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Fiscal Note

Drafting Number: LLS 23-0943 **Date:** March 30, 2023
Prime Sponsors: Sen. Bridges; Lundeen **Bill Status:** Senate Education
Rep. Martinez; Wilson **Fiscal Analyst:** Anna Gerstle | 303-866-4375
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Bill Topic: **UNIVERSAL HIGH SCHOOL SCHOLARSHIP PROGRAM**

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 type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates the Universal High School Scholarship Program to provide scholarships to students for postsecondary education, apprenticeships, or training related to an in-demand, high-priority postsecondary pathway. The bill increases state expenditures through FY 2024-25.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$25.0 million to the Office of Economic Development and International Trade.

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

Table 1
State Fiscal Impacts Under SB 23-205

	Budget Year	Out Year
	FY 2023-24	FY 2024-25
Revenue	-	-
Expenditures¹		
General Fund	\$25,000,000	-
Centrally Appropriated	\$20,441	\$26,889
Total Expenditures	\$25,020,441	\$26,889
Total FTE	1.0 FTE	1.3 FTE
Transfers	-	-
Other Budget Impacts		
General Fund Reserve	\$3,750,000	

¹ The \$25.0 million provided in FY 2023-24 may be spent over two fiscal years, through FY 2024-25.

Summary of Legislation

The bill creates the Universal High School Scholarship program in the Office of Economic Development and International Trade (OEDIT) to provide scholarships to students for postsecondary education, apprenticeships, or training related to an in-demand, high-priority postsecondary pathway. Scholarships are up to \$1,500 per student and may be used for tuition, fees, books, and equipment.

Administration. OEDIT must manage the application and award process, beginning for the FY 2024-25, and may contract with vendors to administer the program. OEDIT must also:

- manage a statewide campaign to publicize the program;
- contract with a vendor to provide career advising at schools;
- approve eligible providers who are not institutions of higher education; and
- establish lists of eligible providers and in-demand and high-priority higher postsecondary pathways.

Eligibility. To be eligible, a student must have graduated from a Colorado high school or received a GED during the 2023-24 school year, have completed the federal or state application for financial aid, and not received a grant or scholarship through the Colorado Opportunity Scholarship Initiative. Scholarships are distributed to eligible service providers on behalf of the student.

Eligible service providers include training providers identified by the Colorado Department of Labor of Employment (CDLE), an apprenticeship included in the Colorado State Apprenticeship Directory, a public or private institution of higher education, or another entity approved by OEDIT.

Funding. For FY 2023-24, the General Assembly must appropriate \$25.0 million from the General Fund for the program. Unexpended money is available for FY 2024-25. Of the funding, \$2.5 million must be used for postsecondary and career advising and up to 6 percent may be used for administrative expenses. Scholarships must be expended by July 31, 2025.

Reporting. By July 31, 2025, a provider that receives scholarship funds on behalf of a student must report certain information, and OEDIT must include data on the program in their SMART Act hearing.

The program is repealed December 31, 2026.

State Expenditures

Based on the required appropriation of \$25 million in FY 2023-24, the bill is estimated to increase state expenditures in OEDIT by up to \$24.9 million in FY 2023-24 and at least \$162,746 in FY 2024-25, paid from the General Fund. Expenditures are shown in Table 2 and detailed below. The timing of some expenditures may vary from this estimate, as discussed below.

**Table 2
 Expenditures Under SB 23-205**

	FY 2023-24	FY 2024-25
Office of Economic Development and International Trade		
Personal Services	\$100,576	\$134,102
Operating Expenses	\$1,485	\$1,755
Capital Outlay Costs	\$6,670	-
Vendor Contracts ¹	up to \$3,755,412	-
Scholarships ¹	at least \$21,000,000	-
Centrally Appropriated Costs ²	\$20,441	\$26,889
Total Cost	\$24,884,584	\$162,746
Total FTE	1.0 FTE	1.3 FTE

¹ Contracting and scholarship costs are shown in FY 2023-24, but may be spent over two fiscal years.

² Centrally appropriated costs are not included in the bill's appropriation.

Office of Economic Development and International Trade. OEDIT will incur costs to implement the program, including staffing, vendor contract, and scholarships.

- **Personal services.** OEDIT requires 1.3 FTE in FY 2023-24 and FY 2024-25 to implement the program, including establish program details and parameters, contracting with vendors for administration of the scholarship program, and establishing the career advising program and vendor contract. Staffing costs in FY 2023-24 are prorated for the General Fund payday shift and a September 1 effective date and include standard capital outlay and operating costs.
- **Vendor contracts.** OEDIT will contract with a vendor to administer the program and conduct the final program evaluation, at an estimated cost of \$1.26 million, and will spend \$2.5 million for a vendor contract to provide career advising services, as specified by the bill. Both contract amounts are shown in FY 2023-24 in Table 2 and are assumed to cover the duration of the program.
- **Scholarships.** After the costs for the career advising costs and administrative expenses, \$21.0 million is estimated to be available for scholarships. This covers approximately 14,000 scholarships, based on the maximum \$1,500 per student. Scholarships are assumed to be distributed through FY 2024-25. If the contract for vendor administration costs less than estimated, more money may be available for scholarships.

Institutions of higher education. Institutions of higher education will receive scholarship funds from OEDIT on behalf of participating students to cover student costs. The bill increases workload for institutions to coordinate with OEDIT to receive the scholarship funds and to report required information. No change in appropriations is required.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance 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. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Technical Note

The bill states that expenditures for administration must be expended by December 31, 2023. While the administrative expenditures can be identified and encumbered by that date, administrative work will continue and thus, administrative costs must be expended, after that date. The fiscal note assumes administrative costs will be encumbered by December 31, 2023, but may be expended after that date.

Effective Date

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

State Appropriations

For FY 2023-24, the bill requires a General Fund appropriation of \$25,000,000 to the Office of Economic Development and International Trade, and 1.0 FTE. This amount is further appropriated for FY 2024-25.

State and Local Government Contacts

Higher Education	Information Technology	Labor
Law	Office of Economic Development	