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FISCAL NOTE

Drafting Number: LLS 18-1134
Prime Sponsors: Sen. Hill

Date: April 24, 2018
Bill Status: Senate Education
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Bill Topic: SUNRISE REVIEW NEW PRIVATE OCCUPATIONAL SCHOOLS

- Summary of Fiscal Impact:
- [x] State Revenue
- [x] State Expenditure
- [ ] State Transfer
- [ ] TABOR Refund
- [ ] Local Government
- [ ] Statutory Public Entity

The bill creates a sunrise process to assess the need for regulation of certain types of private occupational schools. The bill increases state revenue and expenditures in the Department of Higher Education on an ongoing basis.

Appropriation Summary: For FY 2018-19, the bill requires an appropriation of \$99,804 to the Department of Higher Education.

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

Table 1
State Fiscal Impacts Under SB 18-260

Table with 4 columns: Category, Sub-category, FY 2018-19, FY 2019-20. Rows include Revenue (Cash Funds, Total), Expenditures (Cash Funds, Centrally Appropriated, Total), and Total FTE.

Transfers table with 2 columns: Category, Fund. Row: TABOR Refund, General Fund.

## **Summary of Legislation**

Beginning September 1, 2018, this bill requires that the Private Occupational School Board (the board) of the Division of Private Occupational Schools (DPOS) in the Department of Higher Education (DHE) conduct a sunrise review of new educational credentials or services to determine whether these should be regulated. The board's sunrise review process must apply to an application for a certificate of approval for a new educational credential or service for which the DPOS has not considered an application prior to July 2018. The board and the DPOS are prohibited from regulating new educational credentials or services until the sunrise review is complete and the General Assembly determines that regulation is appropriate.

The bill requires that the board, at a minimum, receive, investigate, and evaluate specified information related to the new credential or service, including a determination of the public harm, if any, of not regulating the credential or service. The board must adopt rules and procedures for the sunrise review, ensuring as quick and efficient a process as possible.

When a sunrise review is completed, the board is required to recommend either that the new credential or services be exempted from regulation or be regulated by some or all of the powers and duties of the DPOS. Based on the sunrise findings and the specific recommendation of the board, the General Assembly may enact legislation to implement the recommendation. If the board finds that a change in circumstances exists related to credentials or services previously exempted from regulation that makes it necessary or appropriate to impose regulations, the board may submit an amended report and request legislative changes by the General Assembly.

## **State Revenue**

The bill increases state revenue from fees by about \$106,000 in both FY 2018-19 and FY 2019-20. DPOS is cash funded from fees charged to regulated private schools. Since the division receives no General Fund, fees will need to be raised to cover new costs, estimated at about \$106,000 annually (see State Expenditures section). Since the number of anticipated annual sunrise reviews is limited, fees for all regulated entities will be increased by approximately 10.5 percent. Additional fee information may be included in a revised fiscal note.

## **TABOR Refund**

This bill increases state revenue from fees charged to private educational schools, which will increase the amount of money required to be refunded under TABOR for FY 2018-19 and FY 2019-20. A TABOR refund obligation is not expected for the current FY 2017-18. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

## **State Expenditures**

This bill will increase state expenditures in the DHE by \$110,758 and 1.0 FTE in FY 2018-19, and by \$106,055 and 1.0 FTE in FY 2019-20. New state expenditures are displayed in Table 2 and described below.

**Table 2  
 Expenditures Under SB 18-260**

	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>Department of Higher Education</b>		
Personal Services	\$73,495	\$73,495
Operating Expenses and Capital Outlay Costs	\$5,653	\$950
Legal Services	\$10,656	\$10,656
Stakeholder Engagement	\$10,000	\$10,000
Centrally Appropriated Costs*	\$10,954	\$10,954
FTE – Personal Services	1.0 FTE	1.0 FTE
<b>Total Cost</b>	<b>\$110,758</b>	<b>\$106,055</b>
<b>Total FTE</b>	<b>1.0 FTE</b>	<b>1.0 FTE</b>

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

**Personal services.** The DHE requires 1.0 FTE Program Manager to identify new educational credentials and services, respond to inquiries, investigate and communicate with schools and educational service providers, schedule and lead statewide stakeholder meetings, evaluate industry information and stakeholder input, process fees, draft reports, and provide general oversight of the review process. This fiscal note assumes that the DHE will conduct 1- 3 sunrise reviews annually, with more reviews likely in the first few years of implementation.

**Stakeholder engagement.** As part of the sunrise process DHE will convene two stakeholder meetings across the state and provide travel reimbursement for participating schools and stakeholders, estimated at \$5,000 per meeting.

**Legal services.** The DHE requires legal assistance from the Department of Law to adopt rules for the sunrise process, estimated at 100 hours of legal services annually at a blended rate of \$106.56.

**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 \$10,954 in both FY 2018-19 and FY 2019-20.

**Effective Date**

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

**State Appropriations**

For FY 2018-19, the bill requires a General Fund appropriation of \$99,804 to the Department of Higher Education and 1.0 FTE.

**State and Local Government Contacts**

Higher Education      Law