

MEMORANDUM



JOINT BUDGET COMMITTEE

To JBC Members
From JBC Staff
Date March 18, 2025
Subject Figure Setting Comeback Packet 4

Included in this packet is staff comeback memos for the following items:

Department of Public Health and Environment, page 2, (Andrew McLeer): CDPHE Solid Waste Program Technical Correction

Department of Personnel, page 4, (Tom Dermody): Dept. of Personnel — Unused State-owned Real Property Fund [New]

Office of Economic Development and International Trade, page 6, (Mitch Burmeister): OEDIT R4 Administrative Funds Comeback

Department of Law, page 19, (Scott Thompson): Water and Natural Resources Section base appropriations and line item detail

Department of Early Childhood, page 26, (Louellen Lowe): Staff Comebacks for the Department of Early Childhood

Department of Human Services, page 41, (Emily Pope): DHS R18 Child Welfare Core Services

Health Care Policy and Financing, page 44, (Eric Kurtz): Health Care Policy and Financing – Staff comebacks

Office of Information and Technology, page 47, (Scott Thompson): Staff Comeback – Consolidated Payments to OIT Recommendation

Department of Public Health and Environment, page 52, (Kelly Shen):

Statewide R2 Pinnacol Conversion, page 53, (Michelle Curry):

Department of Education, (Amanda Bickel) Staff Comebacks regarding:

- S3/BA4 Healthy School Meals for All, page 75
- BA5 Colorado Student Leaders Institute and Statewide MTCF Balancing Transfer to Public School Capital Construction Assistance, page 85
- Comebacks related to Department of Education Grant Programs, page 88



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Andrew McLeer, JBC Staff (303-866-4959)
Date: Monday, March 17, 2025
Subject: **CDPHE: Solid Waste Program Technical Correction**

Staff recommends the following technical corrections to the Department of Public Health and Environment's appropriation for the *Program Costs* line item in the Solid Waste Division:

- Reduce the reappropriated funds appropriation from \$14,000,588 to \$0; and
- Increase cash fund spending authority by \$588.

During figure setting for the Department of Public Health and Environment on February 27, 2025, the Committee approved a staff recommendation for the Solid Waste Division, *Program Costs* line item which included \$14.0 million in reappropriated funds from the Closed Landfill Remediation Grant Fund, as well as the Department's BA1 request (Closed Landfill Program Spending Authority) and associated centrally appropriated costs for the program. The table below highlights these values:

Hazardous Materials and Waste Management Division, Solid Waste Control Program, Program Costs						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
H.B. 24-1430 (Long Bill)	\$3,475,101	\$138,440	\$3,245,341	\$91,320	\$0	23.8
S.B. 25-104 (Supplemental)	\$687,594	\$0	\$778,914	-\$91,320	\$0	0.0
Other Legislation	\$9,000	\$0	\$9,000	\$0	\$0	0.0
Total FY 2024-25	\$4,171,695	\$138,440	\$4,033,255	\$0	\$0	23.8
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$4,171,695	\$138,440	\$4,033,255	\$0	\$0	23.8
Annualize prior year legislation	13,312,406	0	-687,594	14,000,000	0	0.0
BA1 Closed landfill program spending auth.	8,304,135	0	8,304,135	0	0	0.0
Centrally appropriated line items	80,679	2,878	77,213	588	0	0.0
Total FY 2025-26	\$25,868,915	\$141,318	\$11,727,009	\$14,000,588	\$0	23.8
Changes from FY 2024-25	\$21,697,220	\$2,878	\$7,693,754	\$14,000,588	\$0	0.0
Percentage Change	520.1%	2.1%	190.8%	n/a	n/a	0.0%
FY 2025-26 Executive Request	\$27,529,742	\$141,318	\$3,331,554	\$24,056,870	\$0	23.8
Staff Rec. Above/-Below Request	-\$1,660,827	\$0	\$8,395,455	-\$10,056,282	\$0	0.0

These reappropriated funds have been made unnecessary by the Committee's decision to approve BA1, which grants the necessary spending authority for the Closed Landfill Grant Program in FY 2025-26. Meanwhile, the centrally appropriated costs should be reflected as a cash fund appropriation, rather than reappropriated funds.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee Members
From: Tom Dermody, JBC Staff (303-866-XXXX)
Date: Monday, March 17, 2025
Subject: **Dept. of Personnel – Unused State-owned Real Property Fund [New]**

The Unused State-owned Real Property Fund (Fund) was created by H.B. 21-1274 (Unused State-owned Real Property Beneficial Use) to support the Department of Personnel in establishing an online inventory of unused, state-owned, real property, and in determining if any such property is suitable for the construction of affordable housing, child care, public schools, residential mental and behavioral health care, or renewable energy facilities. Initially revenue in the Fund was derived from the sale, rent, or lease of unused, state-owned, real property.

Senate Bill 22-130 (State Entity Authority for Public-private Partnerships) created the Public-Private Collaboration Unit, which is tasked with identifying and prioritizing partnership opportunities, providing technical assistance to state agencies, and tracking partnerships. State public entities are allowed to enter into public-private partnerships, pursuant to requirements detailed in Section 24-94-104, C.R.S. Additionally, the bill modified the Unused State-owned Real Property Cash Fund to be continuously appropriated for the purposes of supporting the Public-Private Collaboration Unit (Section 24-82-102.5 (5)(a), C.R.S.) and authorized the transfer of \$15.5 million General Fund into the Cash Fund. During the 2023 legislative session, S.B. 23-001 (Authority of Public-private Collaboration Unit for Housing) transferred an additional \$5.0 million from the General Fund and \$8.0 million from the Housing Development Grant Fund to the Unused State-owned Real Property Cash Fund.

Unused State-owned Real Property Fund Cash Flow Summary				
Item	FY 2022-23 Actual	FY 2023-24 Actuals	FY 2024-25 Estimate	FY 2025-26 Estimate
Beginning balance	\$0	\$17,258,403	\$28,888,226	\$25,145,226
Revenue	17,709,446	16,138,726	1,300,000	1,800,000
Expenditures	-451,043	-4,508,903	-5,043,000	-9,274,005
Ending balance	\$17,258,403	\$28,888,226	\$25,145,226	\$17,671,221

Department Argument to Retain Continuous Appropriation

The Public-Private Collaboration Unit's projects are focused on beneficial use of state-owned property. Unused or underutilized state-owned property is located throughout the State. To transform these properties into valuable non-state assets, substantial investments are often necessary for various activities including planning, addressing title issues, ensuring access, and

resolving environmental concerns. Thus, the funding needs for these projects can often be dynamic and evolve based on the outcomes of studies or the specific phase of pre-development work. These funding requirements do not align with the rigid timelines of the traditional annual budget cycle. Additionally, real estate opportunities can emerge rapidly based on local economic dynamics, necessitating quick action to unlock the financial potential of these unused state properties for beneficial use in accordance with the statute. In order for the Public-Private Collaboration Unit to be able to capitalize on these opportunities a flexible funding approach is essential to its success.

Another justification for continuous spending authority concerns the nature of public-private partnership agreements themselves. These are long-term agreements where the reward and risk are shared between the public entity and private sector. While the primary source of capital investment in a public-private partnership agreement is the private partner, the state is expected to contribute to the agreement as well. Continuous spending authority ensures that the Public-Private Collaboration Unit has the ability to receive and spend revenue per its agreements in order to ensure obligations are fulfilled. If the Fund is not continuously appropriated and is instead subject to annual appropriation, the state will be unable to enter into effective agreements or otherwise would not be able to fulfill its agreements.

Staff Recommendation

The Department's justification for retaining continuous appropriating authority speaks to the unique requirements of spending flexibility and revenue responsiveness that are inherent to public-private partnerships. However, these requirements can be address through the annual budgeting process. As such, **staff recommends the Committee sponsor legislation to change the Unused State-owned Real Property Fund from continuously appropriated to annually appropriated.**

An appropriation in excess of anticipated expenditures, but within revenue limits, provides spending flexibility to meet those unknown and unanticipated opportunities referenced by the Department. **Staff recommends an FY 2025-26 appropriation from the Unused State-owned Real Property Fund of \$18,500,000** to the Public-Private Collaboration Unit, which represents nearly 200.0 percent of the anticipated fiscal year expenditures and 73.8 percent of available revenue.

In FY 2023-24, the first full year of implementation, the Department expended \$4.1 million from the Unused State-owned Real Property Fund in support of public-private partnership efforts. As of March 7th, the Department is projecting FY 2024-25 expenditures of \$5.0 million, representing an 11.8 percent year-over-year increase. Further, the Department estimates FY 2025-26 expenditures of \$9.3 million, or an annual increase of 83.9 percent. The projected FY 2025-26 expenditures are less than half the balance of the Unused State-owned Real Property Fund. The vast majority of the Fund's balance is from General Fund transferred in prior years and FY 2025-26 revenue is projected to be \$1.8 million, or roughly 6.7 percent of the total available fund balance.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Mitch Burmeister, JBC Staff (303-866-3147)
Date: Tuesday, March 18, 2025
Subject: [OEDIT R4 Administrative Funds Comeback](#)

During staff's figure setting presentation for the Governor's Office dated February 10, 2025, the Committee chose not to take action on the department's R4 Administrative Funds request and instructed staff to continue working with the department to better understand the reasons and justifications for the request. The first piece of this document contains staff's initial analysis and write-up for R4 Administrative Funds. The second piece includes new information and recommendations that staff has prepared.

→ Initial R4 Administrative Funds Analysis

Request

The Department requests an increase of \$1,888,706 reappropriated funds to establish an indirect cost plan within OEDIT.

Recommendation

Staff recommends denial of additional resources for administrative costs and recommends approval of an alternate indirect cost recovery plan than what was proposed by OEDIT. A detailed discussion of staff's recommendations begins on page 45 of this document.

Analysis

Staff views this request as two separate questions. The first question is, "Does OEDIT need more resources for their administrative costs?" The second question is, "Does OEDIT need a formalized indirect cost recovery plan?" Staff will strive to answer both of those questions here.

[Does OEDIT need more resources for their administrative costs?](#)

OEDIT's primary reason for requesting additional administrative funding is their belief that their administration is and has always been underfunded. They claim this dates back to 1987 when the Office of Business Development was moved out of the Department of Local Affairs and into the Governor's Office, and that the administrative funding gap has expanded ever since.

They further argue that the increase in staff has been dramatic in the past 3 years, which is true. The number of FTE appropriated to OEDIT has increased from 65.6 in FY 2022-23 to 81.0 in the current fiscal year. This represents a 23.5 percent increase.

OEDIT claims that as a result of the increase in FTE, the administrative staff is stretched beyond capacity and burnout is becoming an issue.

This is the extent of the information that has been provided to staff. Staff cannot confidently recommend additional resources for OEDIT's administration, because the only information staff has is an increase in appropriated FTE, which staff found independent of OEDIT. Typically, if an agency needs more administrative funding, a request is accompanied by information such as: workload data over time; vacancy rate over time; turnover rate over time; and legislatively mandated new responsibilities; along with any other information the agency feels is pertinent to show that they have a funding shortfall.

Because OEDIT provided none of that information, staff does not recommend increasing funding for administration.

What are indirect costs?

Indirect costs are, in a basic sense, a budgetary mechanism used to reduce the burden of administrative costs on the General Fund. The general assumption is that the General Fund should be the first payer of administrative overhead in a department, but there is also a need for proportional contributions to overhead costs based on the type of funding a department receives and spends. Departments incur overhead costs for FTE and programming, but not all FTE and programming are paid for using General Fund. As a result of this reality, indirect costs attempt to relieve the General Fund of the responsibility of paying for all overhead costs.

Indirect costs come into play when trying to "charge" different fund sources their fair share of the administrative costs. These costs then appear in administrative line items as reappropriated funds and "offset" General Fund that would otherwise need to be appropriated for overhead costs.

Common Methodology vs. Proposed Methodology

There are two commonly used methodologies for recovering indirect costs across state agencies. The first is a rate-based methodology applied to federal funds. The rate at which agencies can collect federal funds is typically set by the federal agency that disburses the funds, and state agencies are allowed to use those collections to offset General Fund.

The second methodology is amount-based and dependent on the number of FTE in a program. This methodology assumes that central services provided by the agency are based on the number of staff – the larger the program, the more accounting, HR, and payroll services that are required. This is generally accepted as the most 'fair' way to collect indirect costs from cash funds. Cash fund collections likewise offset General Fund in the budget as a way to save General Fund overall.

The methodology that OEDIT has proposed is to charge a flat fee to every cash fund dollar and General Fund dollar that comes into the Office's funds. OEDIT reports that they need a 3.0 percent fee on those dollars to adequately cover administrative costs. This percentage, however, is simply the result of choosing the level of funding they need – \$1,888,706 – and then applying an appropriate percentage to all of the cash funds and General Fund that they receive to reach that amount.

Potential Issues with Request

Staff sees a couple of concerning pieces of this request.

- 1 OEDIT is requesting to charge General Fund dollars coming in as part of their methodology. This is strange because General Fund is assumed to be the first payer of administrative costs, and indirect costs are a method to offset and reduce General Fund appropriations.
- 2 OEDIT is not proposing to include any federal funds in their plan. This is strange because in the current year's (FY 2024-25) budget, OEDIT has been appropriated \$2.4 million informational federal funds. OEDIT has indicated that they do indeed collect indirect costs from the federal funds they receive – which they use to pay for administrative overhead, but they did not include information on the percentages that they are allowed to collect, or the total amount that they collect. Staff does not understand why OEDIT would not include federal funds in their indirect cost plan.
- 3 OEDIT's current General Fund appropriation in their Administration line item (which staff assumes primarily pays for overhead costs) is \$1.7 million, and this request is for an increase of \$1.9 million reappropriated funds. This would suggest that OEDIT has more than doubled its FTE in a very short time period. This is not the case though. OEDIT is currently appropriated 81.0 FTE, which has increased 23.5 percent from 65.6 in FY 2022-23, but has not doubled.

OEDIT FTE by Fiscal Year	
Fiscal Year	FTE
FY 2024-25	81.0
FY 2023-24	72.3
FY 2022-23	65.6
FY 2021-22	65.1
FY 2020-21	63.1
FY 2019-20	60.6
FY 2018-19	60.6
FY 2017-18	60.6
FY 2016-17	60.3
FY 2015-16	60.3
FY 2014-15	54.1

- 4 The table below, provided by OEDIT, shows a breakdown by program and fund source of where the reappropriated funds would originate within their budget. What the totals mean is that existing General Fund and cash fund appropriations would be reappropriated to the Administration line item to be used for overhead costs. These are not new General Fund or

cash fund dollars, but existing amounts that OEDIT would like to reflect in the Administration line item.

OEDIT claims that no ARPA funds are being backfilled with this request, but staff is suspicious of that claim. Staff finds it interesting that now, as ARPA funds are rolling off, OEDIT is claiming that they need additional administration funding. This is especially true given that they mention in their request document that,

“In FY 2023-24 and FY 2024-25, thanks in part to the availability of term-limited ARPA-SLFRF funds, OEDIT was able to significantly reduce direct distributive cost charges. As the ARPA funds roll off, OEDIT will need to increase cost allocations to programs in order to fund critical administrative functions.”

Division	GF Contribution	CF Contribution	Total
Tourism Office	\$139,583	\$468,000	\$607,583
Creative Industries	\$45,646	\$60,000	\$105,646
Film, TV, and Media	\$25,743	\$15,000	\$40,743
Outdoor Recreation Office	\$22,074	\$0	\$22,074
Business Funding & Incentives	\$318,439	\$23,040	\$341,479
Marketing and Communications	\$40,468	\$0	\$40,468
Rural Opportunity Office	\$18,701	\$0	\$18,701
<u>Business Support</u>			
Minority Business Office	\$20,642	\$0	\$20,642
Small Business Development Center	\$17,562	\$0	\$17,562
Employee Ownership Office	\$4,391	\$0	\$4,391
<u>GBD</u>			
Advanced Industries	\$5,126	\$585,000	\$590,126
Global Business Development	\$71,408	\$0	\$71,408
Aerospace	\$7,883	\$0	\$7,883
TOTAL	\$737,666	\$1,151,040	\$1,888,706

Recommendation Overview

JBC staff has made several recommendations for the Committee, summarized here and described in greater detail below.

- 1 Staff recommends denial of increased resources for administrative overhead.
- 2 Staff recommends implementing an indirect cost plan for OEDIT that uses cash and federal funds to offset General Fund.
- 3 Staff recommends creating a new line item in OEDIT’s budget called Informational Indirect Cost Recovery to account for the indirect costs of administering the continuously

- appropriated cash funds and setting the line with an informational reappropriated funds amount that OEDIT and JBC staff agree on.
- 4 Staff recommends adding an informational federal funds amount to the Administration line item to capture the indirect costs needed to pay for the overhead of administering federally funded programs.

Recommendation Detail

Recommendation 1

Staff recommends denial of increased resources for administrative overhead. If OEDIT were to respond with data and information that shows that they actually need more resources for overhead, and that they are interested in reducing General Fund by offsetting it with cash and federal funds – as indirect costs are intended to work – staff would be inclined to reconsider this recommendation. As it stands right now, however, staff cannot and does not recommend funding additional administrative costs.

Recommendation 2

Staff recommends working with OEDIT to implement an indirect cost plan that uses cash and federal funds to offset General Fund. This is the methodology used by other state agencies, and staff sees no reason why OEDIT should use a unique methodology. Currently, staff does not have all of the necessary information to make a completely accurate recommendation, so the following numbers are a rough draft of what the plan could look like, but staff invites OEDIT to provide additional information so that a true indirect cost plan can be implemented.

OEDIT has provided a good starting point with the information they provided to staff related to the breakdown of the funds in their request in the table above. Staff will use the cash funds amount as the starting point for what the reappropriated funds will be in OEDIT's Administration line item. As a result, the General Fund amount in the Administration line item will be reduced by the same amount. This will provide a General Fund savings of \$1,151,040.

This new reappropriated funds amount in the Administration line item accounts for all of the cash funds that are on-budget. There is also the issue of the cash funds that are off-budget, or continuously appropriated. These funds should also contribute to the indirect cost plan, which will further reduce the General Fund appropriation. OEDIT has informed staff that in FY 2023-24, the agency spent a total of \$52,036,478 from continuously appropriated cash funds. A little more than half of that – \$28,962,728 – was spent from one-time funding and is not associated with a revenue stream. The rest – \$23,073,748 – was spent from funds that are associated with a continuous funding stream. Staff feels that this distinction is important because it means that OEDIT will not necessarily spend \$52.0 million from continuously appropriated cash funds every year. However, staff is more confident that OEDIT will spend somewhere in the neighborhood of \$23.0 million each year from continuously appropriated cash funds. If the same 3.0 percent indirect cost charge is applied to that number, OEDIT might be able to recover an additional \$692,212 cash funds as indirect costs. Again, this would offset and reduce the General Fund appropriation in the Administration line item.

One important thing to note here is that there will always be a General Fund appropriation in the Administration line item because OEDIT has FTE that are supported by General Fund, and so the overhead costs related to those FTE should be paid for using General Fund.

The following table compares the amounts currently reflected in the Administration line item, the amounts reflected if OEDIT's request were approved as is, and the amounts reflected if the Committee were to take staff's recommendation.

Administration Line Item Scenarios					
Scenario	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Current Appropriation	\$1,707,086	\$1,707,086	\$0	\$0	\$0
OEDIT Request	3,723,993	1,835,287	0	1,888,706	0
<i>Difference from FY 24-25</i>	<i>2,016,907</i>	<i>128,201</i>	<i>0</i>	<i>1,888,706</i>	<i>0</i>
Staff Recommendation	1,835,287	684,247	0	1,151,040	0
<i>Difference from FY 24-25</i>	<i>128,201</i>	<i>-1,022,839</i>	<i>0</i>	<i>1,151,040</i>	<i>0</i>

These amounts only include the cash funds that are on-budget and that OEDIT identified. These amounts also assume the 3.0 percent indirect charge that OEDIT has suggested. Typically, indirect costs are charged around 6.0-10.0 percent, so if the Committee approves this recommendation, staff would not be surprised if OEDIT came back to the Committee to adjust the 3.0 percent charge higher. If that were to happen, OEDIT would also need a compelling reason to increase the reappropriated appropriation in the Administration line item to justify additional resources for administrative overhead.

Recommendation 3

Staff recommends creating a new line item in OEDIT's budget called Informational Indirect Cost Recovery to account for the indirect costs of administering the continuously appropriated cash funds and setting the line with an informational reappropriated funds amount that OEDIT and JBC staff agree on. Accounting for indirect costs required to cover the overhead for continuously appropriated cash funds is a little trickier because OEDIT controls how much is spent from these funds in any given year. As a result, staff would have no way to know how much should be recovered from those funds. A simple way to address this would be to create a new line that only includes an informational reappropriated amount. This would identify the amount OEDIT intends to collect for indirect costs from their continuously appropriated cash funds to cover the overhead for programs supported by those funds.

That amount, too, would offset General Fund. Referring back to the table above, we can see that with just the on-budget cash funds, the General Fund appropriation under staff's recommendation would be \$684,247. Including indirect costs from continuously appropriated cash funds would basically offset as much General Fund as possible. As mentioned above, there will always be a small amount of General Fund to cover the overhead costs of FTE funded with General Fund. Staff estimates that the General Fund appropriation in the Administration line

item would be somewhere around \$100,000. If this were the case, the creation of the indirect cost plan would reduce General Fund appropriations to OEDIT by approximately \$1.6 million.

Recommendation 4

Staff recommends adding an informational federal funds amount to the Administration line item to capture the indirect costs needed to pay for the overhead of administering federally funded programs. Unlike the indirect costs from cash funds, funding from federal sources typically comes with prescribed percentages of the funds that the state agency can use for administrative purposes. OEDIT claims they are already collecting indirect costs from federal funds, so staff assumes that the inclusion of this amount in the Administration line item would be additive and a formality. With the addition of federal funds into the indirect cost plan, staff expect the levels of cash funds that OEDIT will collect to change according to need. The inclusion of federal funds in the Administration line item would likely not offset any General Fund, because OEDIT is presumably using the indirect recoveries from the federal funds to pay for overhead costs of their federally funded programs. If, however, OEDIT is using some amount of General Fund to pay for overhead costs of federally funded programs, then some General Fund would be offset in the Administration line item.

→ R4 Administrative Funds Updates

Recommendation

After working with OEDIT, staff has revised recommendations based on new information and a better understanding of the circumstances of the request.

Staff recommends reflecting an increase of \$720,272 informational reappropriated funds in the Administration line item and leaving the General Fund appropriation unchanged. Staff also recommends adding \$16,000 Federal Funds to the same line item to reflect the amount of indirect costs OEDIT recovers from federal funds.

OEDIT has shared with staff that in FY 2024-25 it expects to spend roughly \$3.8 million on administrative overhead. This includes salaries for 26.5 FTE and approximately \$0.7 million for operating costs. In FY 2025-26, OEDIT anticipates spending \$3.9 million on administrative overhead.

OEDIT receives a \$1.7 million General Fund appropriation in the Administration line item in the Long Bill, which all goes toward paying this overhead cost. The remaining amount, roughly \$2.0 million, is made up through a distributive charge plan that OEDIT implements on the various programs that the administrative team supports. So, while it looks like OEDIT only spends \$1.7 million on administrative overhead costs through the Long Bill appropriation, the truth is that they spend considerably more, but that amount is not reflected anywhere.

The original impetus for this request was to inject transparency and consistency into this process. Currently, the distributive charges that are collected from the programs are not reflected in the Long Bill, and there is generally no set amount or percentage that different programs are required to pay.

Staff is under the impression that the process for actually collecting these distributive charges from the various programs in OEDIT is extremely onerous for the administrative staff, both in terms of time spent in collecting the charges and effort spent in negotiating which programs are going to contribute which amounts to the total cost.

The amount in the reappropriated funds column in the Administrative line item would account for both annually appropriated cash funds and continuously appropriated cash funds.

In staff's original request, staff recommended reducing the General Fund appropriation in the Administrative line item by approximately \$1.6 million as an offset to the increase in the reappropriated and federal funds columns. This recommendation was based on the premise that OEDIT did not need additional administrative resources. Since staff's initial presentation, OEDIT has provided staff with compelling evidence that it does need additional resources.

The following table outlines the primary workload drivers for OEDIT's administration team, and shows the increase in the estimated number of hours needed to complete their main tasks. Currently, there are 11.0 FTE in OEDIT who complete the work of roughly 19.0 FTE.

OEDIT Admin Workload by Fiscal Year				
Activity Type	Number of Actions	Number of Hours Needed	FTE Equivalent	Total FTE Needed Annually
2019				
Payments	44,772	14,775	7.1	15.0
Contracts/Purchase Orders	4,730	15,136	7.3	
Receivables	1,371	1,371	0.7	
2020				
Payments	34,022	11,227	5.4	12.2
Contracts/Purchase Orders	4,217	13,494	6.5	
Receivables	617	617	0.3	
2021				
Payments	29,191	9,633	4.6	11.6
Contracts/Purchase Orders	4,360	13,952	6.7	
Receivables	502	502	0.2	
2022				
Payments	42,092	13,890	6.7	15.6
Contracts/Purchase Orders	5,635	18,032	8.7	
Receivables	536	536	0.3	
2023				
Payments	61,886	20,422	9.8	19.3
Contracts/Purchase Orders	5,962	19,078	9.2	
Receivables	685	685	0.3	
2024				
Payments	57,650	19,025	9.1	19.1
Contracts/Purchase Orders	6,285	20,112	9.7	
Receivables	633	633	0.3	

Staff understands that the primary driver of the increase in workload at OEDIT is legislation over the past few legislative sessions. While OEDIT has tried to account for the impacts of that legislation in the various fiscal notes, there are situations where the estimated amount of work does not meet a threshold for including an appropriation for FTE. There are other situations where legislation might pass without a fiscal impact even though it increases workload in a division. Both of these situations have occurred over the past few years.

While the numbers in the table above might not be 100.0 percent accurate, staff believes that they are close enough to reality to warrant additional resources. Were the budget situation different, staff would likely recommend an increase in FTE to help account with the shortfall.

OEDIT is not asking for an increase in new dollars. If this request is approved, the dollar amounts included in the reappropriated and federal funds columns would simply be a reflection of dollars already being used by the administrative team, they would not represent new funding.

Staff has chosen to exclude from these revised recommendations the creation of a new line item in OEDIT to reflect indirect cost recoveries from continuously appropriated cash funds. If the Committee would like this new line created, however, staff would not recommend against it.

The reason that staff has decided to exclude that recommendation is because the same information can be reflected in the Long Bill letternote that is attached to the reappropriated funds in that line item. Each year, JBC staff works with departments to determine the level of cash funds and reappropriated funds in each line item, and those amounts are reflected in letternotes. This letternote would describe how much is recovered from continuously appropriated cash funds and how much is recovered from annually appropriated cash funds.

→ BA1 Cannabis Business Office Sustainable Funding [Requires Legislation]

Request

The Department requests that the JBC sponsor legislation that would provide the Cannabis Business Office (CBO) with an annual \$1.5 million cash fund appropriation from the Marijuana Tax Cash Fund. This would create a permanent funding stream for CBO and enable it to continue programs, operations, and staffing. The request is also to allow the CBO to accept gifts, grants, and donations. The Department has identified this request as ‘proven’.

Recommendation

Staff recommends denial of this request.

Analysis

What is the Cannabis Business Office?

The Cannabis Business Office (CBO) was created through S.B. 21-111 (Program to Support Marijuana Entrepreneurs) to support entrepreneurs in the marijuana industry by providing:

- Loans to social equity licensees for seed capital and ongoing business expenses;
- Grants to social equity licensees or other organizations to support innovation and job creation for social equity licensees; and
- Technical assistance for marijuana business owners, prioritizing social equity licensees that have received a grant or loan.

History of Funding

In the enacting legislation, CBO was provided with a one-time allocation of \$4.0 million from the Marijuana Tax Cash Fund (MTCF). The legislation also specified that the General Assembly was allowed to appropriate additional funds to the Marijuana Entrepreneurs Cash Fund (MECF) – which funds CBO – starting in FY 2022-23. No additional funds were appropriated to the MECF until FY 2024-25 when the General Assembly appropriated an additional \$800,000. If approved, this funding would represent the first permanent funding stream for the CBO.

MTCF Status

Staff is concerned about this request because the funding source is ongoing MTCF dollars. As the Committee has been informed, continued declines in MTCF revenue is threatening the solvency of the fund. As noted in the JBC Staff “Marijuana Policy Overview” budget briefing document dated November 12, 2024, “Looking toward the future, staff notes that existing appropriations and statutory transfers from the MTCF are not sustainable under either the OSPB or LCS forecast.” It continues, “if MTCF revenues trend with the OSPB forecast, the MTCF

is projected to finish FY 2024-25 just above the 15 percent statutory reserve. However, with no further budget balancing measures, the fund is projected to finish FY 2025-26 \$19.6 million below the statutory reserve.”

In the Governor’s January 2 budget amendment request submission, as a solution to the solvency issue, the Governor requested that the amount of MTCF held as part of the State Emergency Reserve be reduced from \$100.0 million to \$75.0 million. Staff believes that the Committee should first make decisions on how it wants to manage the MTCF solvency issue before making a decision on this request.

Potential Benefits of CBO

Staff can imagine a scenario where the CBO is integral in maintaining certain revenue levels coming into the MTCF. Staff can also imagine a scenario where the CBO fosters and supports a thriving legal marijuana industry. Unfortunately, staff is unsure if the CBO is actually adding value to the economy or increasing revenue to MTCF in any significant way because very little information was provided to show that the CBO *should* be funded. There is research that says that equitable opportunities are good for an industry, but staff received nothing that shows that the opportunities that CBO provides are good for the legal marijuana industry in Colorado. The real question should be, “Are the direct benefits to the state as a result of CBO activity worth more than \$1.5 million?” If the answer is no, the CBO should not be funded.

Evidence Discussion and Recommendation

The Department has indicated that this is a ‘proven’ request. A proven request means that the best available research evidence supports the effectiveness of a program or practice, as demonstrated by at least one quality randomized control trial or at least two quality evaluations with strong comparison groups.

Staff disagrees with the Department, and assigns a designation of ‘ineligible’ to this request. While the CBO might help certain target populations open and maintain marijuana businesses, the CBO in itself is not a program or practice as it is defined in statute. The CBO is essentially a funding stream, which cannot receive an evidence designation of proven, promising, or evidence-informed.

As mentioned, staff feels that it would be prudent for the Committee to delay action on this request until broader decisions related to MTCF solvency have been made. Staff believes that if the Committee were to approve funding that would cause the MTCF to end FY 2025-26 below the 15.0 percent reserve requirement, it would tie the Committee’s hands with the MTCF solvency question. For this reason, staff recommends delaying action on this item until the Committee has made a decision on MTCF solvency.

❶ Responses to Committee Questions from Figure Setting

[Rep. Taggart] What is the reason for the significant increase in the CORE Operations line item in the Governor's Office?

Governor's Office Response:

"CORE Operating common policy needs increased drastically from FY25 to FY26. Governor's Office share of the statewide costs actually decreased from 1.75% in FY25 to 1.66% in FY26, but the overall statewide dollar amount needed is anticipated to be much higher in FY26 than FY25. I can't comment on what caused this swing, since DPA doesn't typically provide a lot of explanation on that line, and none of the documents on the JBC website indicate the cause. I can say that it looks like FY25 was an abnormally low need year and DPA's FY26 request is closer to the amount approved for FY24."

[Rep. Bird] What does the Commission on Community Services do?

Governor's Office Response:

"This is the state's AmeriCorps program, also known as Serve Colorado. The GF on this line provides match funding for Serve's federal grants from the Corporation for National and Community Service (CNCS), the federal AmeriCorps agency. In FY25, Serve's federal grant awards are currently around \$42.5M."

[Sen. Bridges] What is the balance of the fund referenced in the Skill Advance request item?

Governor's Office Response:

"OEDIT does not hold the fund balance, but has received reports from CCCS which indicates there is about \$6.1M of fund balance for Skill Advance. OEDIT is working with CCCS to verify this number. As outlined in R-05, OEDIT proposes to realign with CCCS on the strategic deployment of these funds to ensure the funding is properly utilized to meet program objectives."



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Scott Philip Thompson, JBC Staff (303-866-4957)
Date: Monday, March 17, 2025
Department: Department of Law
Subject: Water and Natural Resources Section base appropriations and line item detail

This memo includes the following items:

- Water and Natural Resources Section base appropriations and line item detail

Water and Natural Resources Section base appropriations and line item detail.

The JBC delayed action on the base appropriations and line item detail for the Water and Natural Resources section of the Department of Law pending more information on whether water-related cash fund sources could be allocated to refinance General Fund appropriations in this section. The General Fund in this section is appropriated to only one line item, the Federal and Interstate Water Unit, thus JBC Staff only investigated alternate cash fund sources for that line item only.

New Information

JBC Staff convened staff from the Departments of Natural Resources and Law to discuss opportunities to fund water protection activities at the Department of Law to refinance part of the General Fund appropriated to the Federal and Interstate Water Unit.

The Federal and Interstate Water Unit line item was created in FY 2002-03 and the General Assembly has always dedicated General Fund to support the line item since its creation. From FY 2002-03 until FY 2018-19, the line item was supported with around \$500,000 General Fund based on an allocation of 5.5 FTE.

Recently, the General Assembly has increased appropriations to the Federal and Interstate Water Unit up to about \$1.0 million in FY 2023-24 and \$1.4 million in FY 2024-25, supporting 8.1 FTE and 10.3 FTE respectively. The following summarized those appropriations since FY 2011-12, which is the limit for historical data maintained in JBC staff's main budget database. The appropriation since FY 2002-03 stayed closed to \$500,000 to support 5.5 FTE through FY 2010-11.

Historical Appropriations to Federal and Interstate Water Unit							
Bill	Fiscal Year	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
SB11-076, SB11-209	FY 2011-12	\$502,159	\$502,159	\$0	\$0	\$0	5.5
HB12-1335	FY 2012-13	513,883	513,883	0	0	0	5.5
SB13-230	FY 2013-14	513,883	513,883	0	0	0	5.5
HB14-1336	FY 2014-15	576,724	576,724	0	0	0	5.5
SB15-234	FY 2015-16	578,087	578,087	0	0	0	5.5
HB16-1405	FY 2016-17	596,349	596,349	0	0	0	5.5
SB17-254	FY 2017-18	596,349	596,349	0	0	0	5.5
HB18-1322	FY 2018-19	612,122	612,122	0	0	0	5.5
SB19-207	FY 2019-20	800,845	800,845	0	0	0	6.4
HB20-1360	FY 2020-21	621,497	621,497	0	0	0	4.6
SB21-205	FY 2021-22	612,908	612,908	0	0	0	4.5
HB22-1329	FY 2022-23	851,981	851,981	0	0	0	6.5
SB23-214	FY 2023-24	1,049,696	1,049,696	0	0	0	8.1
HB24-1430	FY 2024-25	1,420,026	1,420,026	0	0	0	10.3

The one fund all discussion participants agreed could be redirected for this purpose would be a portion of the Colorado Water Conservation Board's (CWCB) Construction Fund. For every dollar used to refinance General Fund appropriations to the Department of Law from this fund, the CWCB will be able to dedicate one fewer dollar to water infrastructure projects. Further, because loan principal and interest is paid back to CWCB over time, it also reduces the amount of the revolving loan fund that will be available in future years.

For FY 2025-26, the Department of Natural Resources was not able to provide an estimated total for the projects that are seeking money in the FY 2025-26 water projects funding cycle.

→ JBC-initiated Cash Fund Alternatives for Federal and Interstate Water Unit

Recommendation

Staff recommends the Committee continue appropriating General Fund for the Federal and Interstate Water Unit and makes no adjustments to the original Staff recommendation.

If the JBC desires to move forward with a General Fund refinance, JBC Staff recommends refinancing at most \$1 million in FY 2025-26 from the CWCB Construction fund for one-year only and not as an ongoing funding change.

Line Item Detail

Federal and Interstate Water Unit

This line item provides funding to support personal services expenditures in the Administration section. Like all subsequent personal services appropriations in this document, this

appropriation funds salaries of regular employees, as well as the associated state contribution to the Public Employees Retirement Association (PERA) and the state share of federal Medicare taxes. Also included are wages of temporary employees, payments for contracted services, and termination/retirement payouts for accumulated vacation and sick leave.

Statutory authority: Section 24-31-101 and 102, C.R.S.

Water and Natural Resources, Federal and Interstate Water Unit						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB 24-1430 (Long Bill)	\$1,420,026	\$1,420,026	\$0	\$0	\$0	10.3
Total FY 2024-25	\$1,420,026	\$1,420,026	\$0	\$0	\$0	10.3
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$1,420,026	\$1,420,026	\$0	\$0	\$0	10.3
Annualize prior year actions	76,279	76,279	0	0	0	0.2
Total FY 2025-26	\$1,496,305	\$1,496,305	\$0	\$0	\$0	10.5
Changes from FY 2024-25	\$76,279	\$76,279	\$0	\$0	\$0	0.2
Percentage Change	5.4%	5.4%	n/a	n/a	n/a	1.9%
FY 2025-26 Executive Request	\$1,496,305	\$1,496,305	\$0	\$0	\$0	10.5
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0

Defense of the Colorado River Basin Compact

The Department uses this appropriation to defend Colorado's interests in the 1922 Colorado River Compact (*see* Section 37-61-101, C.R.S.), which apportioned Colorado River water between Upper and Lower Basin states, and the 1948 Upper Colorado River Compact (*see* Section 37-62-101, C.R.S.), which apportioned upper basin water among Colorado, Utah, Wyoming, and New Mexico. The staff supported by this line item provide legal counsel and representation to the Department of Natural Resources, the Colorado Water Conservation Board, the State Engineer, and the Colorado Commissioner to the Upper Colorado River Commission on issues pertaining to the Colorado River and the related Compacts. The cash funds supporting this line item are from the Colorado Water Conservation Board's Litigation Fund.

The unit's major tasks include the following:

- Providing real-time counsel during interstate negotiations concerning reservoir operations including Glen Canyon and Hoover Dams, application of the 1944 Water Treaty with Mexico, and compliance with federal environmental laws.
- Researching issues relevant to potential litigation.
- Preparing a litigation database of the voluminous documents relevant to the Colorado River.

- Assisting the State Engineer in preparing rules for any in-state curtailment of water rights resulting from a Colorado River Compact call.

This line item currently supports 2.5 FTE attorneys and 1.0 FTE Legal Assistant.

Statutory authority: Section Sections 37-60-113, 114, 120, and 121.1, C.R.S.; Sections 37-80-116 and 37-81-102, C.R.S.

Water and Natural Resources, Defense of the Colorado River Basin Compact						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB 24-1430 (Long Bill)	\$1,036,399	\$0	\$1,036,399	\$0	\$0	3.5
Total FY 2024-25	\$1,036,399	\$0	\$1,036,399	\$0	\$0	3.5
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$1,036,399	\$0	\$1,036,399	\$0	\$0	3.5
Annualize prior year actions	25,300	0	25,300	0	0	0.0
Technical changes	0	0	0	0	0	1.0
Total FY 2025-26	\$1,061,699	\$0	\$1,061,699	\$0	\$0	4.5
Changes from FY 2024-25	\$25,300	\$0	\$25,300	\$0	\$0	1.0
Percentage Change	2.4%	n/a	2.4%	n/a	n/a	28.6%
FY 2025-26 Executive Request	\$1,061,699	\$0	\$1,061,699	\$0	\$0	4.5
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0

Defense of the Republican River Compact

The Republican River Compact between Colorado, Kansas, and Nebraska governs the use of water in the Republican River Basin, which lies in northeastern Colorado, southwestern Nebraska and northwestern Kansas (see Section 37-67-101, C.R.S.). In 1998, Kansas sued Nebraska and Colorado, alleging overuse of river water. In 2003, the three states entered into a settlement decree to resolve the dispute, but in 2007 Kansas began legal action against Nebraska, claiming that state was not doing enough to comply. The Colorado Water Conservation Board's Litigation Fund supports this line item.

Statutory authority: Sections 37-60-113, 114, 120, and 121.1, C.R.S.; Sections 37-80-116 and 37-81-102, C.R.S.

Water and Natural Resources, Defense of the Republican River Compact						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB 24-1430 (Long Bill)	\$110,000	\$0	\$110,000	\$0	\$0	0.0
Total FY 2024-25	\$110,000	\$0	\$110,000	\$0	\$0	0.0

Water and Natural Resources, Defense of the Republican River Compact						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$110,000	\$0	\$110,000	\$0	\$0	0.0
No changes	0	0	0	0	0	0.0
Total FY 2025-26	\$110,000	\$0	\$110,000	\$0	\$0	0.0
Changes from FY 2024-25	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2025-26 Executive Request	\$110,000	\$0	\$110,000	\$0	\$0	0.0
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0

Consultant Expenses

This line item provides funding for private counsel that represents Colorado in litigation with Kansas concerning the Arkansas River Compact.

Since the beginning of the dispute, Colorado has relied on outside counsel for legal work associated with the dispute. The most difficult parts of the case have now been resolved and the Department has been shifting the work in-house. However, outside counsel is still required when complex issues arise.

Statutory authority: Sections 37-60-113, 114, 120, and 121.1, C.R.S.; Sections 37-80-116 and 37-81-102, C.R.S.

Water and Natural Resources, Consultant Expenses						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB 24-1430 (Long Bill)	\$475,000	\$0	\$475,000	\$0	\$0	0.0
Total FY 2024-25	\$475,000	\$0	\$475,000	\$0	\$0	0.0
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$475,000	\$0	\$475,000	\$0	\$0	0.0
No changes	0	0	0	0	0	0.0
Total FY 2025-26	\$475,000	\$0	\$475,000	\$0	\$0	0.0
Changes from FY 2024-25	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	n/a	0.0%	n/a	n/a	n/a
FY 2025-26 Executive Request	\$475,000	\$0	\$475,000	\$0	\$0	0.0
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)

This line item provides funding for the Department’s CERCLA Litigation Unit, which handles the legal work for sites that have been seriously contaminated by hazardous substances (known as “Superfund” sites), most of which are being cleaned up under consent decrees by those who contaminated them. Most CERCLA cases include two phases that require separate legal proceedings. The first phase focuses on remediation – the disposal and treatment of hazardous substances at a pollution site. The second phase focuses on compensation for the environmental degradation that remains after remediation. Funding for this line item is reappropriated from the Department of Public Health and Environment (CDPHE) from the Contaminated Site Cleanups and Remediation Programs section of its Long Bill.

Statutory authority: Section 24-31-101 (1)(a), C.R.S.; Sections 25-15-301 to 313, C.R.S.; and Sections 25-16-101 to 200, C.R.S.

Water and Natural Resources, Comprehensive Environmental Response, Compensation and Liability Act						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB 24-1430 (Long Bill)	\$625,474	\$0	\$0	\$625,474	\$0	3.5
Total FY 2024-25	\$625,474	\$0	\$0	\$625,474	\$0	3.5
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$625,474	\$0	\$0	\$625,474	\$0	3.5
Annualize prior year actions	29,544	0	0	29,544	0	0.0
Total FY 2025-26	\$655,018	\$0	\$0	\$655,018	\$0	3.5
Changes from FY 2024-25	\$29,544	\$0	\$0	\$29,544	\$0	0.0
Percentage Change	4.7%	n/a	n/a	4.7%	n/a	0.0%
FY 2025-26 Executive Request	\$655,018	\$0	\$0	\$655,018	\$0	3.5
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0

Recommendation: The recommendation for this line item is pending Committee action on compensation common policies and the legal services common policy. JBC Staff requests permission to calculate the final appropriation required for this line item based on the actions the JBC takes on the above statewide decisions and to grant permission for JBC Staff for CDPHE to adjust its corresponding appropriation to match the final appropriation calculated.

Indirect Cost Assessment

Indirect cost assessments are charged to cash and federally-funded programs for departmental and statewide overhead costs. The indirect assessments for this department are based upon the number of cash and federally funded FTE who work in each division. The source of funds for

this line item is moneys in the Hazardous Substance Response Fund that are transferred from the Department of Public Health and Environment.

This fund supports the appropriations for the Defense of the Republican River Compact and the Defense of the Colorado River Compact. Staff recommends that this practice continue for two reasons: (1) the Water Conservation Board allocated these moneys believing that they would not be charged overhead; and (2) the Department of Law has never charged overhead to special litigation line items.

Statutory authority: Sections 24-31-101 and 102, C.R.S.

Water and Natural Resources, Indirect Cost Assessment						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
HB 24-1430 (Long Bill)	\$54,752	\$0	\$0	\$54,752	\$0	0.0
Total FY 2024-25	\$54,752	\$0	\$0	\$54,752	\$0	0.0
FY 2025-26 Recommended Appropriation						
FY 2024-25 Appropriation	\$54,752	\$0	\$0	\$54,752	\$0	0.0
Indirect cost assessment	-106	0	0	-106	0	0.0
Total FY 2025-26	\$54,646	\$0	\$0	\$54,646	\$0	0.0
Changes from FY 2024-25	-\$106	\$0	\$0	-\$106	\$0	0.0
Percentage Change	-0.2%	n/a	n/a	-0.2%	n/a	n/a
FY 2025-26 Executive Request	\$54,646	\$0	\$0	\$54,646	\$0	0.0
Staff Rec. Above/-Below Request	\$0	\$0	\$0	\$0	\$0	0.0



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Louellen Lowe, JBC Staff (303-866-2981)
Date: Tuesday, March 18, 2025
Subject: [Staff Comebacks for the Department of Early Childhood](#)

Items included in this Memo:

- R1/BA1 CCDF and state investment in CCCAP (Revisited)
- R2/BA2b Universal Preschool (tabled)
- R6 Indirect cost allocations (tabled)
- R3 Early Intervention Funding for FY 2025-26 (Revisited)
- Requests for Information for the Department of Early Childhood (revisions)

→ R1/BA1 CCDF regulation implementation and State investment in CCCAP

Original Request

The Department requested \$21.7 million total funds including \$10.0 million General Fund, \$2.4 million cash funds from local government sources, and \$9.3 million federal Child Care Development Funds (CCDF) to support the Colorado Child Care Assistance Program (CCCAP) in FY 2025-26 and ongoing. Approximately \$9.1 million CCDF would support provider reimbursements, and \$210,000 would provide additional resources for the Expanding Quality for Infants and Toddlers (EQIT) program.

Original Recommendation

Staff recommended, and still recommends, \$21.7 million total funds including \$5.0 million General Fund, \$2.5 million cash funds from local government sources, and \$14.3 million federal Child Care Development Funds (CCDF) to support the Colorado Child Care Assistance Program (CCCAP) in FY 2025-26 and ongoing. To provide additional resources for Expanding Quality for Infants and Toddlers (EQIT), staff recommended a decrease in the Early Childhood Quality and Access line item and an increase in the Professional Development and Training line item through which the EQIT program is funded. Staff also recommended the Joint Budget Committee provide a \$15.0 million supplemental appropriation from the Child Care Development Funds, and staff recommends a slight revision for FY 2024-25.

JBC Action

The JBC adopted \$15.0 million CCDF supplemental funds in FY 2024-25 for CCCAP. It adopted \$21.7 million total funds including \$2.6 million cash funds and \$19.3 million federal Child Care Development Funds (CCDF) to support CCCAP in FY 2025-26. The impact of the JBC actions on the sustainability of CCDF is shown in the table below. This matters because the Department is anticipating significant funding shortfall in FY 2026-27 related to the implementation of new federal regulations. These are not shown in the table below.

CCDF Sustainability Projection with Current JBC Action					
Updated 3/17/2025					
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Federal CCDF Funds	Actual	Estimate	Request	Projection	Projection
CCDF Carryforward	\$86,651,163	\$102,539,612	\$70,030,374	\$27,177,849	(\$9,609,483)
New Annual CCDF Award	\$137,516,771	\$145,717,494	\$138,202,371	\$141,045,246	\$142,808,312
Total Funds Available	\$224,167,934	\$248,257,106	\$208,232,745	\$168,223,095	\$133,198,829
Base (Long Bill) Appropriations	\$121,628,322	\$163,226,732	\$171,054,896	\$167,832,578	\$167,832,578
Additional CCDF per JBC action		\$15,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Repurposed SLFRF		\$0			
General Fund			\$0		\$0
Total Expenditures	\$121,628,322	\$178,226,732	\$181,054,896	\$177,832,578	\$177,832,578
Roll Forward CCDF Balance	\$102,539,612	\$70,030,374	\$27,177,849	(\$9,609,483)	(\$44,633,749)

Supplemental Comeback and Staff Recommendation

The Department brought a comeback requesting to reduce the supplemental appropriation for CCCAP to \$10.0 million, including \$9.0 million CCDF and \$1.0 million repurposed State and Local Fiscal Recovery Funds (SLFRF) which was refinanced with General Fund and will otherwise revert to the General Fund.

Estimated county over-expenditure projections for CCCAP range from \$12.0 million to \$18.0 million. Staff still recommends \$15.0 million total funds, with \$1.0 million from the refinanced SLFRF/General Fund and the remainder from CCDF in FY 2024-25. This would be accomplished through a Long Bill add-on.

FY 2025-26 Department Comeback

The Department's comeback requests \$21.7 million total funds including \$7.0 million General Fund, \$2.4 million cash funds from local government sources, and \$12.3 million federal Child Care Development Funds (CCDF) to support the Colorado Child Care Assistance Program (CCCAP) in FY 2025-26 and ongoing.

The Department originally requested \$10.0 million General Fund which the JBC did not approve. Now, the Department requests \$3.0 million from CCDF and \$7.0 million from General Fund in FY 2025-26 for a total of \$10.0 million. Additionally, and new to the request, the Department recommends repurposing \$2.1 million related to certain quality initiatives funding

March 18, 2025

for direct services. The Department's comeback request has the following impact on the CCDF long-term sustainability:

CCDF Sustainability Projection with Departmental Comeback					
Updated 3/17/2025					
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Federal CCDF Funds	Actual	Estimate	Request	Projection	Projection
CCDF Carryforward	\$86,651,163	\$102,539,612	\$76,030,374	\$40,177,849	\$10,390,517
New Annual CCDF Award	\$137,516,771	\$145,717,494	\$138,202,371	\$141,045,246	\$142,808,312
Total Funds Available	\$224,167,934	\$248,257,106	\$214,232,745	\$181,223,095	\$153,198,829
Base (Long Bill) Appropriations	\$121,628,322	\$163,226,732	\$171,054,896	\$167,832,578	\$167,832,578
Additional CCDF		\$9,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Repurposed SLFRF		\$1,000,000			
<i>General Fund</i>			\$7,000,000	\$7,000,000	\$7,000,000
<i>Repurpose Quality (doesn't impact total)</i>			\$2,093,688	\$2,093,688	\$2,093,688
Total CCDF Expenditures	\$121,628,322	\$172,226,732	\$174,054,896	\$170,832,578	\$170,832,578
Roll Forward CCDF Balance	\$102,539,612	\$76,030,374	\$40,177,849	\$10,390,517	(\$17,633,749)

Staff Revised Recommendation

If the Joint Budget Committee wishes to re-visit the staff recommendation for FY 2025-26, the revised supplemental and FY 2025-26 recommendations are as follows:

CCDF Sustainability Projection with Staff Revised Recommendation					
Updated 3/17/2025					
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Federal CCDF Funds	Actual	Estimate	Recommended	Projection	Projection
CCDF Carryforward	\$86,651,163	\$102,539,612	\$71,030,374	\$33,177,849	\$1,390,517
New Annual CCDF Award	\$137,516,771	\$145,717,494	\$138,202,371	\$141,045,246	\$142,808,312
Total Funds Available	\$224,167,934	\$248,257,106	\$209,232,745	\$174,223,095	\$144,198,829
Base (Long Bill) Appropriations	\$121,628,322	\$163,226,732	\$171,054,896	\$167,832,578	\$167,832,578
Additional CCDF per JBC action		\$14,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<i>General Fund</i>		\$1,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Total CCDF Expenditures	\$121,628,322	\$177,226,732	\$176,054,896	\$172,832,578	\$172,832,578
Roll Forward CCDF Balance	\$102,539,612	\$71,030,374	\$33,177,849	\$1,390,517	(\$28,633,749)

Staff does not recommend the Department's comeback regarding quality initiatives as the changes almost exclusively impact Early Childhood Council Funding, and staff believes more scrutiny of the quality initiative funding is warranted. Therefore, staff recommends an RFI to explore the impact of the quality initiatives funded with CCDF, including but not limited to the options brought forward by the Department in its comeback request for FY 2025-26.

Additionally, staff recommends a robust RFI to identify a path towards financial sustainability of the CCCAP program in tandem with the TANF and child welfare programs. This RFI is discussed later in this memo.

March 18, 2025

→ R2/BA2b Universal Preschool

Original Request

The Department requested \$3.7 million General Fund and \$7.4 million cash funds from the Preschool Programs Cash Fund to support the Universal Preschool Program in FY 2025-26. The requested General Fund was meant to address the required inflationary increase for the constitutional minimum amount required to be spent on preschool services.

Original Recommendation

Staff recommended an increase of \$6,758,330 cash funds from the Preschool Programs Cash Fund for FY 2025-26 to meet the required inflationary increase applied to the minimum state contribution towards preschool (\$3,658,330) and to provide an additional \$3.3 million cash fund based on anticipated increase in revenues, preserving a 15% reserve of anticipated revenues in the Preschool Program Cash Fund. Included in the recommended increase is \$1,721,570 cash funds to maintain level funding for Local Coordinating Organizations as determined/approved in the Department's BA2a.

Updated Information and Recommendation

Based on the March 17, 2025, forecast, staff recommendation has not changed. The resulting cash fund reserve is estimated to be 14.4 percent due to lower revenue projections compared to the December forecast. Below is staff recommendation compared to the request:

Universal Preschool Program Requested (Using OSPB Forecast for FY 2025-26)				
Fund source	FY 2024-25	Requested	Recommended	Difference
Preschool Programs Cash Fund	205.1	212.6	211.9	-0.7
General Fund	146.3	150.0	146.3	-3.7
Total Funds	351.4	362.6	358.2	-4.4
PPCF Reserve	28.0	28.3	29.0	0.7
% Reserve	n/a	14.1%	14.4%	0.3%

This recommendation includes the \$1.7 million increase for LCOs as mentioned above as well as \$4.9 million increase for Universal Preschool Program services.

Updated enrollment information

Enrollment in the Universal Preschool Program is open, meaning students may enroll and modify the duration of service hours at any time in the school year. What's reflected in the table below for FY 2024-25 is as of February 15th payments but should not be considered final enrollment numbers, especially as it pertains to 3-year-olds. The 3-year-old count is typically finalized much later through a verification process.

March 18, 2025

	2023-24 Enrolled 3-yr olds	2023-24 Enrolled 4-yr olds	2024-25 Enrolled 3-yr olds	2024-25 Enrolled 4-yr olds
10 hours	3,673	8,065	2,584	9,307
15 hours	1,511	30,586	1,679	23,880
30 hours	692	4,828	7	9,330
<i>IEP</i>	<i>5,751</i>	<i>5,863</i>	<i>4,270</i>	<i>5,318</i>

In response to several questions from members related to the UPK program and support services, the Department submitted the memo attached to the end of this document.

→ R6 Indirect cost allocation plan

Original Request

The Department requests an increase of \$1.5 million total funds, including a decrease of \$345,428 General Fund, to accurately reflect the federal indirect cost allocation plan in its Long Bill appropriations. The request also includes indirect cost collections to support 0.5 FTE for a grant writer for the Department.

Original Recommendation

Staff recommended delayed action on this request to allow further refinement of the cost allocation plan for the Department.

Updated Request and Recommendation

The Department's request has not changed, however indirect cost assessment line items in each division will need increase to align with the EDO indirect cost recoveries and certain common policy decision items will shift reappropriated funds as well. Staff recommends approval of the request.

→ R3 Early Intervention caseload (revisited)

Original Request

The Department requested \$3.5 million General Fund and \$100,000 cash funds from the Early Intervention Services Trust Fund interest earnings for the Early Intervention program in FY 2025-26 and ongoing. This funding was purported to support payments to providers for services provided to children enrolled in the program and to meet maintenance of efforts requirements

for federal IDEA funding. The Department also requested a statutory change to designate Early Intervention as an entitlement program.

Original Recommendation

Staff recommended the full request of \$3.6 million including \$3.5 million General Fund and \$100,000 cash funds from the interest earned on the Early Intervention Services Trust Fund in FY 2025-26 and ongoing. Staff did not recommend the JBC carry legislation to designate Early Intervention as an entitlement program.

Updated Information and Recommendation

Funding challenges and supplemental action

- The Department is projecting an approximate \$4.2 million shortfall in funding for the Early Intervention (EI) program in FY 2024-25 based on current service provision and contract requirements.
- The Department announced the enactment of cost containment measures on Tuesday, February 25th which would have resulted in the elimination of certain workforce retention and recruitment incentives, the discontinuation of certain services not covered by Medicaid, the restriction of service delivery frequency, and the lengthening of timelines from the point of evaluation to service delivery. These cost containment measures were anticipated to continue into FY 2025-26.
- The Joint Budget Committee has approved a bill to fill the funding shortfall in FY 2024-25, and mitigate the immediate need for cost containment measures.

Updated Funding Recommendation for FY 2025-26

Staff recommends \$14,493,997 General Fund for Early Intervention, plus \$2.0 million General Fund from the Department of Health Care Finance and Policy Transfers to the Department of Early Childhood for Early Intervention Services line item to the Department of Early Childhood.

In the current fiscal year, the Department carried forward \$6.4 million in federal funds; the Department does not anticipate carrying forward any additional funds into FY 2025-26. Additionally, the program experienced a \$4.2 million shortfall in the current fiscal year. Therefore, to carry operations into FY 2025-26 as they are currently provided with the current caseload, the Department will face a funding shortfall of at least \$10.6 million.

According to the Department's response to RFI #3, the estimated monthly average caseload is projected to be 11,455 in FY 2024-25. If the Department experiences a 9.0% growth in caseload in FY 2025-26, the average monthly enrollment in EI is estimated to be 12,486.¹ Using the FY 2024-25 contract services amount and the average anticipated monthly enrollment as a proxy

¹ This growth estimate is conservative compared to the Department's RFI response which estimated 11.0 percent growth.

March 18, 2025

for caseload growth costs, staff estimates that an additional \$6.8 million may be needed to address caseload growth. Therefore, with the anticipated budget shortfall of \$10.6 million going into FY 2024-25, and a very rough estimate of \$6.8 million caseload increase, total additional funding needed in FY 2025-26 is \$17,393,997 before adjustments. However, staff is recommending two cost containment measures which received the least pushback from stakeholders. Staff estimates and recommendation are outlined in the following table.

Early Intervention Services FY 2025-26 Staff Estimates		
Item	Amount	Note
Baseline FY 2025-26 Contract Services Cost	\$ 75,520,389	FY 2024-25 contract services cost
Less federal funds carried forward	(6,393,413)	No FF carried forward in FY 2025-26
Less budget shortfall in FY 2024-25	(4,203,749)	FY 2024-25 budget shortfall
Subtotal - Starting contract svcs cost	\$ 64,923,227	
To fund baseline FY 2025-26 contract services	\$ 10,597,162	Assumes level funding for contract svcs
Plus estimated caseload increase cost	6,796,835	9.0 percent caseload growth @ \$6,593/child *
Subtotal - additional funding needed	\$ 17,393,997	
Eliminate mileage reimbursement	\$ (540,000)	Estimate provided by department
Limit extended Part C	(360,000)	Estimate provided by Department
Total – add'l funding need with cost containment	\$ 16,493,997	
New General Fund	\$ 14,493,997	Estimated need less the HCPF transfer \$
Health Care Policy and Financing Medicaid Transfers GF	2,000,000	Same mechanism used in FY 2024-25
Total staff recommended increase in FY 2025-26 for EI	\$ 16,493,997	Total General Fund increase for DEC

*Note: contracted services cost per average monthly enrollment was used as a proxy to estimate the cost of caseload increases.

Significant limitations to this analysis and resulting estimate

This analysis was conducted absent any program data or program modeling from the Department as it has not provided any information to that end. It does not take into account fund source shifts which may adjust the need for General Fund. It does not take into account Medicaid enrollment shifts and whether more or fewer children are anticipated to be enrolled in Medicaid in the future. It estimates that caseload growth will begin to stabilize after ramping back up to re-expanded eligibility. It does not provide estimates based on actual costs per child but rather utilizes caseload and contract services costs as a proxy. It does not take into account changes to evaluation and referral costs as the Department has indicated that this should not change. It does not attempt to determine savings related to cost containment measures which may be agreed upon in the future.

Early Intervention Requests for Information

Staff recommends an additional Request for Information (RFI) and modifications to an existing RFI for the Early Intervention program which are discussed in the next section.

→ Requests for Information

Requests Affecting Multiple Departments

Staff recommends the following new requests for information:

- N Department of Early Childhood; Department of Human Services -- The Departments are requested to submit on or before September 1, a report to the Joint Budget Committee concerning the impact of state funding and local decision-making on the TANF, child welfare, and Colorado Child Care Assistance programs. The report should engage county administrators and, to the extent possible, other stakeholders to develop strategies to support the long-term sustainability of the three programs. It should make recommendations to clearly delineate state responsibility and local responsibility as it pertains to funding management and cost containment. Recommendations for CCCAP should consider how other states are or are not implementing federal regulations pertinent to Child Care Development Funds.

Comment: This is a new report to help identify challenges and strategies to strengthen and improve the long term financial sustainability of the TANF, child welfare, and CCCAP programs.

Department of Early Childhood

Staff recommends modifications to the existing request for information:

- 1 Department of Early Childhood, Community and Family Support, Early Intervention Services -- The Department is requested to submit annually, on or before ~~January 1,~~ September 1 and March 1, a report to the Joint Budget Committee concerning caseload growth for early intervention services. The Department shall annually present an update on the Early Intervention program to the Joint Budget Committee in June and December on the status of the program. The requested ~~report~~ reports and presentations should at a minimum include the following information: (a) the total number of early intervention services performed compared to the projected amount of early intervention services; (b) the amount of funds expended in the fiscal year from July 1 through the time period when the report is created compared to the projected spending for the same time period; and (c) the amount of any ~~expected~~ estimated gaps between the appropriation in the long bill and actual expenditures.

Staff recommends the following new requests for information:

- N Department of Early Childhood, Community and Family Support, Early Intervention -- The Department, in collaboration with Early Intervention brokers and, to the extent possible, other Early Intervention service providers, is requested to submit, on or before June 15 and December 15, a report to the Joint Budget Committee concerning agreed-upon cost

March 18, 2025

containment measures which may be enacted immediately in FY 2025-26 or in FY 2026-27 to ensure the financial sustainability of the Early Intervention program while maintaining strength of service delivery for children. The report should include but not be limited to analysis of the following:

- (a) Elimination of Extended Part C – Extended Part C provides services to children who have reached their third birthday but not yet started preschool. Cost containment measures listed above would reduce services for this cohort but not eliminate them. CDEC has indicated that Extended Part C saves the state money because it enhances federal financial participation; however, additional analysis should be done to examine to what extent it provides the state savings as well as assess the impact to the children receiving the gap services.
- (b) Strengthening of the eligibility determination tool – Developmental Assessment of Young Children (DAYC). This tool is purported to over-identify children in some areas of its eligibility determinations. At the same time, training on alternative determination tools has been limited. Analysis should determine how to better strengthen its use and/or whether an alternative tool is more appropriate.
- (c) Analysis of the bifurcation of information and referral system – In 2022, CDEC assumed information and referral processes for most of the state’s EI brokers. Analysis should examine the financial impact of this decision in terms of cost to the state and in terms of efficiencies for families in navigating the system.
- (d) Review of eligibility determination criteria to ensure state dollars and services are directed to the children most in-need and with consideration given to future financial impact for state-funded services. This analysis should include exploring if changes to eligibility, potential service limitations and an examination of chronic conditions, like chronic ear infections, which may not rise to the level of Early Intervention services need, but also to the future financial impact of *not* providing sufficient and timely services to children. This review will ensure that children most in need continue to be eligible for EI and alternative services are considered for those children who may no longer be eligible to ultimately put the program on a sustainable growth path.
- (e) Continued investigation and implementation of primary service provider model using evidence-based practices. This should take into consideration medically complex children whose needs may not be adequately met with this model of service delivery.
- (f) Analysis of payment and contracting execution timelines for Early Intervention to identify pain points as well as simplifications or solutions.
- (g) Evaluation of whether program modeling for future costs may be best accomplished through a contract with another state agency with greater resources to model costs, including but not limited to the Department of Health Care Policy and Financing.

Comment: This would be a new report to help identify measures to ensure the financial sustainability of the Early Intervention program.

March 18, 2025

N Department of Early Childhood, Partnerships and Collaborations, Local Coordinating Organizations and Early Childhood Councils -- The Department is requested to submit on or before September 1, a report to the Joint Budget Committee concerning duties and expenses related to the Local Coordinating Organizations (LCOs) and Early Childhood Councils (ECCs). The requested report should include following information:

(a) An overview of LCOs and ECCs including their roles and responsibilities in early childhood services, their legislative or administrative origins, and any known collaboration or overlap of their functions;

(b) The organizational structure and history of LCOs and ECCs including year(s) of establishment, legislative or administrative mandates, initial purpose, evolution of roles and functions over time, what types of organizations or entities serve as LCOs, how often a single organization fulfills both roles of LCO and ECC and how the roles are managed;

(c) The roles and functions of LCOs and ECCs including primary responsibilities and areas of focus for each compared to the other, how LCOs and ECCs currently collaborate or interact, and what the defined boundaries or guidelines for the division of responsibilities are between the two entities;

(d) The redundancies and efficiencies between LCOs and ECCs including in service delivery, administration, funding, what the known efficiencies are in their collaboration or distinction, and how stakeholders perceive the overlaps or duplications;

(e) The funding and budgetary details including what the current funding streams are for LCOs and ECCs are including state, local, federal or private, and what overlaps or inefficiencies in funding allocations are present;

(f) The administrative functions of each entity including what percentage of their budgets are allocated to administrative costs versus direct services or system improvements;

(g) The governance and accountability of each including their structure, how they are held accountable for achieving goals and results, and what the performance metrics or evaluation frameworks are for each;

(h) The operational practices of each including how they address community needs, engage stakeholders, what challenges exists for each, and what examples of best practices or innovative approaches are unique to LCOs and ECCs.

Comment: This would be a new report that will assist the legislature by ensuring unnecessary duplication is identified and remedied in the Early Childhood ecosystem.

March 18, 2025

- N Department of Early Childhood, Partnerships and Collaborations, Early Learning Access and Quality, Family and Community Services -- The Department is requested to submit on or before September 1, a report to the Joint Budget Committee concerning expenses and governance related to grant programs overseen by the Department. The requested report should include following information: (a) how many grant programs are administered by or through the Department; (b) how the grants through each grant program are administered; (c) how many grants are awarded through each grant program; (d) the average grant awarded to each awardee for each program; (e) how many families and how many children are served by the grant programs; and (f) the administrative costs related to administering each grant program.

Comment: This would be a new report that will further identify the governance and impact of grant programs administered through the Department of Early Childhood.

- N Department of Early Childhood, Early Learning Access and Quality, Child Care Assistance Program and Universal Preschool Program -- The Department, in collaboration with Local Coordinating Organizations (LCOs) and local Child Care Assistance Program (CCAP) administrators, is requested to submit on or before September 1, a report to the Joint Budget Committee concerning the overlap in services and funding for children dually enrolled in CCCAP and Universal Preschool (UPK). The report should include the following: (a) how many children are dually enrolled in CCCAP and UPK; (b) to what extent funding for dually enrolled children is or can be stacked; (c) to what extent funding for dually enrolled children is or can be blended or braided; (d) which funding stream is or should be “first in” for dually enrolled children; and (e) how information regarding dually enrolled children is shared between programs.

Comment: This would be a new report that will assist the legislature identify the overlap of the CCCAP and UPK programs and how funding might better be streamlined to support dually enrolled children.

MEMORANDUM

To: Joint Budget Committee
From: The Department of Early Childhood
Date: 03/18/2025
Subject: Universal Preschool

General Fund Inflation

The JBC's stated intent in [SB 23-216](#) was to continue this "floor" of funding from the General Fund, with the sole change from a transfer to an appropriation. During FY 2023-24 Figure Setting on February 15, 2023, JBC granted Staff drafting authority but voiced the importance of including the inflationary increase. Representative Sirota and Senator Kirkmeyer both specifically voiced support for maintaining a floor of General Fund commitment, with the existing inflationary factor, to keep the promises made in existing law under [HB 22-1295](#). However, the language in SB 23-216 failed to include any reference to the requirement that the state maintain its funding commitment from the General Fund. The Department requests the JBC consider clarifying this intent through updated legislation.

General Fund Savings

In response to the Committee's question about potential General Funded programs / initiatives that could be funded through cash funds, the Department identified \$1.0M in General Fund for evaluations that could be refinanced to the Preschool Program Cash Fund.

Universal Preschool Hours

In the FY 2023-24 figure setting document ([page 9](#)), JBC staff incorrectly assumed and identified that the program would offer 25 hours as full day, but the Department has never considered 25 hours as full-day programming and has been consistent since its initial rulemaking where it [defined 30 hours as full day](#).

The Colorado Department of Education holds the following expectations for kindergarten teacher-pupil instruction and contact in which Colorado Universal Preschool has aligned to:

Full-day Kindergarten:

Must have at least 900 hours of planned teacher-pupil instruction and teacher-pupil contact during the school year.

Half-day Kindergarten:

Must have at least 450 hours of planned teacher-pupil instruction and teacher-pupil contact during the school year.

General Requirement:

Schools cannot be in session for fewer than 160 days without the commissioner of education's approval.

Families have consistently expressed a need to align to school calendars and bell times for access to preschool services. That way, transportation can be accessed with ease especially when siblings attend the same location.

Local Coordinating Organizations (LCOs) & Early Childhood Councils (ECCs)

While the Department is providing a [fact sheet](#) related to the LCOs and ECCs and some additional information in this memo. There are 32 LCOs, representing all 64 counties throughout the state. Of these LCOs, 26 are also ECCs. A majority of the LCOs are ECCs that represent counties and school districts. Three LCOs include school districts (Eagle County, Custer County, and Westminster School Districts) and two include county governments (Mesa & Summit County). All of our school district and county LCO partners are part of a collaborative that includes a nonprofit entity, which would be eligible to pursue grant funding.

Side-by-Side Comparison of ECCs and LCOs Statute and Functions

The early childhood system is complex and requires local infrastructure to support families; the early childhood workforce; and the state's menu of early education, child care, and family and community programs and services. Local Coordinating Organizations and Early Childhood Councils work in tandem to ensure families and providers have the support they need to access crucial resources and services.

Local Coordinating Organizations are tailored to support Universal Preschool families and the mixed-delivery system in conjunction with the rest of the early childhood system. Their primary role is to support families and providers navigate Universal Preschool, but this may also mean supporting families in accessing other supports and services and working with providers to access the resources and information they need.

Meanwhile, Early Childhood Councils are local organizations, convened through County Commissioners, that coordinate across an array of partners and systems to create an effective, resource-efficient early childhood system. ECCs are focused on helping providers increase quality, leverage private and public funding streams, support licensing, and connect providers to resources to support business practices. ECCs also help families access the range of services and resources available to them.

Additional information on the legislative charge and duties and functions of these entities is below.

Categories	Early Childhood Council Statute HB 22-1295 26.5-2-201	Local Coordinating Organizations HB 22-1295 26.5-2-101
Legislative Declaration Summary	Establish a comprehensive system of early childhood councils to increase and sustain the availability, accessibility, capacity and quality of early childhood	Support access to and equitable delivery of early childhood and family support programs and services, identify gaps in service, foster partnerships, create

Categories	Early Childhood Council Statute HB 22-1295 26.5-2-201	Local Coordinating Organizations HB 22-1295 26.5-2-101
	services through the state, responsive to local needs and conditions (pp 41).	alignment among public and private providers and agencies with the community and establish a comprehensive, locally supported plan for providing early childhood and family support programs and services equitably within the community (pp 25).
Definitions	Established locally in communities for the purpose of developing and ultimately implementing a comprehensive system of early childhood services to ensure school readiness of children five years of age or younger (pp 41).	Entity selected by the department to implement a community plan for increasing access to, coordinating, and allocating funding for early childhood and family support programs (pp 29).
Duties and Functions As outlined for the strategic plan (ECC's) and/or community plan (LCO's)	Apply for Early Childhood Funding (pp 47) and shall work toward consolidating and coordinating funding (pp. 45).	Coordinating funding and securing additional local resources and funding to support early childhood and family support programs and services in community (pp31-32).
	Develop and execute a strategic plan that is responsive to local needs and conditions that works to increase and sustain the quality, accessibility, capacity, and affordability of early childhood services for children five years of age or younger and their parents (pp 47).	Adopt a Community Plan that fosters equitable access for families to and robust participation by providers in early childhood and family support programs and services by increasing access to, coordinating, and allocating funding for said programs (pp 29).
	Create a seamless system of early childhood services representing collaboration among the various public and private stakeholders for the effective delivery of early childhood services that is responsive to local needs and conditions (pp 45)	Work in coordination with local county departments, tribal agencies, and community-based organizations to integrate outreach for early childhood and family support services (pp 27, 34).
	Increase and sustain the quality,	Support and ensure the

Categories	Early Childhood Council Statute HB 22-1295 26.5-2-201	Local Coordinating Organizations HB 22-1295 26.5-2-101
	accessibility, capacity, and affordability of early childhood services for children five years of age or younger and their parent in response to local needs and conditions (pp 47).	availability of high-quality early childhood care and
		Increase over time the capacity of high- quality early care and education programs within the community to better meet family and community needs (pp33).
	Establish a local system of accountability to measure local progress based on the needs and goals set for program performance (pp 47).	Ensure the collection and reporting of key systems level data to the Department (pp 34).
	Integrates system of early childhood councils to improve and sustain the availability, accessibility, capacity, and quality of early childhood services (pp 42)	Integrate early childhood and family support programs and services with other efforts to provide holistic services for families (pp 30).



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Emily Pope, JBC Staff (303-866-4961)
Date: Tuesday, March 18, 2025
Subject: DHS R18 Child Welfare Core Services

Child Welfare Core Services

The Department of Human Services requested an ongoing decrease of \$3.6 million total funds, including \$3.0 million General Fund, for child welfare core services.

Recommendation

Staff recommended a net reduction of \$3.0 million General Fund. The recommendation included a decrease of \$5.0 million for core services, partially offset by an increase of \$2.0 million for the child welfare block.

The Committee did not take action on the request or staff recommendation. OSPB has not presented a comeback on the request.

Background

Counties receive reports of child abuse and neglect and provide child welfare services as necessary. The State provides funding to counties through three line items referred to as the “capped allocations.” The three allocations are often referred to as the block, core services, and county staffing.

The Block is the largest allocation and provides funding to counties for child welfare services without categorical restriction. Appropriations included \$432.7 million total funds in FY 2024-25, including \$221.9 million General Fund. Projected expenditures exceed the appropriation by \$21.9 million in FY 2024-25. Department projections show an over-expenditure of \$26.5 million, but do not include appropriations from bills other than the Long Bill.

Core Services was created to address a Child Welfare Settlement Agreement in 1995. The allocation is intended to provide supplementary funding for eight basic services required under the settlement agreement. Appropriations included \$60.7 million total funds, including \$51.1 million General Fund in FY 2024-25. The required eight basic services include:

- Transportation to services.
- Child care.
- In-home supportive homemaker services.

- Diagnostic, mental health, and health care services.
- Drug and alcohol treatment services.
- After care services to prevent a return to out-of-home placement.
- Family support services while a child is in out-of-home placement including home-based services, family counseling, and placement alternative services.
- Financial services in order to prevent placement.
- Family preservation services.

Core services tends to be under-spent because there are specific requirements for the use of funds, while the block is flexible. Under-expenditures in core services can be used to backfill over-expenditures in the block at the end of the fiscal year through a process referred to as “county close.” Core services is projected to be under-spent by \$5.6 million General Fund in FY 2024-25.

County staffing was created in 2015 to address a performance audit and workload study recommendation. Funding can only be used to fund staffing positions created after 2015. Appropriations included \$38.1 million total funds in FY 2024-25, including \$29.3 million General Fund. County staffing is projected to be under-allocated by \$3.3 million General Fund in FY 2024-25.

The General Fund appropriations and projected expenditures for each allocation in FY 2024-25 are provided in the table below.

Table 1: FY 2024-25 Child Welfare General Fund Projections			
Allocation	Appropriation	Expenditure Projection	Over/-under allocated
Block	\$221,928,478	\$243,856,511	-\$21,928,033
Core Services	51,122,806	45,325,443	5,797,363
County Staffing	29,316,154	32,613,457	-3,297,302
Total	\$302,367,438	\$321,795,411	-\$19,427,972

A Long Bill footnote provides the Department with authority to transfer authority between certain child welfare line items. The Department also has statutory authority to transfer between the Department of Health Care Policy and Financing. Appropriations that are under-expended can be transferred to line items that over-expended to make counties as whole as possible.

The Department reports on transfers through two RFIs. Transfers from FY 2023-24 are provided in the table below.

Table 2: Block Transfers		
Transfer From	Transfer to	Amount
HCPF Child welfare services	Child Welfare Services	\$5,727,439
Family and Children's Programs (Core Services)	Child Welfare Services	5,363,092
Training	Child Welfare Services	84,054
Foster and Adoptive Parent Recruitment, Training, and Support	Child Welfare Services	345,262
Hotline for Child Abuse and Neglect	Child Welfare Services	302,957
Total		\$11,822,804

Even though these five line items regularly under-expend, a reduction to any one should be seen as a reduction to the block and a reduction to state support for county child welfare services. The Committee may choose to deny the Department request, or approve a reduction of any amount as necessary for budget balancing.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Eric Kurtz, JBC Staff (303-866-4952)
Date: Tuesday, March 18, 2025
Subject: Health Care Policy and Financing – Staff comebacks

Update payment rules

New information indicates that the JBC staff recommendation to reduce funding for therapies overstated the degree of federal guidance. The JBC approved the staff recommendation to save \$6.6 million total funds, including \$2.0 million General Fund. The new information does not change the staff recommendation, but the federal guidance is less mandatory and more discretionary than originally understood and described by the JBC staff.

No further JBC action is needed, unless the new information changes how JBC members would vote on the staff recommendation.

This is the result of the JBC staff reading more into what the Department provided than was actually there. The JBC staff was overeager to find "easy" reductions that could be blamed on federal policy. There is no evidence that the Department intentionally provided misleading information. Rather, something was lost in the JBC staff's translation of information from the Department to the JBC.

Federal guidance requires Medicaid to promote correct coding and to control improper coding leading to improper payment. In interpreting this guidance, the Department gives significant weight to Medicare billing practices. Medicare reduces payments for certain therapies by the same provider on the same day for the same client. Medicare pays for the primary service at 100 percent and the related services at a lower percent. Many private insurance providers follow this same model. The enforcement is done electronically with no increased administrative burden on the provider billing for services. However, the JBC staff was incorrect in saying that Medicaid is "required" to follow this payment procedure.

Making the reduction would better align Medicaid with Medicare billing procedures and reimbursements. The advocates requested consideration alongside other providers. For other providers, we try to align state payments with Medicare. This recommendation is all about treating the therapies the same as other providers.

In this budget cycle, the JBC already identified and approved common sense provider rate reductions to balance the budget and improve fiscal management, such as for non-emergent medical transportation and pharmaceuticals. This is a common sense reduction that reflects the

providers' economies when delivering multiple services in one visit. This reduction treats the therapy providers the same as other providers.

The proposed reduced percentage for multiple procedures varies by code. The Department gave an example for two commonly used billing codes. If a provider submitted bills for the same patient for the same day for 97110 (therapeutic exercise to develop strength, endurance, range of motion and flexibility) and 97112 (neuromuscular reeducation of movement, balance, coordination, kinesthetic sense, posture, and/or proprioception for sitting and/or standing activities), then Medicaid would pay 100 percent for 97110 and 92 percent for 97112.

Because the reduced percentage by procedure varies and there are many, many procedure codes impacted, it might be easier to look at this in terms of aggregate funding. The Department projects that the change would reduce aggregate expenditures for physical, occupational, and speech therapy by approximately 7.7 percent when fully annualized.

In addition to being recommended by the JBC staff, the multiple therapies payment rule was included in the Governor's February 18, 2025, letter providing budget balancing options for addressing the increase in the Medicaid forecast. The initiative's title in the Governor's letter was "Review ClaimsXten Cost Savings". The Department expects it can implement the new payment rule in January 2026, so the savings doubles in FY 2026-27.

Update payment rules				
Item	Total Funds	General Fund	Cash Funds - HAS Fee	Federal Funds
FY 2025-26				
Multiple therapies	-\$6,500,000	-\$1,950,000	-\$455,000	-\$4,095,000
FY 2026-27				
Multiple therapies	-\$13,000,000	-\$3,900,000	-\$910,000	-\$8,190,000

OeHI

Staff recommends a one-time reduction of \$172,401 General Fund in FY 2024-25 from the Office of eHealth Innovations. OeHI received an unexpected refund from the Office of Information Technology that was not incorporated in the budget. This one-time reduction would have no impact on operations or services.

R13 Contract true up

Staff recommends adding \$37,363 General Fund to the JBC's previous action on *R13 Contract true up*. The funding is for actuarial services for health benefits for children lacking access due to immigration status. The Department requested the funding to address an oversight in the Fiscal Note for H.B. 22-1289. The Department needs on-going actuarial services to set the managed care rates for the benefit.

The JBC did not adopt the staff recommendation to eliminate the health benefits for children lacking access due to immigration status. The JBC is still exploring potential reductions to the

eligibility and/or benefits. Whether the JBC decides to fully continue the benefit or partially reduce it, the Department will need actuarial services to help set the rates.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Scott Philip Thompson, JBC Staff (303-866-4957)
Date: March 18, 2025
Department: Office of Information and Technology
Subject: Staff Comeback – Consolidated Payments to OIT Recommendation

This memo includes the following items:

- Consolidated Payments to OIT Recommendation

Summary of Payments to OIT Actions

The JBC has taken action to reflect this Staff Recommendation for purposes of creating General Fund Overviews, but has not yet taken action to accept the Staff Recommendation because the final fund splits were being calculated by individual analysts. This document provides a summary of all actions impacting the Payments to OIT common policy and concludes with recommendation to accept some of the protests or variance requests submitted by individual agencies related to the five percent base appropriation cut to Payments to OIT approved on February 20, 2025.

New Information

The following table summarizes the most updated recommendation for Payment to OIT. This table only contains recommendations for the base appropriation related to the Payments to OIT common policy, other changes approved outside of the common policy are not included in this table.

JBC Staff did not accept the protests submitted by the Departments of Corrections, Early Childhood, Education, and Human Services. OSPB submitted comebacks for the Department of Corrections, Early Childhood and Human Services, so action from the JBC on those comebacks is required. At this moment in time, the JBC budget database is reflecting no change related to the 5 percent reduction for Corrections or Early Childhood, so reductions will impact balancing, however Human Services does reflect the reduction so approving OSPB's comeback on that will increase total funds compared to the JBC budget database. The OSPB comeback contained the following justifications for these three agencies, additionally information provided by JBC Staff:

- **“Corrections:** Requests no reductions to the Payments to OIT line as the department has a large number of legacy systems that require critical support. A reduction would force the department to reduce critical services and maintenance which would impact operations

March 18, 2025

and increase potential points of failure.” The original JBC Staff recommendation was to reduce the Corrections appropriation by \$1,765,067 total funds. Over 99.5 percent of the Corrections appropriation for this purpose is General Fund.

- **“Early Childhood:** Request a two percent reduction totaling \$305,345 total funds and \$252,075 General Fund. Early Childhood is implementing multiple changes to better serve families and has worked to OIT to implement them in a timely manner. The five percent reduction would risk cutting back service through existing IT systems.” The original JBC Staff recommendation was to reduce the Early Childhood appropriation by \$764,681 total funds. The Early Childhood appropriation for this purpose is 82.4 percent General Fund.
- **“Human Services:** Requests no reductions to the Payments to OIT line. There have been increased infrastructure maintenance and licensing fees, and this cut would limit the department’s ability to meet service demands and impact patient care while delaying services. This would also increase the risk of outages and could risk federal and state audit remediation efforts.” The original JBC Staff recommendation was to reduce the Human Services appropriation by \$1,765,067 total funds and this reduction is currently in the budget database, thus if the Committee accepts the DHS comeback to not cut the line item it will create an increase of about \$1.3 million General Fund.

JBC Staff recommendation is to accept the protests or variance requests submitted by Governor’s Office, Judicial, Public Safety, Revenue, and Treasury. JBC Staff recommends rejecting the protests and OSPB comebacks from the Departments of Corrections and Human Services. Finally, JBC Staff recommends the Committee accept the Department of Early Childhood’s OSPB Comeback. The cells that are highlighted reflect the three items submitted as an OSPB comeback.

Payments to OIT Consolidated Approved Changes						
Department	FY 2024-25 Appropriation	FY 2025-26 Approved Payments to OIT Common Policy Allocation	5% Base Reduction Approved 2/20	Recommended 5% Base Reduction After Appeal	New Total Payments to OIT Total FY 2025-26	Change from FY 2024-25 Appropriation
Agriculture	\$3,707,601	\$3,685,074	-\$185,386	-\$185,386	\$3,499,689	-\$207,913
Corrections	32,784,416	35,065,379	-1,765,067	0	35,065,379	2,280,963
Early Childhood	12,929,354	15,212,244	-764,681	-305,345	14,906,899	1,977,545
Education	1,699,178	1,085,422	-54,773	-54,773	1,030,649	-668,529
Legislature	171,110	171,110	-8,556	-8,556	162,555	-8,556
Governor	1,832,473	2,057,477	-103,606	0	2,057,477	225,004
Health Care Policy and Finance	14,319,431	18,256,722	-871,964	-871,964	17,384,758	3,065,327
Higher Education	891,590	1,008,425	-50,768	-50,768	957,657	66,067
Human Services	57,226,040	61,610,746	-3,099,353	0	61,610,746	4,384,706
Judicial	7,664,065	5,280,933	-254,959	0	5,280,933	-2,383,132
Labor and Employment	30,897,318	39,449,565	-1,980,619	-388,241	39,061,324	8,164,006
Law	1,368,687	920,541	-49,007	-49,007	871,534	-497,153
Local Affairs	4,014,772	4,217,983	-185,159	-185,159	4,032,824	18,052
Military and Veterans Affairs	779,346	804,743	-40,437	-40,437	764,306	-15,040
Natural Resources	19,640,024	20,683,777	-1,040,681	-1,040,681	19,643,096	3,072

March 18, 2025

Payments to OIT Consolidated Approved Changes						
Department	FY 2024-25 Appropriation	FY 2025-26 Approved Payments to OIT Common Policy Allocation	5% Base Reduction Approved 2/20	Recommended 5% Base Reduction After Appeal	New Total Payments to OIT Total FY 2025-26	Change from FY 2024-25 Appropriation
Personnel	11,879,163	13,419,335	-674,608	-674,608	12,744,727	865,564
Public Health and Environment	19,290,240	20,050,163	-1,017,143	-1,017,143	19,033,020	-257,220
Public Safety	19,641,073	21,273,469	-1,072,447	0	21,273,469	1,632,396
Regulatory Agencies	8,015,723	7,884,276	-399,162	-399,162	7,485,114	-530,609
Revenue	22,016,901	23,373,032	-1,177,741	0	23,373,032	1,356,131
State	499,386	345,960	-17,424	-17,424	328,536	-170,850
Treasury	235,606	301,574	-16,697	0	301,574	65,968
Total	\$271,503,497	\$296,157,950	-\$14,830,236	-\$5,288,652	\$290,869,298	\$19,365,801

Staff recommends the Committee take action on the three OSPB comebacks related to Payments to OIT and allow Staff to incorporate those changes with the other approved changes. The summary of the base reduction impact by fund source is estimated below:

Summary of 5% Reduction by Department and Fund Type					
Department	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Agriculture	-\$185,386	-\$117,794	-\$67,592	\$0	\$0
Corrections	0	0	0	0	0
Early Childhood	-305,345	-251,641	0	-53,704	0
Education	-54,773	-40,431	-14,342	0	0
Legislature	-8,556	-8,556	0	0	0
Governor	0	0	0	0	0
Health Care Policy and Financing	-871,962	-343,843	-85,958	-2,603	-439,558
Higher Education	-50,767	-13,218	-26,860	-10,465	-224
Human Services	0	0	0	0	0
Judicial	0	0	0	0	0
Labor and Employment	-388,241	-388,241	0	0	0
Law	-49,007	-13,174	-6,277	-27,971	-1,585
Local Affairs	-185,159	-63,712	-121,447	0	0
Military and Veterans Affairs	-40,437	-40,437	0	0	0
Natural Resources	-1,040,681	-195,691	-813,531	-11,547	-19,912
Personnel	-674,608	-252,041	-73,857	-348,710	0
Public Health and Environment	-1,017,143	-579,727	-434,192	-3,224	0
Public Safety	0	0	0	0	0
Regulatory Agencies	-399,162	0	-399,162	0	0
Revenue	0	0	0	0	0
State	-17,424	0	-17,424	0	0
Treasury	0	0	0	0	0
Total	-\$5,288,651	-\$2,308,506	-\$2,060,642	-\$458,224	-\$461,279

Original Recommendation

➔ Staff-initiated Five-percent reduction statewide to all *Payments to OIT* appropriations

Request

The Department did not submit this request and JBC Staff did not alert it to this recommendation.

Recommendation

Staff recommends that the Committee approve an across the board five percent decrease to *Payments to OIT* line items statewide and requests permission for individual JBC analysts to work with their agency staff to determine the fund splits for the new appropriation. Approving this change is estimated to reduce appropriations statewide by \$14.8 million total funds and \$7.0 million General Fund, however, final impacts will be determined once individual analysts can adjust their fund splits based on input from their agency contacts.

If the Committee adopts JBC Staff recommendation at this time, JBC Staff plans to work with staff from OIT to determine whether any agencies can justify reductions to these line items that are smaller than the JBC Staff recommendation. If any department provides evidence that warrants a variance to this reduction, JBC Staff will bring those to the Committee during the OIT Common Policy discussion scheduled for March 12, 2025, with a recommendation.

JBC Staff anticipates that making these reductions will require departments to prioritize information technology expenditures and forgo or delay some purchases of information technology services it might otherwise have purchased. It should not prevent them from performing all required tasks that IT supports. JBC Staff asks that if department staff believe they require a variance from this recommendation, all justifications be sent to OIT so that it can share a consolidated list of variance justifications.

JBC Staff is not recommending that the Committee reduce reappropriated fund appropriations that support the common policy in OIT's budget, because it will only expend as much of these funds as it receives from agencies as payments for services rendered. But if the Committee prefers that approach, it can direct JBC staff to make adjustments that further reduce appropriations by \$2,056,017 reappropriated funds and 15.0 FTE.

JBC Staff recommends that the Committee refrain from taking the full 5.0 percent reduction to these line items because agencies can choose to purchase services from OIT using appropriations from other operating and program line items in their budget, if it prioritizes those services over other costs required to run programs. Providing some buffer for OIT to accept these payments allows for this additional flexibility.

March 18, 2025

The following table provides estimated General Fund and Total Funds impact of adopting the staff recommendation. Because JBC Staff is recommending the Committee provide other JBC staff flexibility to make final determinations on the fund splits, the actual General Fund impact will likely differ from the estimate below. JBC Staff will provide a more reliable estimated General Fund impact for the Committee when making the Common Policy recommendations described earlier.

Summary of Recommended Changes by Department				
Department	General Fund	Recommended Change	Total Funds	Recommended Change
Agriculture	\$2,355,879	-\$117,794	\$3,707,710	-\$185,386
Corrections	35,154,684	-1,757,734	35,301,339	-1,765,067
Early Childhood	12,603,755	-630,188	15,293,618	-764,681
Education	808,613	-40,431	1,095,452	-54,773
Governor	2,072,110	-103,606	2,072,110	-103,606
Health Care Policy and Financing	4,796,167	-239,808	17,439,278	-871,964
Higher Education	371,844	-18,592	1,015,359	-50,768
Human Services	26,016,886	-1,300,844	61,987,063	-3,099,353
Judicial	5,099,173	-254,959	5,099,173	-254,959
Labor and Employment	7,764,824	-388,241	39,612,378	-1,980,619
Law	263,475	-13,174	980,132	-49,007
Legislative Department	171,110	-8,556	171,110	-8,556
Local Affairs	1,274,231	-63,712	3,703,187	-185,159
Military and Veterans Affairs	808,732	-40,437	808,732	-40,437
Natural Resources	3,849,593	-192,480	20,813,619	-1,040,681
Personnel	5,040,820	-252,041	13,492,165	-674,608
Public Health and Environment	8,623,566	-431,178	20,342,857	-1,017,143
Public Safety	11,438,976	-571,949	21,448,948	-1,072,447
Regulatory Agencies	279,642	-13,982	7,983,243	-399,162
Revenue	12,009,210	-600,461	23,554,827	-1,177,741
State	0	0	348,477	-17,424
Treasury	200,362	-10,018	333,936	-16,697
Total	\$141,003,652	-\$7,040,165	\$296,604,713	-\$14,830,236

Staff recommends that this reduction be implemented on an ongoing basis and not as a one-time or short-term budget balancing action. This will reestablish where the base appropriations are for Payment to OIT in FY 2025-26 and ongoing.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee Members
From: Kelly Shen, JBC Staff (303-866-5434)
Date: Tuesday, March 18, 2025
Subject: [Update to CDPHE footnote](#)

Staff recommends revising one footnote that was approved during figure setting for the Department of Public Health and Environment. This would allow the footnote to provide cleaner guidance and match language that was included in last year's Long Bill.

The footnote allows the Department to ensure that the appropriation remains aligned with the federal percentage requirement for matching funds.

Initially approved footnote (included during figure setting for FY 25-26 and FY 24-25):

N Department of Public Health and Environment, Division of Disease Control and Public Health Response, Office of Emergency Preparedness and Response, Emergency Preparedness and Response Program -- Amounts in this line item are calculated based on the assumed federal match rate of 10.0 percent state funds and are assumed to be demonstrated on a federal fiscal year basis. This line item is ineligible for salary survey adjustments unless additional federal grant funding is available. The Department shall notify the Joint Budget Committee by November 1st of each fiscal year of any changes to the match rate or federal funding made available to the state through the grant program in the current fiscal year.

Revised footnote recommendation (included in FY 24-25 Long Bill):

N Department of Public Health and Environment, Division of Disease Control and Public Health Response, Office of Emergency Preparedness and Response, Emergency Preparedness and Response Program -- Amounts in this line item are calculated based on the assumed federal match rate of 90.9 percent federal funds to 9.1 percent state funds which is assumed to be demonstrated on a federal fiscal year basis.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Michelle Curry, JBC Staff (303-866-2062)
Date: March 17, 2025
Department:
Subject: Statewide R2 – Pinnacol Conversion

The Committee tabled conversation and decisions regarding the Statewide R2, which includes converting the state's share of Pinnacol Assurance and subsequent payment to PERA to cover unfunded liability. The Committee tabled conversation pending valuation of the state's share of the company.

Recommendation:

Staff recommends pursuing legislation that would allow for the conversion of Pinnacol that includes:

- (1) a valuation of Pinnacol set at \$600.0 million per the letter from Pinnacol (Attachment A)
- (2) a requirement for Pinnacol to remain the state's insurer of last resort for a minimum of three years
- (3) a disaffiliation payment to PERA of \$300.0 million as calculated with the 5.25 percent discount rate outlined in the actuarial analysis (Attachment B)
- (4) a deposit of all other proceeds into PERA as a pre-payment of the state's direct distribution obligation, \$100.0 million of which would be applied to payments required in FY 2025-26
- (5) a schedule for the amount of the total investment that can be reflected as advanced payments to PERA from the state for the next 8 fiscal years that accounts for reasonable risk aversion
- (6) provisions related to concerns raised by PERA (Attachment C) that would ensure long-term solvency and full funding

Analysis

Information Regarding Valuation

On March 17th, Pinnacol shared an update on an independent valuation provided by RSM. The official valuation from RSM is expected to be submitted to the JBC this week. Based on a letter provided by Pinnacol CFO Kathy Kranz (see attached), Pinnacol expects that RSM's valuation of

the state’s remaining interest in Pinnacol could total somewhere between \$330.0 million and \$425.0 million. This total represents the potential revenue to the state and is separate from a payment that Pinnacol would make to PERA post disaffiliation to cover its employees’ unfunded liability and the discount rate applied by PERA.

Pinnacol, in conversations with JBC staff, has indicated that in order to serve the market and meet the needs of its members post disaffiliation, the combined total revenue to the state and costs to PERA should not exceed \$600 million. An independent valuation of Pinnacol from the Governor’s office is anticipated sometime this week. Staff believes that accepting the valuation estimate and assessment of need from Pinnacol is reasonable, especially because the recommendation includes preserving Pinnacol as the state’s insurer of last resort for a minimum of three fiscal years.

PERA Disaffiliation

The total revenue to the state that could be used to cover unfunded liability within PERA for FY 2025-26 and FY 2026-27 depends on the discount rate negotiated between PERA, Pinnacol, and the Governor's Office. Although specifics of the conversion are still being negotiated, this estimate represents Pinnacol’s presumed valuation from RSM.

Currently, PERA estimates the cost of disaffiliation as \$298.4 million under the assumption that the payment be made “timely”, though there is no indication of when the payment would need to be made in order to qualify for this stipulation. The estimated cost of disaffiliation without considering timeliness totals \$316.8 million. Therefore, staff believes that the current PERA proposal for a disaffiliation payment of \$300.0 million is reasonable regardless of timeline.

With these assumptions, the chart below shows the anticipated proceeds and distribution based on the most recent negotiations.

Assumed Proceeds from Conversion	
\$600.0 million	
PERA Disaffiliation Cost	Advanced Payments to PERA
\$300.0 million	\$300.0 million

Staff believes that the specific schedule for realizing budget savings associated with the conversion should be finalized between PERA and the Governor’s office, though any legislation should prioritize limiting risk to PERA.

Appendix A: Letter from Pinnacol Regarding Presumed Valuation

The attached letter from Pinnacol's Chief Financial Officer, Kathy Kranz, explains valuation assumptions made by staff.

March 17, 2025

Colorado Joint Budget Committee
c/o Michelle Curry

Senator Bridges and Honorable Members of the Joint Budget Committee,

As the Committee heads further into figure-setting, Pinnacol will be providing an independent valuation conducted by RSM to inform the proposal related to the state's remaining interest in Pinnacol. We expect to have RSM's valuation in the next several days.

Although it has yet to be finalized, we wanted to provide an update in the interest of time.

In 2002, Pinnacol was mostly spun off from the state and its surplus of roughly \$80 million was transferred to Pinnacol under the ownership of its policyholders. Since that date, the state has had no risk nor liability for the solvency or financial condition of Pinnacol [CRS 8-45-102(1)], nor has it had any interest in Pinnacol's revenues and assets [CRS 8-45-202(5)].

As such, RSM is calculating the state's investment value in Pinnacol based on the present value of the roughly \$80 million transfer to Pinnacol.

For your planning, it's my belief that the range may come in somewhere between **\$330m to \$425m**.

Please note that this range is separate from a disaffiliation payment to PERA. We also understand that the Governor's Office has engaged a separate service provider to advise them with respect to the state's remaining interest in Pinnacol.

We will forward the report to you when RSM provides it, and we're happy to answer any questions you may have in the meantime.

Regards,

Kathy Kranz
Vice President, Chief Financial Officer

cc: Sen. Jeff Bridges
Rep. Shannon Bird
Sen. Judy Amabile
Sen. Barbara Kirkmeyer
Rep. Emily Sirota
Rep. Rick Taggart

Craig Harper, Joint Budget Committee Staff Director

Mark Ferrandino, Director, Office of State Planning and Budgeting
Casey Badmington, Deputy Legislative Director

Appendix B: Actuarial Analysis of Pinnacol Assurance Disaffiliation

The attached letter, which was presented previously to the Joint Budget Committee during a previous conversation about Pinnacol, contains the methodology and assumptions used in estimating the cost of disaffiliation from PERA.

November 21, 2024

Koren L. Holden, FCA, EA, MAAA
Senior Actuary
Public Employees' Retirement Association of Colorado
1301 Pennsylvania Street
Denver, CO 80203-2386

Re: Actuarial Analysis of Pinnacol Assurance Disaffiliation

Dear Koren:

As requested, we have estimated the impact of the disaffiliation of Pinnacol Assurance (Pinnacol) from the State Division of PERA. The letter includes the results of our analysis, which is based on the valuation results and trust fund amounts as of December 31, 2023. The method used to calculate the full disaffiliation cost is described below. Please note the calculations and exhibits contained herein are only complete in their entirety. These measurements may not be appropriate for purposes other than those described in this letter.

Background

The purpose of this document is to describe the methodology used and to determine the disaffiliation cost upon Pinnacol disaffiliation from the State Division of PERA effective December 31, 2023. It addresses the determination of whether there are sufficient assets to cover the benefit payments for members that remain in PERA, both as it pertains to the State Division Trust Fund, regarding pension benefits, and the Health Care Trust Fund (HCTF), regarding other post-employment benefits (OPEB).

The data provided for the regular December 31, 2023, actuarial valuation of PERA was utilized in making the calculations presented in this report. The following table provides some basic information regarding that data.

State Division Member Demographics as of December 31, 2023

Item	Pinnacol Members	Total State Division Members
Actives		
Number	663	53,687
Average Age	44.3	44.8
Average Service	10.1	8.8
Average Annual Salary	\$115,676	\$66,612
Retirees		
Number	409	44,415
Average Annual Benefit	\$50,852	\$41,152
Terminated Vested		
Number	152	9,887
Deferred Survivor		
Number	0	102
Terminated Non-Vested		
Number	323	94,780

Health Care Trust Fund Demographics as of December 31, 2023

Item	Pinnacol Members	Total HCTF Members
Actives		
Number	663	197,922
Average Age	44.3	44.6
Average Service	10.1	8.8
Retirees		
Number	187	56,252
Terminated Vested		
Number	152	37,651

Parameters and Assumptions

The calculations were performed using the December 31, 2023, valuation results. In the analysis that follows, it is assumed that all member accounts as of the disaffiliation effective date will remain and the member will either draw benefits when eligible or refund the account with the statutory match.

The final asset sufficiency calculations can only be done as of the disaffiliation effective date when all existing member account balances, market value of assets, and net present value of liabilities can be determined. All numbers provided prior to that time are merely estimates of the

financial impact of the disaffiliation. If the disaffiliation effective date is other than calendar year-end, liabilities will have to be rolled forward from the prior actuarial valuation and the market value of PERA assets will have to be determined as of the disaffiliation date.

Based on C.R.S. § 24-51-315(5), legislation applicable to the Local Government Division, the discount rate to be used for disaffiliation purposes is PERA's current investment return assumption minus 200 basis points, resulting in a 5.25% disaffiliation discount rate. Pursuant to Pinnacol's request, Segal has also prepared disaffiliation estimates considering alternative discount rates of 6.25% and 7.25%.

The steps required to determine asset sufficiency and the disaffiliation costs are as follows:

1. The first step will be to determine what assets at market value are held in the State Division Trust Fund to cover employer-financed accrued liabilities. The market value of assets less the Annual Increase Reserve, to the extent sufficient, will be allocated to categories in the following order:
 - (a) Inactive member contribution account balances
 - (b) Active member contribution account balances
 - (c) Retiree and survivor liabilities
 - (d) Employer-financed inactive member liabilities
 - (e) Employer-financed active member liabilities
2. The market value of assets to be allocated to the disaffiliating agency will be determined as follows:
 - a. If the assets are first depleted in category 1(a), the assets to be credited to the disaffiliating agency are equal to the market value of the assets times the ratio of the agency's inactive member account balances to the entire State Division inactive member account balances.
 - b. If the assets are first depleted in category 1(b), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the remaining market value of the assets times the ratio of the agency's active member account balances to the entire State Division active member account balances.
 - c. If the assets are first depleted in category 1(c), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the member account balances of the active members of the agency plus the remaining market value of assets times the ratio of the agency's retiree and survivor accrued liability to the entire State Division retiree and survivor accrued liability. In each case, the accrued liability will be equal to the retiree and survivor accrued liability determined using current actuarial valuation assumptions and methods.
 - d. If the assets are first depleted in category 1(d), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the member account balances of the active members of the agency plus the agency's retiree and survivor accrued liability plus the remaining market value of assets times the ratio of the agency's employer-financed inactive

accrued liability to the entire State Division employer-financed inactive accrued liability. In each case, the employer-financed accrued liability will be equal to the inactive accrued liability determined using current actuarial valuation assumptions and methods less the inactive member contribution account balances.

- e. If the assets are not depleted in category 1(d), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the member account balances of the active members of the agency plus the agency's retiree and survivor accrued liability plus the agency's employer-financed inactive accrued liability plus the remaining market value of assets times the ratio of the agency's employer-financed active accrued liability to the entire State Division employer-financed active accrued liability. Again, in each case, the employer-financed accrued liability will be equal to the active accrued liability determined using current actuarial valuation assumptions and methods less the active member contribution account balances.
3. The next step will be to determine the assets needed to fund the liabilities for those members of the disaffiliating agency that remain with PERA. The approach is similar to that performed in the previous paragraph. The total liability for the accrued benefits of the disaffiliating agency will be equal to the sum of the agency's liabilities for items 1(a) through 1(e), determined using current actuarial valuation assumptions and methods, and prepared under three discount rates of 5.25%, pursuant to C.R.S. Section 24-51-315(5), and the additionally requested discount rates of 6.25% and 7.25%. To the extent the agency's share of the market value of assets is not sufficient to cover the total liability, the net will be paid to PERA. To the extent the agency's share of the market value of assets is greater than the total liability, the net will be paid to the agency.
 4. This step is designed to ensure that the actuarially determined contribution (ADC) rate pertaining to pension liabilities for the remaining agencies in the State Division does not increase as a result of the disaffiliation. An actuarial determination is made to see if an additional required amount from the disaffiliating agency is necessary to maintain the ADC at the same rate, with or without disaffiliation. The change in the pension ADC is calculated on a percentage of payroll basis and, if the resulting amount is an increase, it is amortized by using the current actuarial valuation assumptions and methods. Given the Automatic Adjustment Provisions (AAP) adopted under SB 200, this step is necessary to ensure any disaffiliation does not adversely impact the outcome of future AAP assessments resulting in unexpected or otherwise accelerated adjustments to contributions and annual increases for all members of PERA.
 5. The impact of a disaffiliating agency on the Health Care Trust Fund must also be determined. To determine the assets available to fund the liabilities for the members remaining in PERA, the market value of assets will be allocated first to retirees, then to inactives, and finally to actives as is done for the pension assets. The disaffiliating agency's "share" of the assets will be determined by the ratio of the agency's liability to the total liability of the first group that is not fully funded. The liability used to calculate the asset share for the disaffiliating agency is determined using current actuarial valuation assumptions and methods. For example, if the market value of assets represents 50% of the retiree liability, then the share allocated to the disaffiliating agency will be 50% of the agency's retiree liability. Since the market value of assets covers only about 67% the total retiree liability, then Pinnacol's share of the unfunded liability is approximately 33% of their valuation liability for retirees. To this result, we add the additional liability for the disaffiliating agency's membership using the applicable disaffiliation discount rate, pursuant to C.R.S. §

24-51-315(5) and the requested alternative discount rates of 6.25% and 7.25%. This includes the additional liability from retirees based on the disaffiliation assumption and the entire disaffiliation liability so determined for inactive members and active members. To the extent the total liabilities exceed the assets, the net will be paid to PERA. To the extent the assets exceed the total liabilities, the net will be paid to the agency.

6. Because the healthcare contributions are taken from the overall statutory contributions made to PERA, an additional determination is made to ensure that the actuarially determined contribution (ADC) to the HCTF for remaining agencies does not increase as a result of the disaffiliation. To the extent that this would be the case, an additional required amount from the agency is calculated so as to keep the ADC at the same rate, with or without the disaffiliation.
7. The amount owed by PERA to the disaffiliating agency, or owed by the agency to PERA, is the net sum of the net pension liability, the additional pension reserves required, the net healthcare liability, and the additional amounts needed to stabilize the ADCs related to the State Division Trust Fund and the HCTF.

Results

The following tables (1.1-1.7) summarize the results of each step used to estimate Pinnacol's Full Disaffiliation Cost using a discount rate of 5.25%.

Table 1.1 – Determination of Point of Asset Depletion

Item	Category	Allocation	Remaining Amount
1. Market Value of Assets for the State Division Trust Fund			\$18,269,648,326
2. Less Annual Increase Reserve		\$311,386,627	17,958,261,699
3. Less Inactive Member Account Balances	(a)	798,103,571	17,160,158,128
4. Less Active Member Account Balances	(b)	3,146,892,084	14,013,266,044
5. Less Retiree and Survivor Accrued Liabilities ¹	(c)	\$18,657,598,227	(\$4,644,332,183)

¹ Determined using a discount rate of 7.25%.

Table 1.2 – Pinnacol Asset Allocation

Item	State Division Total (a)	Pinnacol (b)
1. Market Value of Assets less Annual Increase Reserve	\$17,958,261,699	
2. Inactive Member Account Balances	798,103,571	\$16,697,269
3. Active Member Account Balances	<u>3,146,892,084</u>	69,261,381
4. Remaining Market Value of Assets: (1a) - (2a) - (3a)	14,013,266,044	
5. Retiree and Survivor Accrued Liabilities ²	\$18,657,598,227	\$236,103,743
6. Pinnacol Ratio: (5b) / (5a)		1.2655%
7. Pinnacol Share of Remaining Assets: (4a) x (6b)		\$177,337,882
8. Total Pinnacol Asset Allocation: (2b) + (3b) + (7b)		\$263,296,532

Table 1.3 – Pension Reserves Needed as of December 31, 2023

Item	Category	Intermediate Step	Pinnacol
1. Inactive Member Account Balances	(a)		\$16,697,269
2. Active Member Account Balances	(b)		69,261,381
3. Retiree and Survivor Accrued Liabilities ³	(c)		284,889,652
4. Liabilities for Inactive Members ³		\$29,959,042	
5. Inactive Member Account Balances		<u>16,697,269</u>	
6. Employer-financed Vested Liabilities for Inactives ³ : (4) - (5)	(d)		\$13,261,773
7. Present Value of Accrued Benefits for Active Members ³		\$243,517,902	
8. Active Member Account Balances		<u>69,261,381</u>	
9. Employer-financed Vested Liabilities for Actives ³ : (7) - (8)	(e)		\$174,256,521
10. Total Pinnacol Pension Reserves Required: (1)+(2)+(3)+(6)+(9)			\$558,366,596

² Determined using a discount rate of 7.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits. Pinnacol is assumed to be responsible for paying any excess benefits on a "pay as you go" basis.

³ Determined using a discount rate of 5.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits.

Table 1.4 – Pension – Adjustment to ADC

Item	State Division Total (a)	After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	1.8475%	1.8532%
ii. Unfunded Actuarial Accrued Liability	<u>16.9327%</u>	<u>16.9600%</u>
iii. Total	18.7801%	18.8132%
2. Increase in ADC: (1b) – (1a)		0.0331%
3. Projected Payroll	\$3,753,519,463	\$3,673,118,784
4. Amortization Factor ⁴		13.994245
5. Additional Reserve Required: (2b) x (3b) x (4b)		\$17,014,236

Table 1.5 – Health Care Trust Fund (OPEB) Reserves Required

Item	HCTF Total (a)	HCTF Pinnacol (b)
1. Total Liability for Retirees on Valuation Basis ⁵	\$910,875,758	\$2,668,548
2. Market Value of Assets	<u>611,911,149</u>	
3. Unfunded Retiree Liability: (1a) - (2a)	\$298,964,609	
4. Unfunded Portion: (3a) / (1a)	32.8217%	
5. Pinnacol Unfunded Retiree Liability: (1b) x (4a)		\$875,862
6. Additional Termination Liability for Retirees ⁶		487,280
7. Vested Termination Liability for Terminated Vesteds ⁶		239,109
8. Vested Termination Liability for Active Members ⁶		<u>1,711,120</u>
9. Total Pinnacol OPEB Reserves Required: (5b) + (6b) + (7b) + (8b)		\$3,313,371

⁴ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

⁵ Determined using a discount rate of 7.25%.

⁶ Determined using a discount rate of 5.25%.

Table 1.6 - OPEB – Adjustment to ADC

Item	HCTF Total (a)	HCTF After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	0.1517%	0.1523%
ii. Unfunded Actuarial Accrued Liability	<u>0.4170%</u>	<u>0.4173%</u>
iii. Total	0.5687%	0.5696%
2. Increase in ADC: (1b) – (1a)		0.0009%
3. Projected Payroll	\$11,210,167,265	\$11,129,766,586
4. Amortization Factor ⁷		13.994245
5. Additional Reserve Required ⁸ : (2b) x (3b) x (4b)		\$1,401,774

Table 1.7 – Summary of Costs at Discount Rate of 5.25%

Item	Pinnacol Required Reserves No Payment Made
1. Step 3 – Pension Reserves Required	\$558,366,596
2. Step 2 – State Division Trust Fund (Pension) Assets Allocated to Pinnacol	(263,296,532)
3. Step 4 – Additional Reserves for ADC Adjustment – Pension	17,014,236
4. Step 5 – Net OPEB Reserves Required	3,313,371
5. Step 6 – Additional Reserves for ADC Adjustment – OPEB	<u>1,401,774</u>
6. Net Pinnacol Assurance Payment Required: (1) + (2) + (3) + (4) + (5)	\$316,799,445

Thus, based on the results using a discount rate of 5.25%, the total potential impact created by the disaffiliation of Pinnacol from PERA is estimated to be \$316,799,445 as of December 31, 2023. This amount includes \$18,416,010 (\$17,014,236 + \$1,401,774) of adverse impact to the ADC calculations for the Pension and OPEB plans, respectively, due to the departing members, if no payment is made. However, a timely estimated payment of \$298,383,435 (\$316,799,445 - \$18,416,010) would avoid an adverse financial impact on the actuarial soundness of the State Division Trust Fund and the Health Care Trust Fund.

⁷ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

⁸ Total in item 5 may not compute as exhibited due to rounding.

The following tables (2.1-2.7) summarize the results of each step used to estimate Pinnacol's Full Disaffiliation Cost using a discount rate of 6.25%.

Table 2.1 – Determination of Point of Asset Depletion

Item	Category	Allocation	Remaining Amount
1. Market Value of Assets for the State Division Trust Fund			\$18,269,648,326
2. Less Annual Increase Reserve		\$311,386,627	17,958,261,699
3. Less Inactive Member Account Balances	(a)	798,103,571	17,160,158,128
4. Less Active Member Account Balances	(b)	3,146,892,084	14,013,266,044
5. Less Retiree and Survivor Accrued Liabilities ⁹	(c)	\$18,657,598,227	(\$4,644,332,183)

Table 2.2 – Pinnacol Asset Allocation

Item	State Division Total (a)	Pinnacol (b)
1. Market Value of Assets less Annual Increase Reserve	\$17,958,261,699	
2. Inactive Member Account Balances	798,103,571	\$16,697,269
3. Active Member Account Balances	<u>3,146,892,084</u>	69,261,381
4. Remaining Market Value of Assets: (1a) - (2a) - (3a)	14,013,266,044	
5. Retiree and Survivor Accrued Liabilities ¹⁰	\$18,657,598,227	\$236,103,743
6. Pinnacol Ratio: (5b) / (5a)		1.2655%
7. Pinnacol Share of Remaining Assets: (4a) x (6b)		\$177,337,882
8. Total Pinnacol Asset Allocation: (2b) + (3b) + (7b)		\$263,296,532

⁹ Determined using a discount rate of 7.25%.

¹⁰ Determined using a discount rate of 7.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits. Pinnacol is assumed to be responsible for paying any excess benefits on a "pay as you go" basis.

Table 2.3 – Pension Reserves Needed as of December 31, 2023

Item	Category	Intermediate Step	Pinnacol
1. Inactive Member Account Balances	(a)		\$16,697,269
2. Active Member Account Balances	(b)		69,261,381
3. Retiree and Survivor Accrued Liabilities ¹¹	(c)		258,423,089
4. Liabilities for Inactive Members ¹¹		\$25,438,911	
5. Inactive Member Account Balances		<u>16,697,269</u>	
6. Employer-financed Vested Liabilities for Inactives ¹¹ : (4) - (5)	(d)		\$8,741,642
7. Present Value of Accrued Benefits for Active Members ¹¹		\$200,845,100	
8. Active Member Account Balances		<u>69,261,381</u>	
9. Employer-financed Vested Liabilities for Actives ¹¹ : (7) - (8)	(e)		\$131,583,719
10. Total Pinnacol Pension Reserves Required: (1)+(2)+(3)+(6)+(9)			\$484,707,100

Table 2.4 – Pension – Adjustment to ADC

Item	State Division Total (a)	After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	1.8475%	1.8532%
ii. Unfunded Actuarial Accrued Liability	<u>16.9327%</u>	<u>16.9600%</u>
iii. Total	18.7801%	18.8132%
2. Increase in ADC: (1b) – (1a)		0.0331%
3. Projected Payroll	\$3,753,519,463	\$3,673,118,784
4. Amortization Factor ¹²		13.994245
5. Additional Reserve Required: (2b) x (3b) x (4b)		\$17,014,236

¹¹ Determined using a discount rate of 6.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits.

¹² 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

Table 2.5 – Health Care Trust Fund (OPEB) Reserves Required

Item	HCTF Total (a)	HCTF Pinnacol (b)
1. Total Liability for Retirees on Valuation Basis ¹³	\$910,875,758	\$2,668,548
2. Market Value of Assets	<u>611,911,149</u>	
3. Unfunded Retiree Liability: (1a) - (2a)	\$298,964,609	
4. Unfunded Portion: (3a) / (1a)	32.8217%	
5. Pinnacol Unfunded Retiree Liability: (1b) x (4a)		\$875,862
6. Additional Termination Liability for Retirees ¹⁴		224,703
7. Vested Termination Liability for Terminated Vesteds ¹⁴		205,621
8. Vested Termination Liability for Active Members ¹⁴		<u>1,465,268</u>
9. Total Pinnacol OPEB Reserves Required: (5b) + (6b) + (7b) + (8b)		\$2,771,454

Table 2.6 - OPEB – Adjustment to ADC

Item	HCTF Total (a)	HCTF After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	0.1517%	0.1523%
ii. Unfunded Actuarial Accrued Liability	<u>0.4170%</u>	<u>0.4173%</u>
iii. Total	0.5687%	0.5696%
2. Increase in ADC: (1b) – (1a)		0.0009%
3. Projected Payroll	\$11,210,167,265	\$11,129,766,586
4. Amortization Factor ¹⁵		13.994245
5. Additional Reserve Required ¹⁶ : (2b) x (3b) x (4b)		\$1,401,774

¹³ Determined using a discount rate of 7.25%.

¹⁴ Determined using a discount rate of 6.25%.

¹⁵ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

¹⁶ Total in item 5 may not compute as exhibited due to rounding.

Table 2.7 – Summary of Costs at Discount Rate of 6.25%

Item	Pinnacol Required Reserves No Payment Made
1. Step 3 – Pension Reserves Required	\$484,707,100
2. Step 2 – State Division Trust Fund (Pension) Assets Allocated to Pinnacol	(263,296,532)
3. Step 4 – Additional Reserves for ADC Adjustment – Pension	17,014,236
4. Step 5 – Net OPEB Reserves Required	2,771,454
5. Step 6 – Additional Reserves for ADC Adjustment – OPEB	<u>1,401,774</u>
6. Net Pinnacol Assurance Payment Required: (1) + (2) + (3) + (4) + (5)	\$242,598,032

Thus, based on the results using a discount rate of 6.25%, the total potential impact created by the disaffiliation of Pinnacol from PERA is estimated to be \$242,598,032 as of December 31, 2023. This amount includes \$18,416,010 (\$17,014,236 + \$1,401,774) of adverse impact to the ADC calculations for the Pension and OPEB plans, respectively, due to the departing members, if no payment is made. However, a timely estimated payment of \$224,182,022 (\$242,598,032 - \$18,416,010) would avoid an adverse financial impact on the actuarial soundness of the State Division Trust Fund and the Health Care Trust Fund.

The following tables (3.1-3.7) summarize the results of each step used to estimate Pinnacol's Full Disaffiliation Cost using a discount rate of 7.25%.

Table 3.1 – Determination of Point of Asset Depletion

Item	Category	Allocation	Remaining Amount
1. Market Value of Assets for the State Division Trust Fund			\$18,269,648,326
2. Less Annual Increase Reserve		\$311,386,627	17,958,261,699
3. Less Inactive Member Account Balances	(a)	798,103,571	17,160,158,128
4. Less Active Member Account Balances	(b)	3,146,892,084	14,013,266,044
5. Less Retiree and Survivor Accrued Liabilities ¹⁷	(c)	\$18,657,598,227	(\$4,644,332,183)

¹⁷ Determined using a discount rate of 7.25%.

Table 3.2 – Pinnacol Asset Allocation

Item	State Division Total (a)	Pinnacol (b)
1. Market Value of Assets less Annual Increase Reserve	\$17,958,261,699	
2. Inactive Member Account Balances	798,103,571	\$16,697,269
3. Active Member Account Balances	<u>3,146,892,084</u>	69,261,381
4. Remaining Market Value of Assets: (1a) - (2a) - (3a)	14,013,266,044	
5. Retiree and Survivor Accrued Liabilities ¹⁸	\$18,657,598,227	\$236,103,743
6. Pinnacol Ratio: (5b) / (5a)		1.2655%
7. Pinnacol Share of Remaining Assets: (4a) x (6b)		\$177,337,882
8. Total Pinnacol Asset Allocation: (2b) + (3b) + (7b)		\$263,296,532

Table 3.3 – Pension Reserves Needed as of December 31, 2023

Item	Category	Intermediate Step	Pinnacol
1. Inactive Member Account Balances	(a)		\$16,697,269
2. Active Member Account Balances	(b)		69,261,381
3. Retiree and Survivor Accrued Liabilities ¹⁸	(c)		236,103,743
4. Liabilities for Inactive Members ¹⁸		\$21,952,047	
5. Inactive Member Account Balances		<u>16,697,269</u>	
6. Employer-financed Vested Liabilities for Inactives ¹⁸ : (4) - (5)	(d)		\$5,254,778
7. Present Value of Accrued Benefits for Active Members ¹⁸		\$167,972,812	
8. Active Member Account Balances		<u>69,261,381</u>	
9. Employer-financed Vested Liabilities for Actives ¹⁸ : (7) - (8)	(e)		\$98,711,431
10. Total Pinnacol Pension Reserves Required: (1)+(2)+(3)+(6)+(9)			\$426,028,602

¹⁸ Determined using a discount rate of 7.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits. Pinnacol is assumed to be responsible for paying any excess benefits on a “pay as you go” basis.

Table 3.4 – Pension – Adjustment to ADC

Item	State Division Total (a)	After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	1.8475%	1.8532%
ii. Unfunded Actuarial Accrued Liability	<u>16.9327%</u>	<u>16.9600%</u>
iii. Total	18.7801%	18.8132%
2. Increase in ADC: (1b) – (1a)		0.0331%
3. Projected Payroll	\$3,753,519,463	\$3,673,118,784
4. Amortization Factor ¹⁹		13.994245
5. Additional Reserve Required: (2b) x (3b) x (4b)		\$17,014,236

Table 3.5 – Health Care Trust Fund (OPEB) Reserves Required

Item	HCTF Total (a)	HCTF Pinnacol (b)
1. Total Liability for Retirees on Valuation Basis ²⁰	\$910,875,758	\$2,668,548
2. Market Value of Assets	<u>611,911,149</u>	
3. Unfunded Retiree Liability: (1a) - (2a)	\$298,964,609	
4. Unfunded Portion: (3a) / (1a)	32.8217%	
5. Pinnacol Unfunded Retiree Liability: (1b) x (4a)		\$875,862
6. Additional Termination Liability for Retirees ²⁰		0
7. Vested Termination Liability for Terminated Vesteds ²⁰		178,959
8. Vested Termination Liability for Active Members ²⁰		<u>1,268,740</u>
9. Total Pinnacol OPEB Reserves Required: (5b) + (6b) + (7b) + (8b)		\$2,323,561

¹⁹ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

²⁰ Determined using a discount rate of 7.25%.

Table 3.6 - OPEB – Adjustment to ADC

Item	HCTF Total (a)	HCTF After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	0.1517%	0.1523%
ii. Unfunded Actuarial Accrued Liability	<u>0.4170%</u>	<u>0.4173%</u>
iii. Total	0.5687%	0.5696%
2. Increase in ADC: (1b) – (1a)		0.0009%
3. Projected Payroll	\$11,210,167,265	\$11,129,766,586
4. Amortization Factor ²¹		13.994245
5. Additional Reserve Required ²² : (2b) x (3b) x (4b)		\$1,401,774

Table 3.7 – Summary of Costs at Discount Rate of 7.25%

Item	Pinnacol Required Reserves No Payment Made
1. Step 3 – Pension Reserves Required	\$426,028,602
2. Step 2 – State Division Trust Fund (Pension) Assets Allocated to Pinnacol	(263,296,532)
3. Step 4 – Additional Reserves for ADC Adjustment – Pension	17,014,236
4. Step 5 – Net OPEB Reserves Required	2,323,561
5. Step 6 – Additional Reserves for ADC Adjustment – OPEB	<u>1,401,774</u>
6. Net Pinnacol Assurance Payment Required: (1) + (2) + (3) + (4) + (5)	\$183,471,641

Thus, based on the results using a discount rate of 7.25%, the total potential impact created by the disaffiliation of Pinnacol from PERA is estimated to be \$183,471,641 as of December 31, 2023. This amount includes \$18,416,010 (\$17,014,236 + \$1,401,774) of adverse impact to the ADC calculations for the Pension and OPEB plans, respectively, due to the departing members, if no payment is made. However, a timely estimated payment of \$165,055,631 (\$183,471,641 - \$18,416,010) would avoid an adverse financial impact on the actuarial soundness of the State Division Trust Fund and the Health Care Trust Fund.

²¹ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

²² Total in item 5 may not compute as exhibited due to rounding.

Comments

The following comments must be kept in mind when reviewing the results presented in this letter:

- The results are based on data and asset information available as of December 31, 2023. Any actual demographic or financial experience occurring subsequent to December 31, 2023, is not reflected in this analysis. We did not audit the supplied information, but it was reviewed for reasonableness and consistency. A final determination of the reserves required will need to be performed after the effective date of disaffiliation is known based on the data and asset information at that date.
- The results related to pensions are based on the December 31, 2023, actuarial valuation of the State Division Trust Fund. The results related to OPEB are based on the December 31, 2023, actuarial valuation of the Health Care Trust Fund. The next valuation may be available before the disaffiliation is finalized, and, if so, may alter the calculations shown in this letter. Please note the December 31, 2024 valuation report will reflect the updated actuarial assumptions based on the 2024 experience study for the four-year period from January 1, 2020, through December 31, 2023.
- The methodology used to determine Pinnacol's disaffiliation cost is consistent with C.R.S. § 24-51-313-319, and prior disaffiliation calculations. The adjusted interest rate applied in Tables 3, 5, and 7 is as specified in C.R.S. § 24-51-315(5) and also provided considering discount rates of 6.25% and 7.25%, as requested by Pinnacol. Since this section of PERA law does not address employer disaffiliations from the State Division Trust Fund, it is our understanding that legislation would be required prior to the disaffiliation of Pinnacol from PERA.

If you need any further information regarding this analysis, please do not hesitate to contact Segal. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely yours,



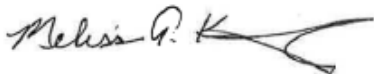
Matthew Strom, FSA, MAAA, EA
Senior Vice President and Actuary



Brad Ramirez, FSA, MAAA, EA
Vice President and Actuary



Tanya Dybal, FSA, MAAA, EA
Vice President and Actuary



Melissa A. Krumholz, FSA, MAAA
Vice President, Health Actuary



Yori Robinson, FSA, MAAA
Vice President, Retiree Health Actuary

Appendix C: Legislative Concerns from PERA

The following is pulled from a document summarizing negotiation discussions between PERA and the Governor's Office:

PERA will need the language in a disaffiliation bill to address the following items:

- *Recognition that PERA will/cannot be responsible for the payment of benefits in excess of the IRC §415(b) Limit to Pinnacol employees after the effective date of disaffiliation.*
 - *PERA cannot legally pay amounts over the IRC §415(b) limit unless it uses a “qualified governmental excess benefit arrangement” plan permitted by IRC §415(m).*
 - *IRC §415(m)(3) requires that excess benefits must not be paid from the assets of the governmental plan. Because PERA cannot pay these benefits directly, PERA has adopted a Replacement Benefit Arrangement (RBA) to utilize in paying these benefits via the PERA employer.*
 - *A requirement to participate in the RBA is that the employer has to be a PERA-affiliated employer. Once Pinnacol ceases to be a PERA employer Pinnacol will no longer be legally eligible to participate in the RBA.*
 - *Pinnacol must set up their own “excess or supplemental” plan to pay these benefits in excess of the §415(b) limits.*
- **Volatility protection.** *Volatility over an 8-year investment period can be significant. If PERA encounters multiple market losses during these years, the claw backs could exceed PERA's ability to backfill the DD payment with these funds, resulting in a reduction in the DD payment, adding risk to the fund and potentially triggering an AAP adjustment. As such, PERA proposes the following guardrails be included in legislation.*
 - *Should negative market events result in the fund losing money over the investment period, such that clawing back funds in a future year will not allow PERA to maintain the \$225M DD payment, the State will forgo the scheduled claw back for that year.*
- **Language regarding application of advanced payments.** *PERA will treat the advanced payment of future DD payments as a deferred inflow of resources. As such, the legislation should include*
 - *methodology as to when PERA should apply the advanced dollars to DD payments up to \$225M annually.*
 - *specific language on how to treat investment earnings on the advanced DD dollars.*
 - *PERA would recommend any remaining investment earnings in the fund, after all claw backs have been satisfied, remain invested in the fund and PERA would be authorized to apply them to increase the DD in a year where the Plan is at risk of triggering an AAP. In the event this is needed, PERA will allocate the additional funds to the DD in a manner that the actuaries determine will best prevent triggering the AAP.*



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Amanda Bickel, JBC Staff (303-866-4960)
Date: March 18, 2025
Department: Department of Education (Programs other than School Finance/Categoricals)
Subject: Staff Comeback – S3/BA4 Healthy School Meals for All

This memo includes the following items:

- Updated legislation recommendations and options for the Healthy School Meals for All program

S3/BA4 Healthy School Meals for All

During figure setting for the Department of Education on March 4, 2025, staff notified the JBC of the large gap between anticipated Healthy School Meals for All Program Cash Fund revenue and program expenditures. Under current law, this gap requires an appropriation of \$49.5 million General Fund in the Long Bill for FY 2025-26. Furthermore, due to growth in program expenditures and declines in forecasted revenue, a supplemental appropriation of \$13.2 million from the State Education Fund is required for FY 2024-25, resulting in a total appropriation of \$35.2 million from the State Education Fund for the program in the current year.

The Committee was clear that it did not wish to appropriate an additional \$49.5 million for FY 2025-26 for this program, either from the General Fund or the State Education Fund, but expressed a range of opinions about how to address the problem. These included:

1. Effective July 1, 2025, ending the program as it currently operates and implementing one of the larger cost-containment measures proposed by the Technical Advisory Group during its meetings this summer, such as limiting the program to schools/districts with the highest need.
2. Allowing the program to continue to operate as it currently does through the fall of 2025, pending voter action on a ballot measure to provide additional revenue. Depending upon the results of that election, either scale back the program severely for the spring semester or continue operations with the additional anticipated revenue from ballot measures. If this option were chosen, staff assumes that the General Assembly would again authorize the use of the State Education Fund for the program in FY 2025-26 and would require that the State Education be repaid if ballot measures to retain excess revenue and add additional revenue are passed.

The Committee authorized drafting for legislation that could cover a range of options.

- Given the lack of agreement on extending the program as it currently stands past July 1, 2025, feedback from the Department and School Food Authorities, and the tight budget situation, as well as discussions at the federal level, **staff has focused on an option that is anticipated to enable the program to operate within the existing levels of HSMA Cash Fund revenue throughout FY 2025-26.** Depending upon voter decisions, this approach could be used, without further structural changes, to provide more or less support to school districts in the second half of FY 2025-26.

Updated Recommendation

Staff recommends that the Committee establish a **placeholder for a forthcoming non-orbital JBC bill that will eliminate the General Fund appropriation of \$49,541,914 that must be included in the FY 2025-26 Long Bill under current law.** Staff has identified an option staff believes is viable, but staff would like to work further with the Department and stakeholders to avoid unintended consequences and ensure that provisions in the bill enable the program to operate in a stable manner throughout FY 2025-26. Staff will bring a bill draft to the JBC during the week of April 7 (conference committee on the Long Bill).

Staff's *preliminary recommendation* includes the following components:

- Provide universal free meals in FY 2025-26 in all schools that are operating under the Community Eligibility Provision (CEP) , a federal mechanism which provides special subsidies for schools at which at least 25.0 percent of the student population is eligible for public benefits such as SNAP and Medicaid. At these schools, the federal government pays for meals based on the percentage of students qualified for federal benefits x 1.6. Currently, the majority of Colorado schools and students are operating under this federal provision, since the State has grouped schools together to maximize federal revenue. *Covering the balance of costs at these schools is estimated to cost approximately \$80.0 million in state funds in FY 2025-26, which is within the HSMA Cash Fund revenue available.*
- Divide at least \$10.0 million in HSMA Cash Fund revenue among schools that do not qualify for CEP in FY 2025-26, to assist them in transitioning back to the previous funding structure for nutrition programs and assist them in supporting students who will no longer qualify for free meals. Under the previous structure, students who qualify for free meals based on submitting required forms may receive a free federally-paid breakfast and lunch, and students who qualify for reduced-price meals under federal rules may also receive a free breakfast and lunch, based on a combination of federal and state funds. Staff anticipates that funds would be distributed among these schools based on meals served or a similar mechanism.¹
- Establish a trigger that would further modify the program if the federal government changes from the current structure which allows schools to participate in the community

¹ Not all schools serve breakfasts.

eligibility provision with 25 percent of students qualifying for federal benefits. Staff anticipates that federal authorities may move to a threshold of 40 percent (available under current federal law) or higher (potentially included in a federal concurrent resolution on the budget). *Staff understands that such a change is unlikely to take effect for FY 2025-26 but nonetheless believes a trigger would be helpful just in case. If this occurred, the number of schools participating in CEP would fall sharply, and the State would probably want to focus its funding on both schools still designated as CEP schools and other higher-needs schools that have lost this designation.* Overall, staff's goal is that approximately 80.0 percent of available funds would remain focused on schools serving higher-needs students.

- Staff anticipates that program operations in FY 2026-27 could look the same or very different depending upon voter decisions in November 2025, as well as action at the federal level, including both federal tax policy (which affects *state* revenue for the Healthy School Meals for All Program) and federal nutrition policy (since federal funds provide the largest share of money for nutrition programs). Staff's current proposal is focused primarily on FY 2025-26, given the likelihood of additional changes in the coming year.

The staff recommendation is intended to accomplish the following goals:

- Continue to maximize federal support for meals for higher needs schools and students by maintaining approved CEP groupings. Under current federal policies, the groups of schools categorized as CEP schools in FY 2024-25 are expected to maintain this categorization for a *four year cycle* (through FY 2027-28). Further, staff understands that the changes being contemplated through a federal concurrent resolution might allow this categorization to be retained for the schools benefitting from the current policy and would not require immediate changes. If current CEP groupings are dismantled it may be difficult to reestablish them, particularly in the face of changes in federal policy.
- Provide at least some support for schools and districts that must return to the legacy nutrition program structure. Allow them to use any additional support the State is able to provide in a flexible manner, e.g., to cover "bad debt" from students who are unable to pay for their meals, to pay for meals for students who don't qualify for free meals but who face financial challenges, to institute programs to encourage students to return free lunch forms, etc.
- Ensure that the State program can operate within the revenue available from the tax changes adopted by voters.
- Enable school food authorities to plan appropriately for the upcoming FY 2025-26 fiscal year.
- Limit disruption from changes in federal policy, including avoiding state overexpenditures and reducing pressure for the General Assembly to come back into session to address any federal changes related to this program.

Original Recommendation

→ S3 and BA4 Increased Spending Authority Healthy School Meals for All [Legislation Recommendations/Updates]

FY 2024-25: In a January 2, 2025 submission, the Department requested an additional \$8.3 million appropriation from the State Education Fund for FY 2024-25 for the Healthy School Meals for All (HSMA) Program meal reimbursements. The request reflected the combined impact of (1) The need to reserve funds pending a popular vote on whether the General Assembly may retain the difference between the 2022 blue book estimate of the first full year of revenue for the program; (2) the December 2024 forecast of HSMA revenue; and (3) early projections of FY 2024-25 expenditures, based on the work of the HSMA Technical Advisory Group in the summer.

FY 2025-26: In its January 2, submission, the Department also requested an increase of \$21,830,000 from the State Education Fund for FY 2025-26, proposing total funding for meal reimbursements of \$137,167,586, including \$21.83 million from the State Education Fund and \$115.3 million from the HSMA Cash Fund, also based on early forecasting.

The JBC has not yet taken action on either request, pending additional data, which has now been submitted.

Recommendation

Budget Changes Under Current Law

The Staff recommendations for funding to be provided under current law (in the Long Bill/a Long Bill supplemental) are shown in the tables below and are based on the Department's forecast for meal expenditures and the Legislative Council Staff forecast for the amount of revenue available from the Healthy School Meals for All Program Cash Fund. *Staff requests permission to adjust funding splits based on the March 2025 revenue forecast for HSMA revenue that is selected by the JBC.*

FY 2024-25 supplemental appropriation: The revised cost estimate for FY 2024-25 school meal reimbursements is similar to the total cost estimate in the FY 2024-25 Long Bill. However, because the HSMA revenue forecast has fallen, *an additional \$13.0 million is required from the State Education Fund, for a total use of \$35.2 million from the State Education Fund in FY 2024-25.*

FY 2024-25 SUPPLEMENTAL – HSMA MEAL REIMBURSEMENTS			
DEPARTMENT HSMA REVISED FORECAST	FY 2024-25 LONG BILL	FY 2024-25 REVISED	CHANGE
School Meal Reimbursements	\$137,483,812	\$138,400,000	\$916,188
General Fund	0	0	0

FY 2024-25 SUPPLEMENTAL – HSMA MEAL REIMBURSEMENTS			
DEPARTMENT HSMA REVISED FORECAST	FY 2024-25 LONG BILL	FY 2024-25 REVISED	CHANGE
HSMA Cash Fund	115,337,586	103,237,586	-12,100,000
State Education Fund	22,146,226	35,162,414	13,016,188

FY 2025-26 Long Bill appropriation for school meal reimbursements: Current data indicates that nearly \$50.0 million is required beyond the \$101.3 million anticipated to be available from HSMA revenue. Because currently law only allows use of the State Education Fund through FY 2024-25, the Long Bill will need to include an appropriation of \$49.5 million General Fund. However, this can be modified in separate legislation to allow use of the State Education Fund through FY 2025-26 (and potentially beyond).

FY 2025-26 APPROPRIATION – HSMA MEAL REIMBURSEMENTS			
DEPARTMENT HSMA REVISED FORECAST	FY 2024-25 REVISED APPROPRIATION	FY 2025-26 LONG BILL	CHANGED FROM REVISED FY 2024- 25
School Meal Reimbursements	138,400,000	\$150,800,000	12,400,000
General Fund	0	49,541,914	49,541,914
HSMA Cash Fund	103,237,586	101,258,086	-1,979,500
State Education Fund	35,162,414	0	-35,162,414

Staff notes that both the revenue fund source and expenditure estimates for FY 2025-26 are subject to change based on pending actions at the federal level, as well as potential state-level action. These issues are discussed further in this analysis section.

FY 2025-26 Grant Funding: Staff recommends that, as in FY 2024-25, the JBC should *not* appropriate funds for HSMA grants or stipend programs in FY 2025-26, given the lack of program revenue. All funding for these programs is currently subject to appropriation.

The Department has requested, and staff has included, continued funding of \$675,729 from the State Education Fund for *Local School Food Purchasing Programs*, a legacy program which provides grants and technical assistance to support school districts in purchasing Colorado grown food. This program was revived by the JBC for FY 2024-25 when HSMA grant and stipend programs were delayed; however, maintaining funding is at the JBC’s discretion.

Consulting Funding: The FY 2024-25 Long Bill included resources to assist the Department in maximizing federal revenue and forecasting HSMA expenses. Staff anticipates that some additional funding will continue to be required to address the complex forecasting related to this program. Staff will return with a specific estimate.

Recommended Statutory Changes

The JBC previously authorized staff to prepare bill drafts related to the Healthy School Meals for All program. [House Bill 25-1274](#) (Healthy School Meals for All Program) by Representative Lorena Garcia and Senator Michaelson Jenet was recently introduced and includes provisions to

refer two measures to voters in 2025 (a retain revenue measure and an increase revenue measure), as well as numerous other statutory changes. There may ultimately be only one bill adopted by the General Assembly to modify the Healthy School Meals for All Program. However, staff continues to recommend that the JBC have a bill drafted that includes those components the Committee considers most important. Staff anticipates that this will help inform other members of the JBC's interests, even if this bill is never introduced or is narrowed to eliminate components that are duplicated in other legislation.

The staff recommendation now includes:

- A recommendation to allow use of the State Education Fund to support the HSMA program at least through FY 2025-26, since any new measures to increase revenue cannot be adopted by voters before November 2025.
- A revision to the previous recommendation on a referred measure to allow the retention of revenue that exceeded the 2022 blue book estimate. Funds must be set aside pending a popular vote on retaining revenue in excess of the 2022 blue book estimate. *The amount to be included in the retention measure has fallen from earlier estimates: staff anticipates that the amount required will be \$12,430,388*, based on \$11,300,353 plus interest. There are sufficient reserves already in the HSMA cash fund (about \$15.0 million) to cover a refund of this amount if voters do not approve a retain measure.
- The Committee has reviewed, but not yet voted to adopt, a measure that would require that ballot information books reflect a maximum revenue estimate when projecting revenue from new tax measures. Staff continues to recommend this legislation and is seeking a Committee vote to introduce it as soon as the Committee is ready.

Other Items and Options:

- Staff is **withdrawing** a previous recommendation for a bill attempting to insulate the program from changes in federal tax law. Staff has concluded that this option, which was recommended by the HSMA Technical Advisory Group, is not workable.
- Because of the scale of fiscal risk now facing the State related to this program, **staff would also like to explore some options for triggers that would automatically scale back the program** based on either: (1) voter denial of measures to be considered in November 2025 to increase revenue for the program; and/or (2) federal actions that reduce federal support for the program. If the Committee is interested in such options, staff will explore some alternatives with the Department and bring these back to the Committee at a later date.

Analysis

Background and Overview

- Proposition FF, adopted by voters in 2022, created the Healthy School Meals for All Program to provide reimbursement to participating school food authorities for offering meals without charge to all public school students, beginning in FY 2023-24. The measure provided for new revenue to support the benefit based on an “add back” of deductions to taxable income for taxpayers with incomes over \$300,000. The measure also included provisions that were expected to add local food purchasing and technical assistance grants, as well as additional funding for food service worker wages/stipends, effective FY 2024-25.
- Demand for the program has been far greater than originally projected, requiring large supplemental funding adjustments for FY 2023-24 and leading the JBC to sponsor H.B. 24-1390 (School Food Programs) to delay implementation of grant and stipend provisions, implement other cost-containment measures, allow temporary use of the State Education Fund to support the program, and create a Technical Advisory Group to provide options to ensure the program’s financial sustainability.
- With the program now in its second year, the gap between expenses and the dedicated revenue stream created by Proposition FF has grown.

For additional background on the history of this program and links to relevant reports see the staff budget briefing document dated December 3, 2024.²

Revenue

In early December 2024, OSPB reported that HSMA tax revenue received for the program during the first full tax year of operation (2023) had come in at \$109.2 million, which was slightly more than the estimate included in the 2022 blue book of \$100.7 million but was well below forecast figures used during the 2024 legislative session. Declines shown in the table reflect the expiration of certain federal Tax Cuts and Jobs Act provisions. If these provisions are extended revenue will remain over \$100 million per year, even without state tax changes.

HEALTHY SCHOOL MEALS FOR ALL PROGRAM REVENUE FROM DEDICATED TAX PROVISIONS		
	LCS DECEMBER FORECAST	OSPB DECEMBER FORECAST
FY 2024-25	\$104,100,000	\$105,700,000
FY 2025-26	102,100,000	108,200,000
FY 2026-27	77,100,000	84,410,000

² https://leg.colorado.gov/sites/default/files/fy2025-26_edubrf1.pdf

Expenses

Changes to state law and policy have helped maximize federal revenue for the program and contain costs, but continued growth in demand for meals among students has driven state costs far above original program estimates.

Estimates in the Prop FF blue book anticipated that annual state program costs for meals alone would be between \$48.5 million and \$78.5 million when the program was fully implemented. Current estimates are that meal costs paid by the State will be \$150.8 million in FY 2025-26 and are likely to grow further, even without changes to federal support for school nutrition programs.

The figures below show the assumptions being used in the Department's current model for program participation and funding sources. As shown, estimated state costs of \$150.8 million for FY 2025-26 are tied to federal support estimated at \$338.0 million

Adjust the assumptions below to change forecast estimates

Average Daily Meals Utilization Growth Assumptions				STATE & FEDERAL COMBINED				FEDERAL ONLY	
	FREE	REDUCED	PAID		Breakfast	Lunch	Total	Y/Y Change	Total
SY 2024-25	See 24-25 Utilization Growth Tab			SY 2024-25	\$93.7	\$354.8	\$448.4	17.3%	\$310.1
SY 2025-26	4.0%	0.0%	4.0%	SY 2025-26	\$101.7	\$387.1	\$488.8	9.0%	\$338.0
SY 2026-27	3.0%	0.0%	3.0%	SY 2026-27	\$108.5	\$415.7	\$524.2	7.2%	\$362.5
				STATE ONLY					
				SY 2024-25	\$18.2	\$120.2	\$138.4	-14.9%	
				SY 2025-26	\$19.8	\$131.0	\$150.8	9.0%	
				SY 2026-27	\$21.3	\$140.4	\$161.7	7.2%	

Forecast Risks

Staff notes that both the revenue fund source and expenditure estimates for FY 2025-26 are subject to change based on pending actions at the federal level, as well as potential state-level action. These are, in essence, "risks to the forecast" that go in both directions.

"Typical" Uncertainty

As for any program with costs driven by caseload and revenue driven by taxes, there are risks.

- How much will demand for meals grow? The current forecast assumes ongoing growth of 3.0 to 4.0 percent a year, but growth could be greater.
- Will we have a recession? If the economy takes a dive, revenue for this program is also likely to fall, while demand could increase.

Atypical Uncertainty

- *Changes to federal nutrition programs.* This could include changes to the federal Community Eligibility Provision that would *reduce* federal funding for meals and thus require an *increase* in state support. Current federal policy, established by rule, specifies that schools and groups of schools may participate in this program if 25.0 percent of the population qualifies for federal need-based benefits, such as Medicaid. This could be changed by federal rule to the earlier 40.0 percent threshold, the figure in federal law. The Department estimates that this would increase total state costs by about \$7.0 million.

- Congress is also considering increasing the CEP threshold to 60 percent in a reconciliation measure. If adopted, this could drastically reduce available federal revenue and make this program hard to sustain.
- Other potential changes to federal nutrition programs could also reduce federal program revenue, e.g., changes that make it harder to obtain various federal benefits or to have that eligibility counted toward eligibility for nutrition programs.
- *Changes to federal tax law:* Extension of the federal Tax Cuts and Jobs Act provisions could *increase* HSMA cash fund revenue and thus *reduce* State Education Fund required, but state economists cannot forecast the impact until Congress takes action.
- *Colorado voters:* (1) Potential adoption of a “retain” measure by the voters would free up \$12.4 million of HSMA revenue that could be used to offset FY 2025-26 State Education Fund obligations. (2) Adoption of a revenue-raising measure in FY 2025-26 could eliminate the need to use any State Education Fund revenue to support meal reimbursements, depending upon the content of the measure as well as the impact of potential changes at the federal level. However, it is difficult to know how much revenue is needed given uncertainty at the federal level.

Next Steps for the General Assembly?

Public and stakeholder input collected for the Technical Advisory Group created by H.B. 24-1390 supported revenue solutions to sustain the program, rather than program cuts. School district leaders, including the Colorado Associate of School Executives (CASE), have expressed support for pursuing a revenue solution to maintain free meals, rather than restricting the program.

Nonetheless, following the requirements of H.B. 24-1390, the HSMA Technical Advisory Group report also provided options for reducing the scope of the program. Of the options available, the one that appeared most viable was to limit the program to districts with high enrollment in assistance programs (CEP eligible) or a large percentage of free and reduced-price lunch students. These options could provide savings ranging from \$52.7 million (limiting the program to CEP-eligible districts with no changes to federal CEP policies) to \$121.5 million (limiting the program to CEP-eligible districts but assuming federal changes to tighten CEP eligibility to schools at which 40 percent of students qualify based on Medicaid eligibility and similar factors). These types of restrictions would eliminate 25.0 percent to 60.0 percent of Colorado students from the program, depending upon the option chosen and related federal policies.

Staff recognizes that any number of changes may make it difficult if not impossible to maintain the system of universal free school meals authorized by Proposition FF. However, staff also believes the program offers real and important benefits to the young people of the state and their families.

JBC staff recommends providing the program with a “lifeline” of support for student meals through FY 2025-26, anticipating that federal and voter action in 2025 will direct whether and how the program can continue in future years. Even a temporary “lifeline” will require the General Assembly to appropriate approximately \$50.0 million from the State Education Fund in FY 2025-26 without a guarantee that these funds can be recouped. And even \$50.0 million may be insufficient if there are significant federal changes. Because of the large amount of funds at stake, the General Assembly may want to consider triggers that will modify the program if the federal government adopts changes that make the program not viable and/or if voters reject measures needed to adequately fund the program.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Name, JBC Staff (303-866-4960)
Date: March 16, 2025
Department: Department of Education
Subject: Staff Comebacks – BA5 Colorado Student Leaders Institute & Statewide MTCF Balancing Transfer to Public School Capital Construction Assistance

This memo includes the following items:

- FY 2024-25 Reduction for Colorado Student Leaders Institute (data update)
- Statewide Request – Repeal MTCF Transfer for BEST (new item)

BA5 Eliminate Grant Programs – Colorado Student Leaders Institute

The Department proposed, staff recommended, and the JBC approved, that as a budget balancing measure the State eliminate funding for the Colorado Opportunity Scholarship Initiative program (COSLI), a 4-week summer program for high school students. Eliminating this funding saves \$227,753 General Fund and 0.1 FTE for FY 2025-26. The JBC approved a reduction for FY 2025-26 and has sent a bill to draft for this purpose.

➔ New Information – Recommended FY 2024-25 Reduction

As indicated during figure setting, staff anticipated some FY 2024-25 reversion for the program. The Department has now confirmed that eliminating this program will also allow a **General Fund reduction of \$132,343 in FY 2024-25.**

Statewide Marijuana Tax Cash Fund Balancing Request – Repeal Transfer to Public School Capital Construction Assistance Fund

During figure setting for the Department of Education, staff failed to identify and request a JBC vote on a statewide marijuana tax cash fund balancing proposal that was included in the November 1, 2024 request.

→ Statewide R7 MTCF Balancing – Transfer to PSCCAF

Request

The request is to eliminate a \$20.0 million scheduled FY 2025-26 transfer from the Marijuana Tax Cash Fund (MTCF) to the Public School Capital Construction Assistance Fund (PSCCAF) for the Building Excellent Schools Today (BEST) program. The transfer is currently scheduled for June 1, 2026.

Recommendation

Staff recommends the request.

Analysis

Interaction with Cap on PSCCAF Revenue: During figure setting for the Department of Education on March 5, 2025, the JBC authorized drafting for a bill that would cap overall revenue to the Public School Capital Construction Assistance Fund at \$150.0 million per year, with any amount above that redirected to the State Public School Fund to support school finance. As of March 5, this change was anticipated to result in \$51.0 million above the cap being directed to the State Public School Fund for FY 2025-26.

Given the Committee decision, transferring additional funds to the PSCCAF in FY 2025-26 would simply lead to a greater amount re-directed to the State Public School Fund for school finance. Given the shortage of marijuana revenue, staff recommends using the State's limited MTCF funds for programs the General Assembly has identified as most appropriate for the use of these funds, rather than directing the money to school finance.

Marijuana Tax Cash Fund: As the Committee is aware, the Marijuana Tax Cash Fund is over-subscribed, and the Executive Request has included multiple proposals for reducing MTCF expenditures. The Committee will receive an updated briefing on the status of the fund after the March 2025 forecast and will have the opportunity to consider other adjustments that may be necessary. This particular request dates to the November 1 budget submission and was based on balancing to the September MTCF 2024 forecast. As of September 2024, OSPB anticipated \$144.7 million MTCF revenue in FY 2024-25 and \$153.2 million MTCF revenue in FY 2025-26. As of December 2024, those forecasted figures had fallen to \$138.4 million MTCF revenue in FY 2024-25 and \$145.3 million MTCF revenue in FY 2025-26.

History of MTCF Transfers to/from PSCCAF: To address revenue shortfalls anticipated as a result of the COVID-19 pandemic, during the 2020 legislative session, the General Assembly diverted \$100 million in Marijuana Excise Tax revenue away from the Public School Capital Construction Assistance Fund. Subsequent statute (Section 39-29.9-501 (4.8), C.R.S.) stated that this would be repaid through \$100 million to be transferred from the Marijuana Tax Cash Fund to the Public School Capital Construction Assistance Fund.

On June 1, 2022, \$50.0 million was transferred from the MTCF to the PSCCAF. Other planned transfers have been delayed or replaced with other funds due to MTCF shortfalls.

- Senate Bill 23-220 (Public School Capital Construction Assistance Grants; a JBC bill) eliminated a \$30.0 million transfer from the Marijuana Tax Cash Fund that had been scheduled for FY 2022-23 and replaced it with other funding sources (State Land Board revenue and State Education Fund).
- A final \$20.0 million transfer from the Marijuana Tax Cash Fund to the PSCCAF was scheduled for June 1, 2024, but during the 2024 legislative session, the JBC and General Assembly delayed this transfer to June 1, 2026 through H.B. 24-1395.
- Statewide Request R7 proposes to eliminate the final transfer entirely to help balance the Marijuana Tax Cash Fund and in light of the proposal to cap overall revenue to the PSCCAF.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Amanda Bickel, JBC Staff (303-866-4960)
Date: March 18, 2025
Department: Department of Education
Subject: Comebacks related to Department of Education Grant Programs

This memo includes the following items:

- Proposal to Repeal ASCENT Program with potential set-aside for postsecondary workforce readiness bill (no action taken yet)
- Proposal to Repeal Out of School Time Grant Program (no action taken yet)
- Additional information on Department of Education Grant Programs

Staff Initiated Repeal ASCENT Program

The JBC delayed action on this proposal.

Original Recommendation

➔ Staff Initiated Repeal ASCENT Program [Legislation Required]

Request

The Department did not request this reduction; however, on January 8, 2025 the State Board of Education approved a proposal to pursue legislation that would eliminate the Accelerating Students Through Concurrent Enrollment (ASCENT) program as part of a larger restructuring measure associated with the Postsecondary Workforce Readiness report prepared pursuant to H.B. 24-1364 and H.B. 24-1393 (ASCENT).¹

¹ PWR Study: https://www.cde.state.co.us/postsecondary/slalom_pwrfinancialstudy-december2024. Financial model details available on this website: <https://www.cde.state.co.us/cdedepcom/requiredreports>. January 9, 2025 presentation to the State Board that resulted in State Board policy action: [https://go.boarddocs.com/co/cde/Board.nsf/files/DCFK3A4FDE3C/\\$file/01.25%20PWR%20Financial%20Study%20Presentation.pdf](https://go.boarddocs.com/co/cde/Board.nsf/files/DCFK3A4FDE3C/$file/01.25%20PWR%20Financial%20Study%20Presentation.pdf)

Recommendation

- Staff recommends that the JBC sponsor legislation to eliminate the ASCENT program, providing savings of **\$20.8 million** from the State Education Fund in FY 2025-26. If the General Assembly prefers a phased approach (since students are already enrolling in the program for next year), it could reduce the rate reimbursement for the program in FY 2025-26 to \$7,104, the average for institution of higher education tuition, books and fees. This would save **\$6.7 million in FY 2025-26**. It could then eliminate the program effective FY 2026-27.
- If the JBC and General Assembly wish to support a more robust set of postsecondary workforce readiness program supports, **at least \$5.0 to \$10 million of the savings that result from eliminating ASCENT should be set aside as a placeholder for other legislation to restructure the postsecondary workforce incentive system for school districts**. ASCENT is by far the largest component of existing funding for postsecondary workforce readiness, so if all related funding is removed, the General Assembly's ability to support these initiatives through a new funding structure will be much more limited.

Analysis

Background: Students participating in the ASCENT program remain in high school for a fifth year, even if they have met their high school's graduation requirements. Their local education provider receives a payment from the State at the extended high school rate. This payment is used by the local education provider to pay a participating student's postsecondary tuition and may also be used for other student-related costs, although data on these other expenditures has not been collected in the past.

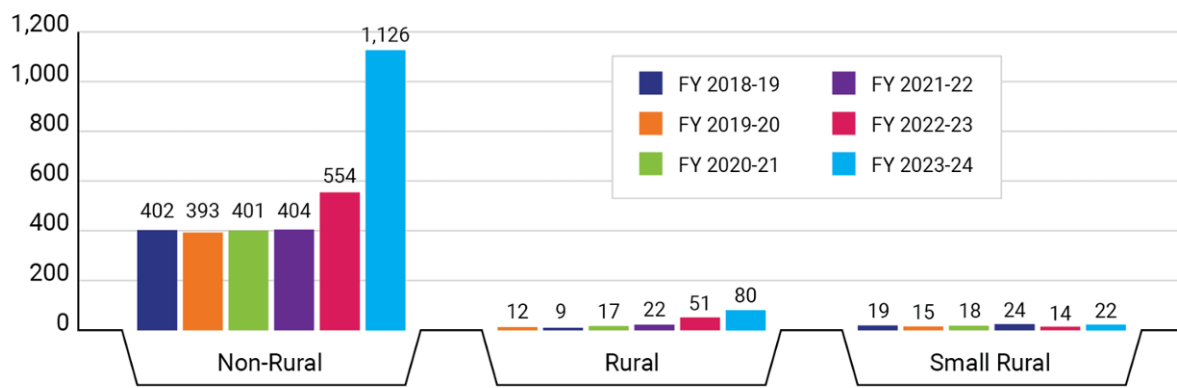
Program Costs:

- In FY 2021-22 and prior years, ASCENT was capped at 500 slots, a figure set in the Long Bill. Program growth was uncapped in H.B. 22-1390 (School Finance), resulting in a rapid increase in costs from **\$3.8 million in FY 2021-22** to \$17.1 million budgeted for FY 2024-25.
- In response, the JBC sponsored H.B. 24-1393, which capped program *enrollment* at the FY 2024-25 level and capped program *rates* at the FY 2023-24 level. Changes in H.B. 24-1448 eliminated the rate cap, although the enrollment cap (at FY 2024-25) remains in place.
- Enrollment for FY 2024-25 had been forecast at 1,666 during the 2024 legislative session, but school districts rapidly increased enrollment to 1,986 in FY 2024-25, requiring a \$2.0 million mid-year adjustment to fund the program in FY 2024-25.
- **ASCENT is anticipated to cost \$10,480 per student and serve just 1,968 students in FY 2025-26. The Legislative Council Staff forecast is that even with enrollment capped, the total program cost will increase to \$20,808,040 in FY 2025-26.**

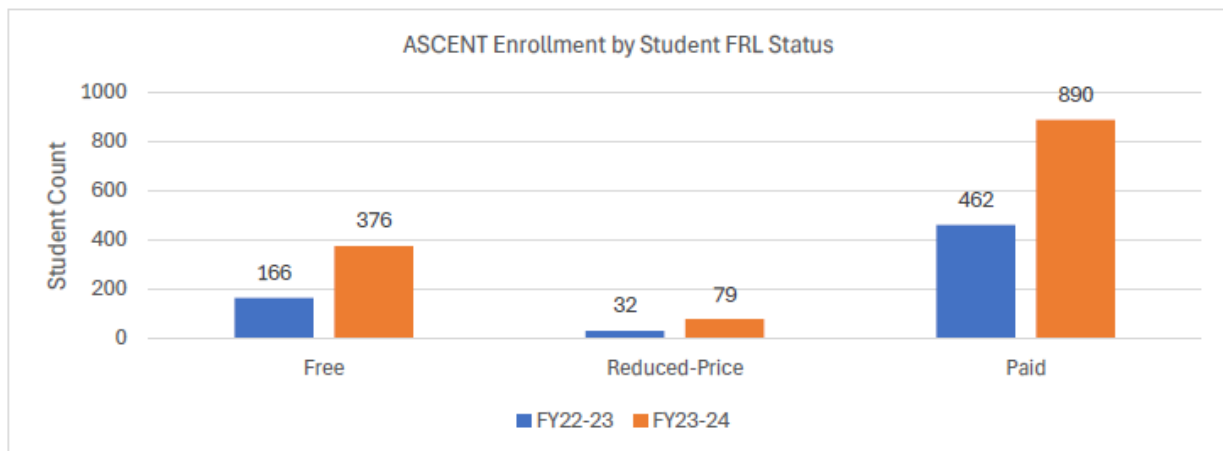
Other Program Concerns:

A study completed as required by the JBC’s ASCENT bill, H.B. 24-1393, highlighted many of the issues JBC staff had raised earlier and added some new concerns. As reflected in the report, reasons for reevaluating the program included:

- Providing over \$10,000 per student for about 2,000 students located in a limited number of districts is fundamentally inequitable, particularly when compared with the approximately \$25 million allocated for other CDE funded postsecondary workforce readiness grants and incentive programs that serve 282,903 students.
- ASCENT primarily serves non-rural areas, and that is where enrollment has grown.

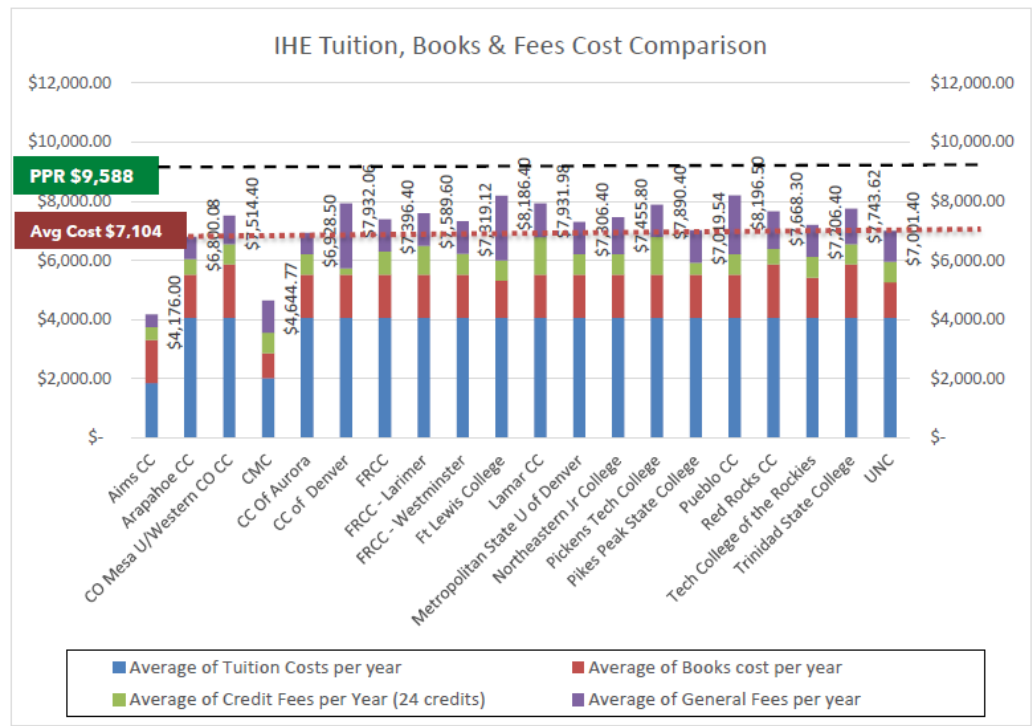


- Despite its financial investment, ASCENT lacks robust data demonstrating measurable outcomes.
- ASCENT does not have income-eligibility requirements. The vast majority of students are **not** eligible for free-and-reduced price meals (FRL). “Paid” in this chart denotes students ineligible for federal free-and-reduced price lunch.



- Funding provided per student for ASCENT significantly exceeds the outlays most school districts make for student tuition, books, and fees for ASCENT students enrolled at

postsecondary institutions—and districts are not required to cover fees, textbooks, and material costs, though some choose to do so. As staff noted last year, the ASCENT rate was \$9,588 per student FTE in FY 2023-24, but even at a community college with high fees, such as the Community College of Denver, the cost for a full-time student to attend full time (30 credit hours) in FY 2023-24 was \$6,062 for mandatory tuition and fees.



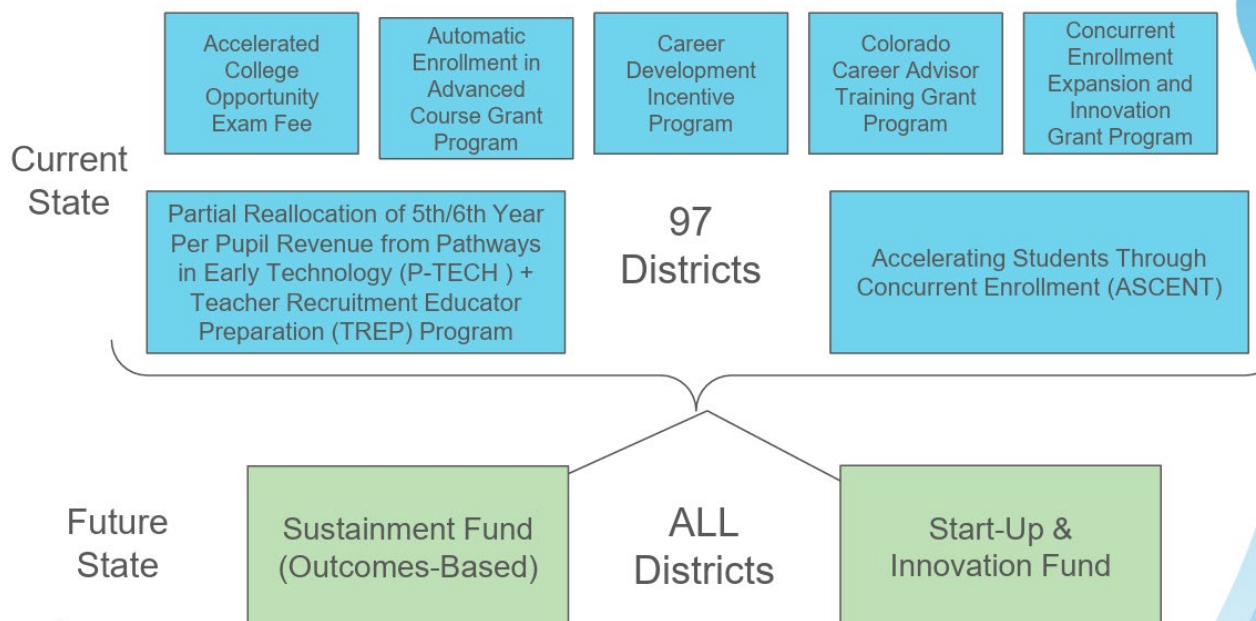
In addition to the above concerns, as JBC staff noted last year, a student who does qualify for free and reduced-price lunch may be eligible for a federal Pell grant *if* the student graduates from high school rather than participating in the ASCENT program. The maximum federal Pell grant for FY 2023-24 was \$7,395, which was sufficient to cover community college tuition and fees and some other costs. A student who has not graduated high school (such as those participating in ASCENT) cannot qualify for the Pell grant. ***State funding for the ASCENT program may therefore be substituting for federal and other sources of financial aid for some students.***

Possible Set-Aside for Separate Legislation

Based on the results of the study authorized in H.B. 24-1364, the State Board of Education has voted to proceed with its staff’s recommendation to pursue legislation to restructure the

Postsecondary Workforce Readiness System. These recommendations, outlined in a presentation to the State Board of Education in January 2025², included:

- Establish a Unified Umbrella Big Three PWR Funding Source. As reflected in the chart below, the proposal involves eliminating most existing postsecondary workforce readiness programs, including ASCENT and the Career Development Incentive Program (CDIP) and replacing them with a start-up fund and an outcomes-based sustainment fund.
- Eliminate ASCENT, using it to help fund the new “unified umbrella”.
- Modify the School Counselor Corps Grant Program. This is the only other postsecondary workforce-related program with significant financial resources.



The estimated funding for the existing programs that would be consolidated, about \$35 million, is dominated by ASCENT. Staff notes that the figures are slightly outdated, but the scale is accurate. *JBC staff's recommendations, discussed elsewhere in this packet, already eliminate over \$1.0 million of this funding, including funding for the Career Advisor Training Program and the Accelerated College Opportunity Exam Fee Grant Programs. If the JBC approves the staff recommendation to eliminate ASCENT, only about \$15.0 million will remain for a new “umbrella” program, unless the JBC wishes to set aside some of the savings from eliminating ASCENT.*

²[https://go.boarddocs.com/co/cde/Board.nsf/files/DCFK3A4FDE3C/\\$file/01.25%20PWR%20Financial%20Study%20Presentation.pdf](https://go.boarddocs.com/co/cde/Board.nsf/files/DCFK3A4FDE3C/$file/01.25%20PWR%20Financial%20Study%20Presentation.pdf)

Program	Estimated Funding Available
Accelerated College Opportunity Exam Fee Grant Program	\$561,665
Accelerating Students through Concurrent Enrollment (ASCENT)	\$18,840,420
Auto Enrollment in Advanced Courses Grant (John W. Buckner)	\$246,276
Career Advisor Training Grant Program	\$500,000
Career Development Incentive Program (CDIP)	\$9,518,950
Concurrent Enrollment Expansion and Innovation Grant Program	\$1,476,948
Pathways in Technology Early College High School (P-TECH)*	\$1,106,352
Teacher Recruitment Education and Preparation (TREP)*	\$2,561,000
Total	\$34,811,611

Staff Initiated Repeal Out-of-school Time Grant Program

The JBC delayed action on this proposal.

Original Recommendation

→ Staff Initiated Eliminate Out-of-school Time Grant Program
[Legislation Required]

Request

The Department did not request this reduction but indicates that the funds staff has identified as potential savings have not been expended.

Recommendation

Staff recommends eliminating a new program authorized in H.B. 24-1331 (Out-of-school Time Grant Program) before it launches, saving at least \$3.3 million General Fund in FY 2024-25 and \$3.5 million General Fund per year in FY 2025-26 and FY 2026-27 (**\$10.3 million over the three years**). Because statute requires appropriations of \$3.5 million per year for three years, a bill is required to eliminate the funding.

Based on the appropriations in the bill and the fiscal note, staff anticipates that, at a minimum, the grant funding, but not related administrative costs, could be eliminated for FY 2024-25,

providing savings of \$3,312,292 General Fund. For FY 2025-26, a bill would eliminate the appropriation that must be included in the Long Bill under current law for a reduction of \$3,500,000 General Fund and 1.6 FTE.

Analysis

Key Considerations: This is a 3-year grant program that was created to award funds to non-profit organizations. The request for applications is live, with applications due December 5, 2024. Grants were anticipated to be awarded and active in May 2025. Thus, the General Assembly has an opportunity to redirect most of these funds before any awards are made, providing savings for FY 2024-25, FY 2025-26, and FY 2026-27. The Department has not made awards pending JBC action on this option.

Staff does not question the value of this program and recognizes that five of the six current JBC members were either prime sponsors or cosponsors on the bill. However, stopping a grant program before it launches is one of the less painful ways to reduce spending, and the amount of General Fund authorized for this program is significant.

Additional Background: H.B. 24-1331 created the Out-of-School Time program Grant Program, which awards grants to non-profit organizations that provide enrichment activities outside of school hours to students in primary and secondary schools. The bill requires the General Assembly to appropriate \$3.5 million annually between FY 2024-25 and FY 2026-27 to fund the grant program.

Non-profit organizations that wish to receive a grant must submit an application to the CDE. Organizations must provide evidence of their ability to provide education services in their application and the CDE must prioritize grant awards to organizations that are able to serve students who are English language learners and students who qualify for free and reduced lunch. Organizations that are awarded a grant must submit program outcomes data to the CDE, including student identifiers and total hours of participation for students, no later than December 31, 2025 and each year thereafter. The CDE must annually submit a report to the legislature on program outcomes beginning in January 31, 2026. CDE must also conduct an evaluation of the grant program based on data that is received from grantees.

Additional Information on Department of Education Grant Programs

The JBC requested additional information on CDE grant programs. This is provided below, laid out so that the Committee can see which grants are “turning over” in a given year. Staff has also included some observations for the JBC’s consideration

Requests and Recommendations

The Committee has thus far acted to eliminate \$8.1 million in funding associated with 8 smaller grant programs (including two that annualized) and has agreed to cap BEST program cash grants (diverting approximately \$51.0 million to school finance. Staff has also recommended bills that would repeal the ASCENT Program (\$20.8 million) and Out-of-School-Time Grant Program (\$10.3 million General Fund) that are discussed above.

As discussed in the staff budget briefing and Department hearing, CDE engaged in an ambitious review of the various grant programs it administers to try to determine whether funds were being fairly allocated across the state and used as effectively as possible. On the basis of that process, it has proposed a process whereby existing groups of grant programs will be evaluated and, as appropriate changed into formula distributions and/or more useful and effective grant programs. The first set of programs to undergo this process is the Postsecondary Workforce Readiness group of programs discussed earlier in this packet. This process is expected to result in the ending of multiple other grant programs.

Staff urges some caution in deeply cutting or eliminating other grant programs **in FY 2025-26. Staff would not want the Department to feel punished for its attempt to eliminate and modify grant programs in a more deliberate and thoughtful fashion.** *Staff believes the Department would agree that additional grant programs can be eliminated—it is just a question of when and how.*

The Department grant study link is here:

[https://go.boarddocs.com/co/cde/Board.nsf/files/D9MNZ56249CD/\\$file/Grants%20Project%20Final%20Comprehensive%20Report%209.30.24.pdf](https://go.boarddocs.com/co/cde/Board.nsf/files/D9MNZ56249CD/$file/Grants%20Project%20Final%20Comprehensive%20Report%209.30.24.pdf)

The spreadsheets provided are attached under separate cover (due to size).

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Grant School Health Professionals Grant	\$14,464,760	3 Years	25-26 should be the last year of the current three-year cohort. Next anticipated competition would run Winter/Spring of 2026.		The School Health Professional Grant Program (SHPG) is designed to provide funds to eligible education providers in Colorado to enhance coordinated care for students, families, and staff. The grant has helped expand care in existing care in School-Based Health Clinics (SBHCs) and established new SBHCs in additional communities across the state. Examples of these health professionals in K-12 schools include, School Nurses, School Psychologists, School Social Workers, and School Counselors.	Adams 12 Five Star SchoolsMetro Adams-Arapahoe 28J - AXL AcademyNorth Central Alamosa School District RE-11JSouthwest Archuleta School District 50-JTSouthwest Bayfield School District 10JT-RSouthwest Boulder Valley School District RE-2Metro Canon City School District RE-1Pikes Peak Center Consolidated School District 26JTSouthwest Cherry Creek School District 5Metro Clear Creek School District RE-1Metro Colorado River BOCESNorthwest Colorado Springs 11 - Roosevelt Charter AcademyPikes Peak Cripple Creek-Victor School District RE-1Pikes Peak CSI - Colorado Early Colleges AuroraMetro CSI - Colorado Early Colleges InvernessMetro CSI - Colorado Early Colleges ParkerMetro CSI - Montessori del MundoMetro CSI - New America SchoolsMetro CSI - New Legacy Charter SchoolMetro CSI - Steamboat MontessoriNorthwest Denver - AUL DenverMetro Denver - Downtown Denver Expeditionary SchoolMetro Denver - DSST SchoolsMetro Denver - Highline AcademyMetro Denver - Isabella Bird Community SchoolMetro Denver - Monarch MontessoriNortheast Denver - RiseUp Community SchoolMetro Douglas County RE-1 - HOPE Online Learning AcademyMetro	67	80	Competitive
School Counselor Corps Grant	\$11,853,034	4 years	Applications for new 25-26 cohort were due 02/27/25 and are being reviewed. This grant is competed annually, and there are previously awarded cohorts that also remain active in 25-26.		This grant program increases the availability of effective school-based counseling to help increase the state graduation rate and increase the percentage of students who appropriately prepare for, apply to, and continue into postsecondary education; and support work based learning awareness, education, and opportunities. It is designed to distribute funds to eligible education providers to support work-based learning awareness, education, and opportunities. The program aims to increase the availability of effective school-based counseling, focusing on academic success, career success, and personal/social needs.	Academy 20Pikes Peak Big Sandy 100JPikes Peak Branson Reorganized 82Southeast Clear Creek RE-1Metro Colorado Early Colleges Colorado Springs Cotopaxi RE-3Pikes Peak Fort Morgan Re-3North Central Fountain 8Pikes Peak Garfield Re-2Northwest Idalia RJ-3Northeast Limon RE-4JNortheast Pueblo County 70Pikes Peak Rocky Ford R-2Southeast Sheridan 2Metro Summit RE-1Northwest West Grand 1-JTNortheast	16	35	Competitive

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) [row is truncated]	Current Grantees (#)	Number Applied	Type of Grant
Expelled and At Risk Students Grant [Categorical Program]	\$9,179,535	4.5 years	Cohort 1 - Year 3 of 4 Cohort 2 - Year 2 of 4 Cohort 3 - Year 1 of 4 System Development grant is a sub-grant from this award. Performance Period 1/1/25-6/30/26		The grant provides education services and support services to expelled students, students at risk of being expelled, enrolled truant students and/or students at risk of being declared, or already are, habitually truant, and chronically absent students. The EARSS program is considered to be an early intervention program. It's intended to assist school districts in meeting statutory obligations to identify students at-risk of disciplinary action (i.e. violating the Code of Conduct) and habitual truancy and/or chronically absent as early as possible so support plans can be made, in conjunction with the student's family, to assist the student with avoiding future disciplinary action.	Adams-Arapahoe 28JMetro Centennial R-1Southwest Cherry Creek 5Metro Denver County 1Metro Eagle County RE 50Northwest New Legacy Charter School South Conejos RE-10Southwest	14	18	Competitive
Early Literacy Grant	\$8,726,918	4 years + 1 Year opportunity for supplemental funding	In 25-26, the most recent awardees will be in Year 2 of 4(+1) year cycle. There are previously awarded cohorts that also remain active in 25-26.		The Early Literacy Grant is a comprehensive approach to improving early literacy, focused on implementing and sustaining scientifically and evidence-based reading instruction. Funds are distributed to ensure the essential components of reading instruction are embedded into all elements of the primary, K-3 teaching structures in all schools, including universal and targeted and intensive instructional interventions, to assist all students in achieving reading competency. The grant helps to implement a multi-tiered support system to reduce the number of students reading below grade-level, implementation of school-wide literacy programs as well as programs designed for targeted and intensive instructional interventions, assists with testing schedules and interpreting assessment data.	Colorado Springs 11Pikes Peak Denver County 1Metro Durango 9-RSouthwest Eagle County RE 50Northwest Hayden RE-1Northwest Moffat 2Southwest Northeast BOCESNortheast Steamboat Springs RE-2Northwest	8	24	Competitive
School Transformation Grant (part of the EASI comprehensive application)	\$5,782,984	Cohort 5 Year 4C	Cohort 6 Year 4 Cohort 7 Year 3 Cohort 8 Year 2 Cohort 9 Year 1		Schools and districts on performance watch can apply for grant funds to support leadership development activities, educator professional development, to implement activities geared towards instructional transformation, or to plan or implement one of the restructuring options that state law requires for schools and districts with persistent low performance.				Competitive
Colorado High-Impact Tutoring	\$4,843,812	2 years	Year 2 of 2	7/1/2026 - JBC defunded for FY 2025-26	High-impact is an evidenced-based tutoring model that focuses on maximizing student learning within short, frequent periods of time. This specific form of tutoring involves intense, targeted support with repeated tutor-student interactions. High-impact tutoring is distinct from other forms of tutoring in terms of its specific structure, frequency, duration, and data-driven nature. Studies have consistently shown, in multiple diverse settings, that "high-impact tutoring", has made significant positive impact on students from all backgrounds, but especially students furthest from opportunity. When such tutoring is implemented, students average more than four months of additional learning in elementary literacy, thereby strengthening vital early reading and writing skills, and almost ten months of additional learning in high school math.				Competitive

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Career Development Incentive Program (CDIP)	\$9,521,670	* Intent to participate opened 3/1/25 * Reporting window opens April 15, 2025, * Reporting deadline is June 16, 2025, * Funding goes out fall 2025 (FY 25-26)	Currently we are collecting intent to participate forms and providing assistance to districts that are preparing to submit a reporting template starting April 2025.	None	CDIP is a state-funded program that incentivizes Colorado schools to provide industry-recognized credentials or work-based learning opportunities that help prepare high school students for employment in the state’s most in-demand industries. The program’s incentives, which provide up to \$1,000 for every completed, pre-approved, industry-recognized program, can be used by school districts to expand certification offerings, buy technology to offer new certifications, cover transportation to work-based learning experiences, and equitably expand access to the program. There are 3 Tier's Tier 1: Qualified industry credential programs, pre-apprenticeships and apprenticeships; Tier 2: Workplace training programs (internships); or Tier 3: Computer Science Advanced Placement (AP) courses.				Reimbursement
Special Education Fiscal Advisory Committee: High Cost [Categorical Program component]	\$4,000,000	Annual	1 year	None	The committee has the discretion to award grants to administrative units for students with disabilities who qualify as “high cost” students. In addition to analyzing the high cost applications and awarding grants to administrative units, the SEFAC produces an annual report to the legislature which includes special education data from the collection year, current fiscal year and changes the committee recommends regarding the manner of distributing funds to Administrative Units for special education programs through the Exceptional Children’s Educational Act (ECEA).				Reimbursement
Quality Teacher Recruitment Grant	\$3,000,000	3 Years	Application open now, anticipated deadline is 04/30/25.	None	The Quality Teacher Recruitment Grant program authorizes CDE to award grants to organizations (including educator preparation programs) collaborating with school districts or boards of cooperative educational services (BOCES) to recruit, select, train, and retain highly qualified teachers in areas that have had historic difficulty in attracting and keeping quality teachers. The program also includes funding for CDE to contract with a third-party evaluator to track and review the program’s outcomes.				Competitive
K-5 Social and Emotional Health Act	\$2,337,154	Cohort 4 of 3-ext new cohort		Pilot - Defunded beginning FY 2025-26 as 4 years of pilot are completed	The K-5 Social and Emotional Pilot Grant places a team of school mental health professionals in every pilot program school and allows the team, in partnership with classroom teachers, to provide needed support for young students and their families at a critical time in their education. A significant goal of the pilot program is to ensure that students of elementary age receive the right level of necessary services, in the right place, and at the right time to help remove the burden placed on teachers to be everything to a student, from therapist to family counselor, and instead allows teachers to return to their primary task: teaching.				

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Gifted Educational Universal Screening And Qualified Personnel [Categorical Program component]	\$2,130,859	Annual	Application window opens annually from April 15-17 (or after, if those dates fall on a weekend).	none	Universal screening, a proven best practice in gifted education, provides an equitable and systematic approach to identifying gifted students. Universal screening is especially valuable for recognizing giftedness in at-risk student groups such as multilingual learners, students with disabilities, culturally diverse students, and students experiencing poverty. This approach guarantees that all students have access to gifted education services, helping fulfill statutory requirements to identify students needing gifted services. Grant funds can be used to cover the costs of conducting universal screenings at two grade levels, the first screening no later than the end of second grade and the second before the end of eighth grade. The grant also provides funds for the staffing of at least a 0.5 FTE Gifted Education Director of Record. This funding enables even the smallest Administrative Units to hire qualified personnel to administer gifted education programming, implement required Advanced Learning Plans, and offer professional development for educators.	Adams 1, MapletonMetro Adams 12, Northglenn-ThorntonMetro Adams 14, Commerce CityMetro Adams 27J, School District 27JMetro Adams 50, Westminster Public SchoolsMetro Adams-Arapahoe 28J, AuroraMetro Arapahoe 1, EnglewoodMetro Arapahoe 2, SheridanMetro Arapahoe 5, Cherry CreekMetro Arapahoe 6, LittletonMetro Aspen 1Metro Boulder RE1J, St. Vrain ValleyMetro Boulder RE2, Boulder ValleyMetro Centennial BOCESMetro Charter School InstituteMetro Colorado River BOCESMetro Delta 50(J), DeltaMetro Denver 1Metro Douglas Re 1, Castle RockMetro Durango RE-9Metro Eagle Re 50, EagleMetro East Central BOCESMetro El Paso 11, Colorado SpringsMetro El Paso 12, Cheyenne MountainMetro El Paso 2, HarrisonMetro El Paso 20, AcademyMetro El Paso 3, WidefieldMetro El Paso 38, Lewis-PalmerMetro	64	64	Competitive
Colorado Student Re-Engagement Grant	\$1,943,293	3 Years	25-26 will be Year 1 of three-year cycle.	None	The Colorado Student Re-Engagement Grant assists local education providers in providing educational services and supports to students to maintain student engagement and support student re-engagement at the secondary level.				Competitive
Bullying Prevention And Education Grant	\$1,928,844	3 Years	25-26 will be Year 1 of three-year cycle.	None	The Bullying Prevention and Education grant supports implementing evidence-based bullying prevention practices with fidelity; family and community involvement in school bullying prevention strategies; and adopting specific policies concerning bullying education and prevention.	Adams-Arapahoe 28JMetro Atlas Preparatory Middle School Boulder Valley Re 2Metro Centennial R-1Southwest Center 26 JTSouthwest Children's Kiva Montessori School Delta County 50(J)West Central Denver County 1Metro Doral Academy of Colorado Eagle County RE 50Northwest Harrison 2Pikes Peak Johnstown-Milliken RE-5JNorth Central Kiowa C-2Pikes Peak Mapleton 1Metro Mountain Sage Community School South Central BOCESSouthwest	17	21	Competitive

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Adult Education Grant (includes Credential Attainment SB22-192)	\$1,621,144	4 years	Year 1 of 4	July 1, 2024	The Adult Education Grant supports adult education programs around the state with funding, program oversight, and technical assistance. Adult education programs offer services that include teaching reading, math, and English foundations, preparing learners with college and career readiness skills that lead to employment or the transition to post-secondary education, and helping parents obtain the educational skills necessary to become full partners in the education of their children.	Aurora Mental Health and RecoveryUnspecified Colorado Northwestern Community CollegeNorthwestRio Blanco Colorado Springs 11Pikes PeakEl Paso Durango Adult Education CenterSouthwestLa Plata Mesa County LibrariesWest CentralMesa Metropolitan State University of DenverMetroDenver Montrose County RE-1JWest CentralMontrose Northeastern Junior CollegeNortheastLogan Pikes Peak Library District Adult EducationPikes PeakEl Paso SEL TutoringPikes PeakPueblo Trinidad State CollegeSoutheastLas Animas	12	14	Competitive
Concurrent Enrollment Expansion And Innovation Grant Program	\$1,433,384	1 Year	Application open now, anticipated deadline is 03/31/25.	None	The purpose of the Concurrent Enrollment Expansion and Innovation (CEEI) Grant Program is to provide grants to partnering local education providers and institutions of higher education to expand and innovate concurrent enrollment opportunities to qualified students.	Academy 20Pikes Peak Academy of Charter Schools Adams 12 Five Star SchoolsMetro Animas High School Bennett 29JNortheast Boulder Valley Re 2Metro Canon City RE-1Pikes Peak Center 26 JTSouthwest Colorado Springs 11Pikes Peak Elizabeth School DistrictMetro Lake County R-1Northwest Lake George Charter School Lewis-Palmer 38Pikes Peak Littleton 6Metro Mesa County Valley 51West Central Poudre R-1North Central Pueblo Community College Salida R-32Northwest Sanford 6JSouthwest Silverton 1Southwest South Point RE 2Northwest Business Education Alliance Indigo Education Company The Attainment Network Young African Americans for Social and Political Activism (YAASPA)	25	37	Competitive
Colorado Career Advisor Training Program	\$971,922	FY23-24 given NCE thru 06/30/25. Program has not started RFA process for FY24-25 funds	Year 1 of 1	JBC has defunded for FY 2024-25 and FY 2025-26 and is sponsoring a bill to repeal	The purpose of the Colorado Career Advisor Training Grant Program is to provide training for career advising professionals across sectors, so that Colorado can magnify the impact and develop needed career advising capacity.	South Point RE 2Northwest Business Education Alliance Indigo Education Company The Attainment Network Young African Americans for Social and Political Activism (YAASPA)	4	5	Competitive
FASFA/CASFA Completion Grant	\$930,446	3 Years	Not anticipated to be active in 25-26. Currently in the last year of a three-year cycle - funding ends on 06/30/24.	No longer funded	The FASFA/CASFA Completion Grant provides grants to local education providers to improve the training of school educators and administrators, support students and families in developing career and education plans for after high school, and increase the number of students for whom applications for free financial aid are completed.				

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Comprehensive Health: Education Grant + Student Wellness [part of categorical program]	\$875,000	Comp Health - 4 Years Student Wellness - 4 Years	Comp Health - 25-26 will be Year 2 of four-year cycle Student Wellness - 25-26 will be Year 2 of four-year cycle	None	This grant program helps schools with programs to support the physical, mental, emotional, and social needs of students, and connects school health and wellness efforts to comprehensive health education standards and skills.	Student Wellness: 5280 High School Calhan RJ-1 Pikes Peak Colorado River BOCES Northwest Crowley County RE-1-J Southeast Eagle County RE 50 Northwest Garfield 16 Northwest Gunnison Watershed RE1J West Central Kwiyagat Community Academy Lake County R-1 Northwest Montrose County RE-1J West Central New Legacy Charter School Poudre R-1 North Central Silverton 1 Southwest Steamboat Montessori Swink 33 Southeast	Student Wellness: 15	Student Wellness: 54	Competitive
Education Stability Grant	\$825,000	3 Years	Application is anticipated to open March/April 2025.	None	The purpose of the Education Stability Grant is funding is to support the removal of all educational barriers for children and youth experiencing high mobility with an emphasis on improving school attendance, reducing behavioral and discipline incidents, increasing grade-level promotion, reducing dropout rates, and increasing graduation and completion rates. The grant focuses on individuals in foster care, homeless/unaccompanied homeless youth, and migrants. These students tend to have higher drop out rates, low graduation rates, and are disproportionately represented in disciplinary actions, and are above the state average in special education designations.				
Ninth Grade Success Grant Program	\$2,000,000	2.5 Years	In 25-26, awardees would be in the final year of the 2.5-year cycle.	None	The goal of the Ninth Grade Success Grant is to increase the number of 9th grade students with the skills they need to successfully reach 10th grade on-track and on-time. Students who reach 10th grade on-track and on-time are more likely to persist and graduate high school with their peers. The grant support 9th grade success teams, data systems, instructional supports, and transition programs.				Competitive
Computer Science Education Grant / Grant for Teachers	\$652,656	November 2024 to June 30, 2025	Grants were awarded in the fall and grantees are currently expending funds; we have not shared a timeline about any future grant cycles.	JBC has removed funding for FY 2025-26 and is sponsoring bill to repeal	The purpose of this grant is to promote the postsecondary education of eligible teachers who teach or wish to teach computer science in K-12 education.	Adams-Arapahoe 28JMetro Aspen 1Northwest Ault-Highland RE-9North Central Canon City RE-1Pikes Peak Center 26 JTSouthwest Custer County School District C-1Pikes Peak Fountain 8Pikes Peak Fremont RE-2Pikes Peak Monte Vista C-8Southwest Northeast BOCESNortheast Pueblo City 60Pikes Peak Westminster Public SchoolsMetro	12	26	Competitive

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Local School Food Purchasing Programs	\$650,000	1 Year	Application window is generally open in late Spring (May-June 2025 would be next anticipated)	Extended 1 additional year (7/1/2025) and recreated in H.B. 24-1390 when Healthy School Meals for All grants were removed. Still funded in FY 2025-26	Farm to school programs connect schools with local producers to provide students with fresh, healthy food in school and summer meals. These programs promote healthy eating habits, support local agriculture and offer educational opportunities for students to learn about food systems, agriculture and nutrition through activities like school gardens and farm visits.	Academy of Charter Schools Boulder Valley Re 2Metro Calhan RJ-1Pikes Peak Campo RE-6Southeast Charter School Institute Colorado Early Colleges Fort Collins Community Leadership Academy Creede School DistrictSouthwest Durango 9-RSouthwest Eagle County RE 50Northwest Englewood 1Metro Frenchman RE-3Northeast Greeley 6North Central Gunnison Watershed RE1JWest Central Lamar Re-2Southeast Mancos Re-6Southwest Mapleton 1Metro Moffat County RE: No 1Northwest Montrose County RE-1JWest Central North Conejos RE-1JSouthwest Pueblo City 60Pikes Peak Roaring Fork RE-1Northwest Salida R-32Northwest South Routt RE 3Northwest Swink 33Southeast The Pinnacle Charter School Thompson R2-JNorth Central Trinidad 1Southeast	32	46	Competitive
Accelerated College Opportunity Exam Fee	\$524,570	GALS have not been started for current FY24-25. FY23-24 GALS expired in 6/30/24	Year 1 of 1	JBC removed funding for FY 2025-26 and is sponsoring bill to repeal	Colorado's AP/IB Exam Fee Program is intended to increase the number of students who take Advanced Placement (AP) and International Baccalaureate (IB) exams by providing funding to high schools to cover some or all of the exam fees for eligible students.				Reimbursement
Local Accountability Systems	\$448,172	End of first grant cycle	New cohort comp in GAINS	None	The Local Accountability System Grant provides grant money to local education providers that adopt local accountability systems to supplement the state accountability system. Local education providers may establish and seek funding through the grant program to support a local accountability system that supplements the state accountability system. This program is also intended to enable the state to learn from innovation in the field. The department is expected to evaluate the awards, as well as convene applicants annually to facilitate and support learning.	Axis International Academy Delta County 50(J)West Central High Point Academy Kit Carson R-1Northeast New America School RiseUp Community School	6	6	Competitive
Physical Education Instruction Pilot Program	\$0	No new cohorts	N/A	No longer funded	The intent of the Physical Education Instruction Pilot Program is to address the barriers to implement quality comprehensive physical education instruction programs based in the model physical education policy. The purpose is to develop a pilot program and funding to schools or districts to implement model policies and physical education for all students.				Competitive

Grant Name	Annual Appropriation	Grant Cycle	Current year of cycle for FY 2025-26	Sunset Year & JBC Recent Action	Description of Grant	Current Grantees (Names) <i>[row is truncated]</i>	Current Grantees (#)	Number Applied	Type of Grant
Automatic Enrollment In Advanced Course Grant Program	\$220,888	1 Year	Applications were due 01/15/25 and are being reviewed.	None	Traditionally, disadvantaged minorities and low-income students of all racial and ethnic backgrounds who perform well in school do not enroll in advanced classes at the same rate as their peers, regardless of preparedness. All students deserve the opportunity to learn higher-level content and students who have access to a rigorous curriculum perform better across multiple measures, including graduating high school and completing higher education. This grant increases the number of students enrolled in advanced courses for subjects in which the student has demonstrated proficiency.				Competitive
Dyslexia Pilot Program	\$0			No longer funded	Colorado has implemented a dyslexia pilot program to identify markers of dyslexia in K-3 students using READ Act assessment results and a research-based protocol to identify markers of dyslexia in K - 3 students. Further, pilot sites will receive training and coaching to provide support to young students who may demonstrate the early markers for dyslexia.				
Menstrual Hygiene Products Accessibility Grant	\$100,000	1 Year	Application window is generally open in the Fall (Sep-Oct 2025 would be next anticipated)	None	The Menstrual Hygiene Products Accessibility Grant is intended to reduce the amount of missed class time due to lack of access to menstrual hygiene products, improve academic performance through the reduction of missed class time due to lack of access to menstrual hygiene products, increase the number of spaces where students can access free menstrual hygiene products, and increase the number of spaces where students can dispose of menstrual hygiene products.				Competitive
Colorado Academic Accelerator Grant Program	\$0	3 Year	25-26 will be Year 2 of three-year cycle.	One-time funding. No new funding in FY 2024-25 or FY 2025-26	The Colorado Academic Accelerator Grant program establishes or expands community learning centers that will accelerate student learning by providing academic support and enrichment as well as family engagement activities in Out of School Time programs focused on STEM, particularly math and science. This grant provides opportunities for free academic enrichment and support activities, which must include providing tutorial services to help students, particularly students who attend high-needs schools, as determined by the department, to meet rigorous state academic standards, specifically in stem and mathematics, and to increase proficiencies in mathematics outcomes. It also offers families of students opportunities for active and meaningful engagement in students' education.	Adams-Arapahoe 28JMetro Axis International Academy Boys Girls Club Denver MetroMetro Boys and Girls Clubs of Larimer County Estes Park R-3North Central Harrison 2Pikes Peak Kids at Their Best, Inc. La Veta Re-2Southeast Riverside Educational CenterMetro South Central BOCESSoutheast	10	38	Competitive
Adult High School Program	\$5,000,000	4 years	year 2 of 4	July 1, 2027	The Colorado Adult High School Grant Program was created under SB 23-003 and provides state funds to create a pathway for Coloradans who are 21 years of age or older and do not have a high school diploma to attend high school and earn a diploma at no cost. Students may also earn industry-recognized certificates, career and technical education certificates, or college credits at no cost through the program. The act requires CDE to award a grant to a Colorado community-based nonprofit organization to operate the program as an education provider. The education provider is required to meet requirements outlined in the act when offering the Adult High School Program.	Goodwill of Colorado	1	N/A	Competitive