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Fiscal Note

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Prime Sponsors: Rep. McCluskie; Ricks Bill Status: House HHS
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Bill Topic: HIGHER EDUCATION STUDENT SUCCESS

- Summary of Fiscal Impact:
[X] State Revenue [ ] TABOR Refund
[X] State Expenditure [ ] Local Government
[ ] State Transfer [X] School District

The bill makes changes to programs related to higher education, including allocating federal funding, creating the Colorado Re-engaged Initiative, and modifying the ability of community colleges and local district colleges to offer a bachelor's degree in applied science, among other changes. The bill impacts tuition revenue, increases state expenditures, may increase school district revenue and workload, beginning in FY 2021-22.

Appropriation Summary: In FY 2021-22, this bill requires an appropriation of \$51.5 million to the Department of Higher Education.

Fiscal Note Status: This fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

Table 1
State Fiscal Impacts Under HB21-1330

Table with 3 columns: Category, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue, Expenditures (Cash Funds), Transfers, and TABOR Refund.

## **Summary of Legislation**

The bill makes changes to higher education programs, including allocating federal funding for multiple purposes, creating the Colorado Re-engaged Initiative (CORE) initiative, and modifying the ability of community colleges and local district colleges to offer a bachelor's degree in applied science, among other changes.

**Institution allocations of federal funds.** The Colorado Opportunity Scholarship Initiative (COSI) board must allocate federal funds to public institutions of higher education as follows:

- 50 percent based on each institution's headcount enrollment of undergraduate, in-state students in FY 2019-20 whose expected family contribution does not exceed 250 percent of the maximum Pell-eligible contribution, and other criteria by rule; and
- 50 percent based on each institution's full-time equivalent enrollment of undergraduate, in-state students in FY 2019-20 whose expected family contribution does not exceed 250 percent of the maximum Pell-eligible contribution, and other criteria by rule.

To receive a funding distribution, institutions must submit a student assistance plan detailing how the funds will be used to support in-state, undergraduate students who earned some credits, but did not complete a credential before deciding not to enroll, or who were admitted in 2019-20 or 2020-21 academic years but did not enroll at any institution during the 2020-21 academic year. The board must review and approve the plans, and the bill establishes reporting requirements for institutions and COSI.

**Federal funds - student aid application grant program.** The bill creates the Student Aid Application Completion Grant Program in COSI to provide grants to local education providers to implement strategies to increase the number of students who complete student aid applications before graduating from high school. The bill specifies application and reporting requirements, and provides \$1.5 million in federal coronavirus recovery funds for grants. The board must prioritize applicants who partner with a community-based nonprofit organization or institution of higher education, and must consult with the Colorado Department of Education (CDE).

**CORE initiative.** The bill creates CORE initiative to authorize certain institutions to award associate's degrees to eligible students who enroll in a bachelor's degree program, earn at least 70 credit hours, and withdraw from the institution prior to completing the degree. Eligible students must have completed general education requirements and other required courses, must not have been enrolled for at least two consecutive semesters, and may not have transferred directly from a community college. Eligible institutions must have approval from their accrediting agency to participate, and must not offer programs specifically designed to lead to an associate's degree, with some exceptions.

Associate's degrees offered through CORE are not considered in determining an institution's funding. The Department of Higher Education (DHE) must publicize the program and work with institutions to identify eligible students and notify them of their eligibility, and institutions must determine eligibility, issue the associate's degree, and advise the student on how to re-enroll to complete the bachelor's degree. The bill establishes reporting requirements for participating institutions.

**Bachelors of applied science degrees.** The bill repeals the requirement that the Colorado Commission on Higher Education (CCHHE) approve proposals for community colleges to offer bachelors of applied science degrees. It allows community colleges and local district colleges to offer bachelors of applied science degrees with the approval of their governing boards. The governing boards must notify CCHHE of any such degree it approves.

**Working groups.** The bill creates two working groups and specifies the member composition and reporting deadlines for each one. First, the CCHHE must convene a working group by August 1, 2021, to review the role and mission and service area of each institution of higher education, the interaction between institutions with the state workforce development council, and possible uses of federal coronavirus funds. Additionally, DHE must convene a task force to recommended ways to increase the number of students who complete student aid applications prior to graduation.

**In-state tuition eligibility.** The bill allows institutions of higher education to grant in-state tuition to a person who moves to Colorado to accept a job with an employer that will pay the person's tuition. The person must demonstrate intent to establish a permanent domicile in the state, and is not eligible for the College Opportunity Fund stipend. The bill also clarifies provisions concerning in-state tuition for minor children who move to Colorado during their senior year of high school.

## State Revenue

The bill impacts tuition revenue for any institution that chooses to offer in-state tuition to eligible people who move to Colorado for a job in which the employer will pay for tuition. For each student who enrolls as a result of becoming eligible for in-state tuition, who would not otherwise enrolled, that school's tuition revenue will increase. Conversely, to the extent that some nonresident students are reclassified as residents, tuition revenue will decrease. It is not known which institutions will implement this tuition policy; no change to state tuition revenue has been estimated at this time. Additionally, clarifying provisions related to in-state tuition for minor children who move to Colorado during their senior year of high school does not impact tuition revenue. Tuition revenue is not subject to TABOR.

## State Expenditures

In FY 2021-22, the bill increases state expenditures in DHE by \$51.5 million. These expenditures are from the Workers, Employers, and Workforce Centers Cash Fund, which contains federal American Rescue Plana Act (ARPA) funds. A majority of this amount will be distributed to institutions of higher education. The fiscal note assumes that some of these funds may be spend in FY 2022-23.

**Table 2  
Expenditures Under HB21-1330**

<b>Cost Components</b>	<b>FY 2021-22<sup>1</sup></b>	<b>FY 2022-23</b>
<b>Department of Higher Education</b>		
Institutional Allocations	\$46,550,000	-
Admin - Institutional Allocations	\$2,450,000	-
Student Aid Application Grants	\$1,400,000	-
Admin - Student Aid Application Grants	\$100,000	-
CORE Program & Working Groups	\$1,000,000	-
<b>Total</b>	<b>\$51,500,000</b>	<b>-</b>

<sup>1</sup>The fiscal note assumes that funds shown in FY2021-22 may be spent in FY 2022-23.

**Institution allocation.** The fiscal note assumes that \$49.0 million will be allocated by COSI to institutions of higher education, based after approval of institution’s student assistance plans and based on the specified criteria. The bill allows up to 5.0 percent, or up to \$2.45 million, to be used by COSI for administrative expenses.

**Student aid application grants.** The bill allocates \$1.5 million for the grant program. Of that amount, up to \$100,000 may be used for administrative expenses. The fiscal note assumes that this will support about 0.5 FTE, plus funding for technical assistance and program evaluation, and that \$1.4 million will go towards grants.

**CORE program and working group.** The fiscal note estimates that about \$1.0 million is required for the CORE program and working group. About \$100,000 in FY 2021-22 only is expected to be required for 1.0 FTE to support the working groups and cover expenses associated with the student aid application working group. The remaining \$900,000 will be used for staff to coordinate with participating institutions, and for a public information campaign.

**Bachelors of applied science.** The bill decreases workload for CCHE by removing the requirement that it review and approve proposals for community colleges and local district colleges to offer bachelors of applied science degrees. No change in appropriations is required.

**CDE.** The bill increases workload for CDE to consult with DHE on student aid application grant program funding decisions and to provide support to the task force on increasing student aid completion rates. No change in appropriations is required.

**School District**

The bill increases revenue and workload for any local education provider that receives a grant through the student aid application grant program.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that Section 4 takes effect only if House Bill 21-1264 is enacted.

## State Appropriations

In FY 2021-22, the bill requires an appropriation of \$51,500,000 from the Workers, Employers, and Workforce Centers Cash Fund to the Department of Higher Education.

## State and Local Government Contacts

Higher Education

Education