

Joint Budget Committee



Interim Supplemental Budget Requests FY 2024-25

Department of the Higher Education

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared By:
Louellen Lowe, JBC Staff
June 18, 2025

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor • Denver • Colorado • 80203
Telephone: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

Contents

Interim Supplemental Requests	3
SB 23-005 Forestry Grant Applications	3

Interim Supplemental Requests

SB 23-005 Forestry Grant Applications

	Request	Recommendation
TOTAL	\$1,037,150	\$1,037,150
FTE	0.0	0.0
General Fund	1,037,150	1,037,150
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	0	0

Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? **Yes**
 [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **Yes**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of an unforeseen contingency. However, JBC Staff notes that this unforeseen contingency pertains to a lack of adequate financial processes and policies which has been exacerbated by high turnover in the Department.

Department Request: The Department requests an increase of \$1,037,150 General Fund to support the forestry program expansion and creation grants created in Senate Bill 23-005 (Forestry Grant Application). The appropriations for this program were incorrectly applied and reverted by the Department.

Staff Recommendation: Staff recommends approval of the Department's General Fund request. Additionally, staff recommends the JBC commit to sponsoring supplemental legislation for FY 2025-26 which will appropriate equal amounts of General Fund which are reverted by the institutions in the current fiscal year as a result of the Department's error.

Analysis of the request

Senate Bill 23-005 appropriated funding for grants to institutions to expand and create forestry programs, including wildfire mitigation programs, to bolster the forestry workforce in Colorado. The bill appropriated \$1.2 million in FY 2023-24, and \$766,418 in FY 2024-25 to implement this provision of the bill. In total, the Department anticipated approximately \$1.9 million General Fund over the two years for grants. The bill stipulated that the Department may expend the appropriated funds in FY 2023-24 and 2024-25 for the grants but does not give roll-forward authority in FY 2025-26.

CDHE contracted with six institutions to implement the provisions of the bill. Unfortunately, the Department misread and therefore misapplied the provisions of the bill, underspending its FY 2023-24 appropriation, over-committing its FY 2024-25 appropriation, and communicating with institutions that they have through FY 2025-26 to fully expend the funds. Therefore, the Department and institutions face two main issues: lack of sufficient appropriations in the current fiscal year to accommodate the funds paid out to institutions for the grants, and lack of the roll-forward authority needed for FY 2025-26 to fully expend the funds.

Problem #1: Appropriations in FY 2024-25

The Department's request addresses the appropriations issue in the current fiscal year by providing the necessary funding to honor what it has already paid to institutions. Without approval of the request, funds would need to be clawed back from the institutions in the current fiscal year. The following chart shows funds appropriated and funds paid to institutions under the contracts for the grants.

SB 23-005 Forestry Grant Applications	
FY 24 Appropriation	1,180,650
FY 25 Appropriation	766,418
Total Appropriation	1,947,068
Paid to IHEs in FY 24	42,812
Paid to IHEs in FY 25	1,600,539
Total Paid to IHEs	1,643,351
Total Contracted to IHEs	1,846,380
Left to be paid	203,029

The Department reverted the majority of the FY 2023-24 appropriation and is now short of funds in FY 2024-25 to account for what has been paid out or promised to the institutions and is requesting the necessary appropriations to honor the current year commitments. This is shown in the table below:

SB 23-005 Forestry Grant Applications	
FY 24 Appropriation	1,180,650
FY 24 Expended	42,812
Total Reverted	1,137,838
FY 25 Appropriation	766,418
FY 25 Remaining contract amount ¹	1,803,568
Total Shortfall (Amount requested)	1,037,150
¹ This is a mix of paid out, not paid out, expended, and unexpended.	

Staff Recommendation (Problem #1)

Staff recommends approval of the request. Some institutions have already expended the funds and some have yet to receive the funds. Approval of the request will ensure that funds expended in the current fiscal year will not have to be clawed back from the institutions. It will

not, however, address planned spending in FY 2025-26 as any unexpended funds would need to revert at the end of the current fiscal year.

Problem #2: Grant-related expenses in FY 2025-26

The Department's request does not address, nor can the JBC address at this time, roll-forward spending authority in FY 2025-26 because it requires legislation.

Institutions have created or expanded programs based on the belief that they had until June 30, 2026 to spend the funds. Prior to hiring staff for its program, one institution reached out multiple times to the Department to confirm they had until June 30, 2026 to spend the funds. In late December 2024, the Department responded that it was their and OSPB's opinion that they had open-ended roll-forward authority. In late April, the Department emailed institutions to inform them that the institutions did *not* have until the end of June 2026 to spend the funds. Additionally, any unspent funds at the end of the current fiscal year would need to be returned to the Department to revert to the General Fund.

Similar to the example above, many institutions have hired staff with the intent to continue expending the funds in FY 2025-26. As mentioned previously, most of the institutions have received all of the grant funds from the Department, but two have not yet received all of the funds. The below table shows which institutions have been paid and which payments are still outstanding.

School Name	Total Contracted	Total Paid	Left to Pay
Front Range Community College	712,430	712,430	0
Pueblo Community College	429,140	327,581	101,559
Colorado Mountain College	162,939	162,919	20
Colorado State University	315,209	315,209	0
Northeastern Junior College	101,450	0	101,450
Western Colorado University	125,212	125,212	0
TOTALS	1,846,380	1,643,351	203,029

Most programs, if not all, will not be able to fully expend the funds by the end of the current fiscal year which will result in those funds reverting back to the General Fund. This effectively leaves the institutions on the hook to pay for the programs with institutional funds.

Staff Recommendation (Problem #2)

In the absence of an immediate solution to the problem, staff recommends the JBC commit to sponsoring supplemental legislation in the next legislative session to make institutions whole. The legislation would appropriate to institutions funds equal to the amount of funds that will be reverted at the end of FY 2024-25, thereby compensating the institutions for institutional funds that are anticipated to be expended in early FY 2025-26 as a result of this mistake. That commitment should be outlined in a letter to the institutions. While this does not guarantee that legislation will pass, it will give some assurance that the JBC will attempt to correct the Department's error and honor the awards made to the institutions.

Addressing the root of the problem

The treatment of roll-forward funding continues to be an issue for the Department of Higher Education. As previously discussed during the Briefing and Figure Setting as well as Comebacks for the Department, and according to the Statewide Single Audit, the financial policies and procedures within the Department are alarmingly inadequate if not completely absent. JBC staff has been made aware of several conversations with top leadership in the Department about steps that should have been taken to remedy the problems they face that have been met with little to no response or implementation. This cannot continue. Additionally, JBC staff has only recently been made aware of a third-party contractor tasked with evaluating the Department's structure as well as its financial processes and procedures to make recommendations for improvement. While this is encouraging, the lack of transparency is not. There will be more discussion about this issue and recommended steps towards improvement in a later presentation, which is why it is not discussed further in this document.