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Fiscal Note

Drafting Number: LLS 22-0892 **Date:** April 12, 2022
Prime Sponsors: Sen. Zenzinger; Simpson **Bill Status:** Senate Education
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Bill Topic: **OPPORTUNITIES FOR CREDENTIAL ATTAINMENT**

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires the development of stackable credential pathways, and provides funding for the adult education and literacy grant program in the Colorado Department of Education and nondegree credential programs at community colleges, technical colleges, and local district colleges. The bill increases state expenditures through FY 2024-25.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$2.6 million to multiple state agencies.

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

Table 1
State Fiscal Impacts Under SB 22-192

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-	
Expenditures	General Fund	\$2,600,000	-	\$61,850
	Cash Funds	\$475,275	\$462,875	\$61,850
	Centrally Appropriated	\$32,417	\$25,944	\$25,944
	Total Expenditures	\$3,107,692	\$488,819	\$149,644
	Total FTE	1.9 FTE	1.5 FTE	1.5 FTE
Transfers¹	Cash Funds	(\$1,000,000)	-	-
	Cash Funds	\$1,000,000	-	-
		\$0	-	-
Other Budget Impacts	General Fund Reserve	\$390,000	-	\$9,277

¹ The transfer identified in the bill is appropriated from the Workers, Employers, and Workforce Centers Cash Fund to the newly created Credentials to Support Colorado Jobs Cash Fund.

Summary of Legislation

Stackable credential pathways. By June 15, 2023, the Department of Higher Education (DHE), in consultation with the institutions of higher education, must evaluate access to credentials, identify alignment between credentials and work-based learning, and identify opportunities for additional alignment and the creation of stackable credential pathways.

Creation of pathways. The Colorado Commission on Higher Education (CCHE) must approve stackable credential pathways in consultation with the Colorado Workforce Development Council. The DHE must facilitate the creation of stackable credential pathways for at least three growing industries by January 1, 2024, at least two additional growing industries by January 1, 2025, and at least two stackable pathways for each industry. Stackable credential pathways must include the knowledge, skills, outcomes, professional development, and credentials associated with the pathway.

Funding. The bill creates the Credentials to Support Colorado Jobs Cash Fund, which is continuously appropriated to the DHE. In FY 2022-23, the General Assembly must appropriate \$1.0 million from the Workers, Employers, and Workforce Centers Cash Fund from to the newly created fund.

Report. The DHE must submit a report to the relevant legislative committees by December of 2023 and 2025 that include data on the number of credits, credentials, certificates, and licenses earned in each pathway at each institution.

Funding distribution. The CCHE must create a policy to allocate funds to community colleges, technical colleges, and local district colleges to fund access to nondegree credential programs. The policy must prioritize credential programs that are part of an industry-aligned pathway, associated with industries identified in the most recent Colorado Talent Report, are stackable, and address critical job shortages. The report can be accessed here: <https://cwdc.colorado.gov/resources/colorado-talent-pipeline-report>

Funding. In FY 2022-23, the General Assembly must appropriate \$1.8 million to the DHE, of which no more than three percent may be used for administrative expense.

Report. By September 1, 2023, each college that receives funding must report to the DHE the number of credentials earned and subsequent job placements. The DHE must report to the relevant legislative committees by January 5, 2024.

Adult education and literacy grant. The bill appropriates \$800,000 from the General Fund to the Colorado Department of Education (CDE) for the adult education and literacy program.

Background

The Adult Education and Literacy Grant Program in the CDE provides funding for adult education programs that lead to a high school equivalency credential, English as a second language instruction, or integrated basic education and skills training as part of a workforce development partnership or education attainment partnership. It is currently funded by \$1.6 million and 1.2 FTE.

State Transfers

The fiscal note assumes that the bill requires an appropriation of \$1.0 million from the Workers, Employers, and Workforce Centers Cash Fund to the newly created Credentials to Support Colorado Jobs Cash Fund in FY 2022-23. This appropriation is reflected as a transfer for informational purposes.

State Expenditures

The bill increases state expenditures in the DHE and the CDE by \$3.1 million in FY 2022-23, \$488,819 in FY 2023-24, and \$149,643 in FY 2024-25, paid from the General Fund and cash funds as specified in the bill. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under SB22-192**

Cost Components	FY 2022-23	FY 2023-24	FY 2024-25
Department of Education			
Personal Services	\$27,493	-	-
Grant Program	\$772,507	-	-
Centrally Appropriated Costs ¹	\$6,473	-	-
FTE – Personal Services	0.4 FTE	-	-
CDE Subtotal	\$806,473	-	-
Department of Higher Education			
Personal Services	\$121,674	\$121,674	\$121,674
Operating Costs	\$2,025	\$2,025	\$2,025
Capital Outlay	\$12,400	-	-
Distributions to CCs, LDCs, ATCs	\$1,800,000	-	-
Credential Pathway - Grants	\$225,000	\$225,000	-
Credential Pathway - CCCS	\$114,176	\$114,176	-
Centrally Appropriated Costs ¹	\$25,944	\$25,944	\$25,944
FTE – Personal Services	1.5 FTE	1.5 FTE	1.5 FTE
DHE Subtotal	\$2,301,219	\$488,819	\$149,643
Total	\$3,107,692	\$488,819	\$149,643
Total FTE	1.9 FTE	1.5 FTE	1.5 FTE

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

Department of Higher Education. The bill increases costs for the DHE to implement the bill over three years, as discussed below.

- *Credential pathways.* The bill provides \$1.0 million for the DHE to develop and approve stackable credential pathways. The DHE requires 1.5 FTE through FY 2024-25 to evaluate current credentials, identify potential pathways, and coordinate with institutions to develop the required pathways. These costs will be paid from the new cash fund in FY 2022-23 and FY 2023-24, and split evenly between the cash fund and General Fund in FY 2024-25. The remaining funds will be distributed to institutions as technical assistance grants for faculty stipends, data infrastructure, cost of prior learning assessments, and contract support, and to the community college system for staff support, training, and development of pathways between credential and academic programs.
- *Distributions to colleges.* In FY 2023-24 only, the bill provides \$1.8 million to be distributed to community, local district, and technical colleges to fund access to non-degree credential programs. The distribution policy will be determined by the CCHE and must align with prioritization criteria specified in the bill. The DHE may use up to \$54,000 of this amount for administrative expense associated with the distributions. Funding distributions are from the General Fund.

Department of Education. The CDE requires 0.4 FTE in FY 2022-23 only to implement an additional round of grant applications, including reviewing applications, providing technical assistance to grantees, distributing the funding, and collecting required data. Personal services costs are prorated for the General Fund paydate shift, and standard operating and capital outlay costs are included. After administrative costs, \$772,507 is expected to be distributed as grants.

Department of Labor. The bill increases workload for the Department of Labor and Employment to collaborate with DHE on the creation of stackable credentials.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

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

Effective Date

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

State Appropriations

In FY 2022-23, the bill requires the following appropriations to the Department of Higher Education:

- \$1,800,000 from the General Fund; and
- \$1,000,000 from the Workers, Employers, and Workforce Centers Cash Fund to the Credentials to Support Colorado Jobs Cash Fund, which is continuously appropriated to the Department of Higher Education. The DHE also requires 1.5 FTE for this purpose.

In FY 2022-23, the bill includes an appropriation of \$800,000 from the General Fund to the Colorado Department of Education. The department also requires 0.4 FTE.

State and Local Government Contacts

Education
Information Technology

Higher Education
Labor