Bill Topic: **COLLEGE TRUST SCHOLARSHIP FOR EARLY GRADUATION**

Summary of Fiscal Impact:	☐ State Revenue	☐ TABOR Refund
	☒ State Expenditure	☐ Local Government
	☒ State Transfer	☐ Statutory Public Entity

The bill creates a higher education scholarship program for high school students who graduate early. The bill also requires annual transfers. The bill increases state expenditures annually beginning FY 2021-22.

Appropriation Summary: No appropriation is required in FY 2020-21.

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

Table 1
State Fiscal Impacts Under SB 20-112

		FY 2020-21	FY 2021-22	FY 2022-23
Revenue	General Fund		-	-
Expenditures	General Fund	-	$2,713,360	$2,773,054
	Centrally Appropriated	-	$21,199	$33,334
	Total	**-**	**$2,734,559**	**$2,806,388**
	Total FTE	**-**	**1.9 FTE**	**3.0 FTE**
Transfers	General Fund	-	($1,397,792)	($1,428,543)
	State Education Fund	-	$1,397,792	$1,428,543
Net Difference		-	$0	$0
TABOR Refund	General Fund	-	-	-

Summary of Legislation

The bill creates the College Trust Scholarship Program For Early Graduation in the Department of Higher Education (DHE) The program provides a scholarship for Colorado high school students who graduate high school prior to their senior year and enroll in post secondary education in the state. The Colorado Commission on Higher Education (CCHE) and the DHE must adopt rules to implement and administer the program.

By February 15, 2021, and each February 15 thereafter, public high schools are required to report to the DHE the number of students on track to graduate early. By March 1, 2021, and each March 1 thereafter, the DHE must report the student's name, public high school, unique student identifier number, and expected graduation date to the Joint Budget Committee (JBC). In the Long Bill for the budget year beginning the July following the student's early graduation date, the General Assembly is required to appropriate sufficient funding to award scholarships for each eligible graduate.

Scholarship awards are either two thirds of the average state share of the average per pupil revenue under the School Finance Act for the applicable budget year, or $3,000, whichever is greater. The applicable budget year is the year in which the student graduates early.

Each year, the DHE must calculate the difference between the scholarship award and the amount of the average state share of the average per pupil revenue. This amount is transferred from the General Fund to the State Education Fund to be used to buy down the cost of the budget stabilization factor in the school finance formula.

Eligible graduates must begin a postsecondary program prior to turning 21 or forfeit their scholarship funding. The DHE may approve exceptions to this limitation by rule. The eligible graduate may continue to receive funding for eligible expenses until the award is exhausted, or the graduate turns 26. The DHE must disburse the award money on behalf of the eligible graduate to the post secondary program within ten business days following a request. The scholarship award may be used for tuition, fees, and other expenses associated with the graduate's cost of attendance, which must be determined by the DHE in rule.

No later than November 1, 2021, and each year thereafter, the DHE must report specified program information to the JBC and education committees of the General Assembly. Finally, the bill creates the College Trust Scholarship Fund in the state treasury. Money in the fund is continuously appropriated to the DHE. Any forfeited scholarship money in the fund at the end of the year is transferred to the State Education Fund.

Data and Assumptions

Based on the Legislative Council Staff school finance model and the December 2019 Economic Forecast, the average state share of the average per pupil revenue (average state share) is estimated to be about $5,363 in FY 2021-22, and about $5,482 in FY 2022-23. Each year, about 766 high school students graduate early. For each early graduate, this bill makes two thirds of the average state share available for scholarships and transfers one third from the General Fund to the State Education Fund. Table 2 displays the amounts available for scholarships and transfers in FY 2021-22 and FY 2022-23.

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**Table 2
Scholarships and Transfers Under SB 20-112**

	FY 2020-21	FY 2021-22	FY 2022-23
Early Graduates X Average State Share	-	$4,111,152	$4,201,597
Two Thirds Scholarship	-	$2,713,360	$2,773,054
One Third Transferred to State Education Fund	-	$1,397,792	$1,428,543

State Transfers

For FY 2021-22, the bill transfers about $1.40 million from the General Fund to the State Education Fund. For FY 2022-23, the bill transfers about $1.43 million.

State Expenditures

For FY 2021-22, the bill increases state expenditures by about $2.75 million and 1.9 FTE. For FY 2022-23, state expenditures increase about $2.99 million and 3.0 FTE. New costs are displayed in Table 3 and discussed below.

**Table 3
Expenditures Under SB 20-112**

	FY 2020-21	FY 2021-22	FY 2022-23
Department of Higher Education			
Personal Services	-	$110,700	$173,270
Operating Expenses	-	$2,700	$4,050
Capital Outlay Costs	-	$12,400	$6,200
Scholarship Fund	-	$2,713,360	$2,773,054
Centrally Appropriated Costs*	-	$21,199	$33,334
Total Cost	**-**	**$2,749,659**	**$2,989,908**
Total FTE	**-**	**1.9 FTE**	**3.0 FTE**

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

Program administration. The DHE requires new accounting and program staff to create and administer the scholarship program. New staff will assist the CCHE to adopt rules, perform outreach and communication, confirm eligibility, process applications and awards, ensure accountability, and make annual reports.

Based on existing tuition assistance programs in the DHE, a combined 1.0 FTE can administer up to 300 student scholarships. On average, about 766 students each year graduate early. A majority of these students will begin accessing scholarship awards beginning FY 2020-21. Since students may access awards for several years following graduation, the number of program participants is anticipated to grow each year as additional students become eligible.

Scholarship fund. The bill requires that the two thirds of the average state share be appropriated to the new cash fund for each early graduate. This amount is expected to be about $2.7 million in FY 2021-22, and about $2.8 million in FY 2022-23.

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 estimated to be $21,199 in FY 2021-22 and 33,334 in FY 2022-23.

Technical Note

The bill clearly intends to calculate the scholarship and transfer amounts based on the average state share of the average per pupil revenue (PPR) under the School Finance Act. In the introduced bill, one definition makes reference to total program funding instead of this average state share of PPR. As a result, the bill has a technical error that creates an unintended fiscal impact. The bill's summary and all estimates of fiscal impact assume that amendments to the bill will correct this error.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

No appropriation is required for FY 2020-21.

For FY 2021-22, the bill will require appropriations in the following amounts:

- $125,800 General Fund to the Department of Higher Education, and 1.9 FTE; and
- $2,713,360 General Fund to the College Trust Scholarship Fund, which is continuously appropriated to the Department of Higher Education.

State and Local Government Contacts

Education   Higher Education