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**REVISED
FISCAL NOTE**

(replaces fiscal note dated January 26, 2018)

Drafting Number: LLS 18-0125
Prime Sponsors: Rep. Hamner; Rankin
Sen. Coram; Todd

Date: April 19, 2018
Bill Status: Senate Education
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Bill Topic: RURAL SCHOOL DISTRICT TEACHING FELLOWSHIP PROGRAMS

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill creates a teaching fellowship program for rural local education providers and institutions of higher education that offer a teacher preparation program. The bill increases state workload and expenditures, and may increase school district costs. The impacts are ongoing beginning in FY 2018-19.

Appropriation Summary: The bill requires an appropriation of \$530,448 to the Department of Higher Education in FY 2018-19.

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

**Table 1
State Fiscal Impacts Under HB 18-1002**

		FY 2018-19	FY 2019-20
Revenue		-	-
Expenditures	General Fund	\$530,448	\$528,042
	Centrally Appropriated	\$4,429	\$4,639
	Total	\$534,877	\$532,681
	Total FTE	0.5 FTE	0.5 FTE
Transfers		-	-
TABOR Refund	General Fund	-	-

Summary of Legislation

The bill creates a teacher fellowship program for teacher candidates in their final year of an approved teacher preparation program that leads to employment for a rural local education provider (LEP) upon graduation. Rural LEPs include rural school districts, charter schools, and boards of cooperative services that operate schools in rural districts.

Identification of shortage areas. Within 30 days of the bill's effective date, the Colorado Department of Education must identify geographic areas, subject areas, and grade levels for which there are shortages of qualified teachers. The data must be updated annually.

Fellowship agreements. Qualified rural LEPs with demonstrated financial need and hiring difficulty may enter into an agreement with an institution of higher education to create a one-year fellowship. The agreement must:

- evaluate the student's strengths and the LEP's needs;
- identify selection criteria for the fellowship and competencies the student must master;
- specify how the LEP and institution will support the student, provide an experienced teacher as a mentor, and include the student in activities required of teachers employed by the LEP; and
- include a commitment by the LEP to hire the student who successfully completes a fellowship year.

The student is expected to complete their teacher preparation program and any requirements for a teaching credential during the one year fellowship, and, if offered a teaching position, must commit to at least two school years of employment. LEPs may enter into agreements with multiple institutions of higher education, assisted by the Department of Higher Education (DHE) if necessary.

Stipends. Up to 100 teaching fellows per year receive a \$10,000 stipend, paid half by the DHE and half by the institution. Fellowships that receive a stipend are selected by DHE based on hiring difficulty and the financial need of the LEP. If a student in a fellowship does not accept an offer of employment from the LEP and complete the two years of teaching, the student must repay the stipend.

Reporting. The LEP and institution must annually prepare a report on the implementation of the agreement and the institution must file a copy of the report, as well as the agreement and related documents, with DHE. DHE must review each agreement and any modifications to the agreement to ensure that it meets the criteria outlined in the bill, and compile an annual summary report.

State Expenditures

The bill increases state General Fund expenditures for DHE by \$534,877 and 0.5 FTE in FY 2018-19 and \$532,681 and 0.5 FTE in FY 2019-20. Expenditures also increase for participating institutions of higher education and workload increases for CDE to implement the bill. Costs are listed in Table 2 and discussed below.

**Table 2
 Expenditures Under HB 18-1002**

	FY 2018-19	FY 2019-20
Department of Higher Education		
Personal Services	\$25,270	\$27,567
Operating Expenses and Capital Outlay Costs	\$5,178	\$475
Stipends (State Portion)	up to \$500,000	up to \$500,000
Centrally Appropriated Costs*	\$4,429	\$4,639
FTE – Personal Services	0.5 FTE	0.5 FTE
Total Cost	\$534,877	\$532,681
Total FTE	0.5 FTE	0.5 FTE

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

Department of Higher Education. DHE requires 0.5 FTE beginning in FY 2018-19 to review fellowship agreements, select the fellowships to receive state funding, process stipend payments, prepare the annual report, and assist LEPs with finding an institution to work with. The FTE amount is based on staffing for similar programs administered by DHE, as well as the assumption that no more than 100 agreements will initially be signed by institutions and LEPs. To the extent that fellowship recipients do not accept employment offers from the LEP or do not work the required two years, costs could increase to ensure that recipients pay back the amount of the stipend; however, the fiscal note assumes that those instances will be minimal.

DHE also requires up to \$500,000 in order to cover \$5,000 of the \$10,000 stipend for the 100 students selected for a fellowship.

Institutions of higher education. The bill increases costs and workload for any institution of higher education that enters into a fellowship agreement with an LEP. Institution staff will work with LEPs to develop agreements and fill fellowship positions. For up to 100 fellowships, institutions are required to cover \$5,000 of the \$10,000 stipend. The cost for each institution depends on whether or how many agreements the institution enters. The institution's portion of the stipend will be paid out of current appropriations.

Department of Education. The bill increases the workload for CDE's Educator Talent Division to identify geographic areas, subject areas, and grade levels for which there are shortages of qualified teachers in FY 2017-18, and to update those data in subsequent years. CDE currently conducts a voluntary survey of districts used to quantify the teacher shortage; it is likely that this survey will become mandatory for districts as a result of the bill. The workload increase can be accomplished within current appropriations.

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 \$4,429 in FY 2018-19 and \$4,639 in FY 2019-20.

School District Impact

For rural LEPs that enter into fellowship agreements, workload will increase for LEP staff to seek out and develop agreements with institutions of higher education.

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 \$530,448 to the Department of Higher Education, and 0.5 FTE.

Departmental Difference

The DHE estimates that 1.0 FTE is required to implement the bill beginning in FY 2018-19. This estimate assumes that additional staff time is necessary to process payments to institutions on a monthly basis and to track documentation related to fellowship agreements, LEP eligibility, and student outcomes. Additionally, the DHE assumes that there will be more than 100 agreements reviewed by DHE for compliance with the bill and for selection for state funding.

The estimate in the fiscal note of 0.5 FTE is based on the following assumptions:

- Similar scholarship programs administered by the DHE require 0.5 FTE.
- No more than 100 agreements will be signed in the initial years of the program. Assuming DHE spends 3 hours per agreement to process payments and 3 hours each to review agreements and related documents, 0.3 FTE is required.
- Additional staff time will be required to field questions related to the bill, connect interested LEPs and institutions, compile the required report, and provide assistance to districts and institutions related to reporting, filing, and eligibility requirements, resulting in 0.2 FTE.

State and Local Government Contacts

Education Higher Education Law School Districts