722
Resident		$ 1,349,431,263	11,788,233	59,135,020	94,130,962	12,174,838	235,056,339	8,947,154	546,850,896	69,305,404	52,725,554	259,316,863
Nonresident		$ 1,252,983,238	9,393,337	16,406,048	10,277,177	11,005,711	303,419,922	34,201,424	706,120,079	118,581,585	18,417,698	25,160,257
Tuition		$ 2,602,414,501	$21,181,570	$75,541,068	$104,408,139	$23,180,549	$538,476,261	$43,148,578	$1,252,970,975	$187,886,989	$71,143,252	$284,477,120
State/Tuition		$ 3,662,647,301	$ 43,805,213	$ 118,886,783	$ 194,433,919	$ 42,809,309	$ 755,111,313	$ 61,477,282	$ 1,550,119,821	$ 220,181,653	$ 131,755,166	$ 544,066,842
Marijuana CF		$ 3,900,000	$ -	$ -	$ -	$ -	$ 900,000	$ -	$ 3,000,000	$ -	$ -	$ -
Tobacco		$ 16,669,533							16,669,533			
Gaming		$ 32,063,249	10,957	1,785,958								30,266,334
SPARC Cash Fund		$ 893,378										893,378
Mandatory Fees (all)		256,255,886	4,134,000	6,124,008	28,785,442	5,976,555	83,679,000	5,949,278	70,148,886	19,560,392	16,062,173	15,836,151
TOTAL in LB		$ 3,972,429,347	$ 47,950,170	$ 126,796,749	$ 223,219,361	$ 48,785,864	$ 839,690,313	$ 67,426,560	$ 1,639,938,240	$ 239,742,045	$ 147,817,339	$ 591,062,705
CF in Long Bill		$ 2,912,196,547	$ 25,326,527	$ 83,451,034	$ 133,193,581	$ 29,157,104	$ 623,055,261	$ 49,097,856	$ 1,342,789,394	$ 207,447,381	$ 87,205,425	$ 331,472,983

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Eric Kurtz, JBC Staff (303-866-4952)
DATE	March 17, 2023
SUBJECT	Health Care Policy and Financing – Staff Comebacks

➔ UNIVERSITY OF COLORADO SCHOOL OF MEDICINE SCHOLARSHIPS

REQUEST

There is no official request, but the Department of Health Care Policy and Financing discovered an error in the February 2023 forecast for Medical Services Premiums and brought it to the attention of the JBC staff. The forecast included an extra $1,533,000 General Fund and $1,943,190 federal funds for a supplemental payment to the University of Colorado School of Medicine that was scheduled to end in FY 2023-24. The University of Colorado School of Medicine was using the revenue from the supplemental payment to finish out scholarships for medical student diversity that ended in FY 2022-23 and will not continue in FY 2023-24. The Department's November request included an annualization to remove the funding in FY 2023-24, consistent with the expectations from both the Department and the University of Colorado, but then the Department's February 2023 forecast erroneously built the money back into the projection for FY 2023-24.

RECOMMENDATION

Staff recommends reducing the Medical Services Premiums line item by $1,533,000 General Fund and $1,943,190 federal funds to correct the technical error in the forecast.

➔ R6 VALUE-BASED PAYMENTS

The JBC approved the staff recommendation for a 6 percent increase in rates for providers who elect to participate in the Alternative Payment Model (APM) for primary care. The purpose of the increase is to provide a financial incentive for providers to participate in the APM and it is in addition to the common policy community provider rate increase and rate rebalancing adjustments. The Office of State Planning and Budgeting submitted a comeback (page 16 of the OSPB comebacks) asking the JBC to approve the originally requested 16 percent increase in rates.

Since the JBC voted, the Department and JBC staff discovered there was a miscommunication about assumptions used for the staff recommendation. The JBC staff now has a revised estimate of the cost of the provider rate increase. The JBC could afford the requested 16 percent increase in rates within the amount the JBC originally approved, or the JBC could decide to stick with a 6 percent increase in rates and save some General Fund relative to the original JBC action. The options are summarized in the table below.

R6 Value-Based Payments				
	Total Funds	General Fund	Cash Funds	Federal Funds
FY 2022-23				
JBC Action to date	$7,877,109	$2,361,558	$326,112	$5,189,439
Revised estimate of 6% increase	$2,872,500	$861,176	$118,921	$1,892,403
Difference from JBC Action	(5,004,609)	(1,500,382)	(207,191)	(3,297,036)
Revised estimate of 16% increase	$7,659,810	$2,296,310	$317,098	$5,046,402
Difference from JBC Action	(217,299)	(65,248)	(9,014)	(143,037)
FY 2023-24				
JBC Action to date	$8,533,535	$2,558,355	$353,288	$5,621,892
Revised estimate of 6% increase	$3,111,798	$932,918	$128,828	$2,050,052
Difference from JBC Action	(5,421,737)	(1,625,437)	(224,460)	(3,571,840)
Revised estimate of 16% increase	$8,298,127	$2,538,437	$343,523	$5,416,167
Difference from JBC Action	(235,408)	(19,918)	(9,765)	(205,725)