

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0459
Prime Sponsor(s): Sen. Kerr

Date: January 22, 2014
Bill Status: Senate Education
Fiscal Analyst: Josh Abram (303-866-3561)

SHORT TITLE: HOSPITALITY CAREER ED GRANT PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	\$61,666	\$399,852
General Fund	56,665	394,536
Centrally Appropriated Costs**	5,001	5,316
FTE Position Change	0.5 FTE	0.5 FTE
Appropriation Required: \$56,665 General Fund -Department of Labor and Employment (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill creates a hospitality career secondary education grant program in the Colorado Department of Labor and Employment (CDLE). The new program will award grants to increase the number and quality of hospitality programs operating in schools. The CDLE must adopt rules for the program and begin awarding grants for the 2015-16 academic year.

To be eligible to receive a grant, a hospitality program must offer secondary students the opportunity to work in the hospitality industry, earn wages while in the program, and obtain an industry validated certificate of completion. Additionally, an eligible program must:

- be approved by the Colorado Community College System (CCCS);
- currently be operating in at least one Colorado high school for at least three years;
- be endorsed and supported by at least one state and one national hospitality trade association; and
- result in the issuance of a certificate to the student that articulates credits for higher education.

The bill creates a separate cash fund to support the program, which requires annual appropriations from the General Assembly. The CDLE is permitted to spend a portion of the fund for administrative purposes. No later than December 15, 2016, and annually thereafter, the CDLE must report the number and amount of grants made, the grant recipients, and the number of secondary students that participated in the program for the most recent grant cycle. The report must be provided to the business committees of the General Assembly.

State Expenditures

This bill increases state expenditures by \$61,666 and 0.5 FTE in FY 2014-15. For FY 2015-16, increased costs are at least \$399,852 and 0.5 FTE. Increased state expenditures are for program development, grant administration and other operational expenses, and for grant awards to hospitality programs. Total costs are detailed below and displayed in Table 1.

Table 1. Expenditures Under HB SB 14-015		
Cost Components	FY 2014-15	FY 2015-16
Personal Services and Administration	56,665	44,536
FTE	0.5	0.5
Hospitality Career Education Grants	0	350,000
Centrally Appropriated Costs*	5,001	5,316
TOTAL	\$61,666	\$399,852

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

Program administration. The CDLE will establish program rules, create application procedures, identify and solicit eligible participants, provide technical assistance, award grants, track and evaluate grants, ensure accountability, and prepare reports. In order to establish the program and get ready to award grants for the 2015-16 academic year, the CDLE requires \$56,665 and 0.5 FTE for FY 2014-15.

Beginning with FY 2015-16, the program will require a minimum of \$44,536 and 0.5 FTE in administrative costs and \$350,000 for grant awards. The estimate of administrative expense is based on the limited number of potential grant recipients and a minimal amount of grant awards. As additional education programs gain eligibility for grant awards, and if the General Assembly provides funding for multiple awards, the CDLE's administrative cost will increase.

Hospitality career secondary education grants. Beginning FY 2015-16, it is anticipated that the program will award around \$350,000 in total grants; however, the total amount of new grants is dependant on the amount appropriated for the program by the General Assembly. It is estimated that \$350,000 would allow a single hospitality education program to serve five high schools and as many as 975 students.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB 14-015*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,288	\$2,288
Supplemental Employee Retirement Payments	2,713	3,028
TOTAL	\$5,001	\$5,316

*More information is available at: <http://colorado.gov/fiscalnotes>

Technical or Mechanical Defects

Section 24-46.3-304(2) of the bill permits the CDLE to expend up to two percent of the moneys annually appropriated from the fund to offset the costs incurred in implementing the new grant program; however, this indirect rate is insufficient to cover the department's fixed costs to establish the new program, or the ongoing administrative cost to run the program. Once the grant program is operational, this fiscal note estimates a minimal amount of grant awards of \$350,000 annually, with an administrative cost of \$85,947 and 1.0 FTE, beginning with FY 2015-16. If the General Assembly appropriates \$350,000 to the fund for grants and the department is held to an indirect rate of two percent, only \$7,000 is available for administrative purposes.

Effective Date

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

State Appropriations

For FY 2014-15, this bill requires an appropriation of \$56,665 and 0.5 FTE General Fund to the Colorado Department of Labor and Employment.

State and Local Government Contacts

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