

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0374
Prime Sponsor(s): Sen. Heath

Date: January 27, 2015
Bill Status: Senate Education
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BILL TOPIC: AWARDING CO'S EXCELLENT SCHOLARS PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
State Revenue					
State Expenditures	\$72,473	\$11,874,810	\$24,735,405	\$39,094,371	\$55,010,465
General Fund	63,636	11,823,969	24,337,230	39,041,588	54,957,682
Centrally Appropriated Costs**	8,837	50,841	52,783	52,783	52,783
FTE Position Change	0.7	3.7	4.0	4.0	4.0
Appropriation Required: \$63,636 General Fund - Department of Higher Education (FY 2014-15) \$11,823,969 General Fund - Department of Higher Education (FY 2015-16)					

* 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 requires that the Colorado Commission on Higher Education (CCHE) establish the Awarding Colorado's Excellent Scholars Program (ACES), to award scholarships to the three students in each Colorado public high school who graduate with the highest grade point average (GPA) within their graduating class. The CCHE must begin awarding scholarships beginning in the 2015-16 academic year to qualifying students who graduate in the 2014-15 academic year.

The annual amount of each ACES scholarship is equal to the student's share of the resident tuition amount charged by the enrolling state institution of higher education. To be eligible to receive the scholarship a student must:

- graduate from a Colorado public high school;
- achieve a GPA that is at least 3.0 and among the three highest GPAs within his or her graduating high school class; and
- enroll in and attend a state institution of higher education beginning in the fall semester following graduation.

Each school district and the Colorado Charter School Institute (CSI) must provide to the Department of Higher Education (DHE) the names and contact information of the students in each high school who meet the scholarship eligibility. In high schools where more than three students are eligible, the superintendent of the school district (or the principal of the school in the case of a CSI charter school) shall decide which students to report to DHE for the scholarship.

Each ACES scholar may receive the scholarship provided the student enrolls in at least 15 credit hours per semester and maintains a college GPA of at least 3.0. Scholarships continue for four years (eight semesters) or until the student obtains a baccalaureate degree, whichever occurs first. Under certain circumstances, an ACES scholar may petition the DHE to grant a temporary suspension of the eligibility requirements.

Beginning in the 2015-16 academic year, the DHE must notify school districts and the CSI annually concerning the availability of the ACES scholarships, which information must be shared with the public high schools. The department must also share this information online and post the names of the students who receive the scholarships.

Background

The average student share of tuition for 2014-15 was \$7,428. For FY 2015-16, institutions of higher education may raise tuition by up to six percent. Assuming a constant six percent increase over the next four academic years, the average student share of resident undergraduate tuition is \$7,874 in 2015-16, \$8,346 in 2016-17, \$8,847 in 2017-18, and \$9,378 in FY 2018-19.

According to the Colorado Department of Education (CDE) there are currently 486 high schools in Colorado. The ACE scholarship is awarded to the top 3 GPA graduates at each school. Therefore, the eligible number of students is 1,458 per year (486 X 3 = 1,458). Once fully implemented, 5,832 students will receive scholarships annually

State Expenditures

This bill increases state expenditures by \$72,473 and 0.7 FTE in FY 2014-15 (the current fiscal year), \$11.9 million and 3.7 FTE in FY 2015-16, and \$24.7 million and 4.0 FTE in FY 2016-17. Once fully implemented in FY 2018-19, the total ongoing cost for Senate Bill 15-050 is about \$55.0 million and 4.0 FTE. Increased costs are for ACE scholarships, program administration, operational expenses, vendor contracts, and travel. These costs are detailed below and displayed in Table 1. Salary and benefit costs for new FTE paid from the General Fund are shown as an 11 month impact in FY 2015-16 in accordance with the pay-date shift (Section 24-50-104(8), C.R.S.)

Table 1. Expenditures Under SB 15-050					
Cost Components	FY 2014-15*	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services	\$41,369	\$220,661	\$240,721	\$240,721	\$240,721
FTE	0.7	3.7	4.0	4.0	4.0
Standard Operating	3,957	22,612	3,800	3,800	3,800
Administrative Overhead	3,310	19,258	19,258	19,258	19,258
Contract Services	15,000	78,333	78,333	78,333	-
Travel	-	3,280	3,280	3,280	3,280
ACES Scholarships	-	11,479,825	24,337,230	38,696,196	54,690,623
Centrally Appropriated Costs*	8,837	50,841	52,783	52,783	52,783
TOTAL	\$72,473	\$11,874,810	\$24,735,405	\$39,094,371	\$55,010,465

* The current fiscal year.

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

ACES Scholarships. Scholarships to students are the largest cost component in the bill. The DHE will begin awarding ACES scholarships to eligible students in the 2015 graduating class. For FY 2015-16, ACES scholarships increase state expenditures by about \$11.5 million. Each year, 1,458 additional ACES scholars will be funded, which compounds the fiscal impact until the bill is fully implemented in FY 2018-19, at a total cost of about \$54.7 million annually. Table 2 shows the impact on state expenditures for the ACES scholarship component of the bill.

Table 2. State Expenditures for ACES Scholarships FY 2015-16 through FY 2018-19				
	FY 2015-16 Class 1	FY 2016-17 Class 2	FY 2017-18 Class 3	FY 2018-19 Class 4
Eligible ACES Scholars*	1,458	2,916	4,374	5,832
Average student share tuition**	\$7,874	\$8,346	\$8,847	\$9,378
Cost for each additional class	\$11,479,825	\$12,168,468	\$12,898,732	\$13,672,656
Total	\$11,480,292	24,336,230	\$38,696,196	\$54,690,623

* Assumes that each new class of ACES Scholars is 1,458 students.

** Assumes 6% tuition growth annually.

College Opportunity Fund. The bill may also impact the number of individuals seeking stipends from the College Opportunity Fund (COF). The ACES scholarship provides an incentive for academically high performing students to attend institutions of higher education in the state. It is unknown if these students would have attended college out of state if not for the incentive. For this reason, the increase in COF eligible students cannot be estimated. The total COF stipend award for a single full cohort of ACES scholars would be \$3,280,500 assuming a constant COF stipend rate of \$2,250 for a full load of 30 credit hours (\$75 per credit hour). Since this amount cannot be anticipated, this fiscal note assumes that appropriations to the COF will be adjusted in the annual budget setting process.

Program administration. The bill creates a new scholarship program at the DHE. The department will establish program rules, create application procedures, develop criteria for verifying applications and eligibility, award scholarships, track and report scholarship activity, and assure accountability. Based on the staffing requirements of similar scholarship programs in other states, the DHE will need to add the following administrative functions:

- 1.0 FTE General Professional III to provide overall management and coordination for the program;
- 1.0 FTE General Professional III to serve as the outreach coordinator and liaison to school districts, charter schools, and institutions of higher education;
- 1.0 FTE (0.6 FTE Budget and Policy Analyst I and 0.4 FTE Data Specialist) to assist in evaluation and data collection;
- 1.0 FTE General Professional II to serve as a compliance officer and to perform duties associated with reviewing eligibility requirements and processing requests for temporary suspension of the scholarship award.

In addition to new FTE and associated operating expenses, the DHE will have workload increases for the department controller, chief financial officer, human resources office, and the data and research office. Administrative overhead for the new program is calculated at eight percent of new personnel salary costs.

The bill will require additional information technology for the DHE. To properly manage the large amount of data entry and tracking associated with up to 5,832 ACES scholars, the department will contract with an outside vendor to create a web-based application and compliance system. This interface is estimated as a one-time vendor contract cost of \$250,000. This amount is consistent with vendor contracts used by the DHE to modify the COF database in 2013 and to develop the allocation model for implementing HB 14-1319 (Outcomes-based Funding For Higher Education). It is anticipated that building this interface could take several years, so total costs are split across several fiscal years.

The bill requires that ACES scholarships be awarded to seniors in the 2015 graduating class. This will require that the DHE implement aspects of the bill immediately upon the bill becoming law, which increases appropriations during the current fiscal year (FY 2014-15).

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 3.

Table 3. Centrally Appropriated Costs Senate Bill 15-050					
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Employee Insurance	\$5,631	\$32,184	\$32,184	\$32,184	\$32,184
Supplemental Retirement Payments	3,206	18,658	20,599	20,599	20,599
TOTAL	\$8,837	\$50,841	\$52,783	\$52,783	\$52,783

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

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 a General Fund appropriation of \$63,636 and 0.7 FTE to the Department of Higher Education.

For FY 2015-16, this bill requires a General Fund appropriation of \$11,823,969 and 3.7 FTE to the Department of Higher Education

State and Local Government Contacts

Education

Higher Education