



JBC Staff Comeback Memos

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Education/Higher Education

JBC Staff: Amanda Bickel, (303-866-4960)
Date: January 26, 2026

S5 Fourth Year Innovation Pilot Program – Higher Education Component

As described in the attached excerpt from the supplemental presentation, the Fourth Year Innovation Pilot Program was designed to incentive low income students to graduate early and pursue postsecondary education and training. It has components in both the Department of Education and the Department of Higher Education. Under current law¹, the five-year pilot benefits participating schools and students who graduate early between school year 2021-22 and school year 2025-26.

Department of Education Component - Background - Action Already Taken

The portion of the program in the Department of Education pays for incentives to participating school districts for students who graduate either one semester or one year early. The current FY 2025-26 appropriation for the Department of Education is \$386,659. **The Department requested an increase of \$231,721, based on current law for a total of \$618,330 General Fund in FY 2025-26. The CDE amended request for FY 2026-27 (presumed to be the last year of payments districts) is \$562,164 General Fund.**

During the January 15, 2026 supplemental presentation for the Department of Education, the Committee sent to draft a bill that would: (1) avoid the requested FY 2025-26 supplemental increase to school districts by limiting funding to the appropriation and requiring the Department of Education to prorate school district incentives as needed; and (2) end school district incentives for early graduates in FY 2025-26, avoiding any appropriation for the program in FY 2026-27. *This bill is being drafted. If the bill is adopted, staff assumes the FY 2025-26 appropriation would remain at \$386,659 General Fund and there would be no appropriation for the program in the Department of Education for FY 2026-27.*

Department of Higher Education Component – Action Pending

The Committee did not take action on changes to the portion of the program in the Department of Higher Education, pending additional information. This portion of the program supports student scholarships and 1.0 FTE staff position in FY 2025-26 (reducing to 0.7 FTE in FY 2026-27 under current law). The FY 2025-26 appropriation is \$559,975 General Fund. This amount was eliminated for FY 2026-27 in the Department's November 1, 2026 request but was subsequently restored in a January correction, so **the Higher Education request is to retain the current \$559,975 General Fund appropriation for FY 2025-26 and FY 2026-27.**

Higher Education Reduction available without a statutory change:

¹ Sections 23-3.3-1301 through 1307, C.R.S.

FY 2025-26 Funding: The original January 15, 2026 staff recommendation was for a supplemental FY 2025-26 *reduction* of \$150,000 in the Department of Higher Education. This was based on the last two years of expenses for student scholarships under current law. *The JBC has not voted on this yet.* Based on further communication with the Department, **staff recommends an FY 2025-26 reduction of \$217,647 General Fund, which would leave the Department of Higher Education with an appropriation of \$337,926 General Fund and 1.0 FTE for FY 2025-26 to cover program staff and scholarship costs. Staff also recommends, for FY 2025-26 (and FY 2026-27, if retained), moving staffing and non-scholarship operating costs for this program into the Department's administration line item and renaming the existing line item so that it is solely for scholarships.**

This change will ensure that (a) the Department must absorb any excessive staffing costs into its overall administrative costs; and (b) any amounts not needed for scholarships revert to the General Fund. Staff has left more in the scholarship line item than may be needed to ensure funding is sufficient. (The Department's estimate for scholarships for FY 2025-26 is \$258,094, which may be excessive, given \$92,554 expended so far.)

FY 2025-26 Appropriation & Supplemental Recommendation

	Current Appropriation	Change	Recommended
	\$555,573	-\$555,573	\$0
Fourth Year Innovation Pilot Program line item (General Fund)	1.0	-1.0	
Fourth Year Innovation Pilot Program <i>Scholarships</i> [revised line item title]	n/a	260,000	260,000
Higher Education Administration line item (total – not only GF)	6,556,238	77,926	6,634,164
	41.3	1.0	42.3
Net 4th Year Innovation Program administration & scholarships - General Fund	\$555,573	-\$217,647	\$337,926
		0.0	

The table below shows the basis for the staff recommendation regarding the share of funds for personal services and non-scholarship operating expenses. This is based on fiscal notes for this program. As noted in the original staff write-up, the Department has been spending considerably more than the amount identified for personal services in fiscal notes.

Fiscal Note personal services and operating (does not include scholarships or centrally appropriated amounts)

	FY 2025-26 \$	FTE	FY 2026-27	FTE
S.B. 21-106 Concerning Successful High School Transitions (Coleman & Priola; McLachlan & Baisley) - 4th year innovation component only - annualized	41,393	0.7	41,393	0.7
H.B. 22-140 Expansion of Experiential Learning Opportunities (Coleman & Gardner; McLachlan & Amabile) - 4th year innovation expansion only	0	0.0	0	0.0
H.B. 24-1392 Cap Schools in Early High School Graduation Pilot (Bird & Taggart; Kirkmeyer & Bridges) – 1x amount for study	36,533	0.3	0	0.0
Total	\$77,926	1.0	\$41,393	0.7
Note: no salary survey was annualized into the line item through FY 2025-26				

H.B. 24-1392 added one-time staff for a program evaluation. This evaluation, due November 1, 2026, may no longer be particularly relevant, but the Department states that it has already hired the 0.5 FTE.

FY 2026-27: For FY 2026-27, with no change to law, the Department is estimating that it will require \$72,843 for program staff and \$482,730 for scholarships, but staff believes the scholarship amount is an over-estimate, given annual expenses thus far.²

- The current \$260,000 estimate for scholarships could be continued for FY 2026-27 as a high estimate, pending other data.
- Personal services/operating would be \$41,393 and 0.7 FTE, in the DHE Administration line item, with \$36,533 and 0.3 annualized out from FY 2025-26.

If the program is not entirely eliminated in FY 2026-27 via a statutory change, the JBC will need to decide how much—if anything—to allow for FY 2026-27 administrative costs in the Department of Higher Education. In response to staff questions, the Department has noted:

“CDHE has been allocated 1.0 FTE for Path4Ward in the current year (FY 2025-26). This allocation is already set to reduce to 0.7 FTE for FY 2026-27 and for the last six months of calendar year 2027 (to close out the program and administer any final Path4Ward scholarships). Eliminating or significantly reducing FTE prior to December 2026 would place a significant burden on the Department. Even if the scope of the program is reduced, a substantial amount of staff time would still be required to communicate and exchange data with participating Local Education Providers, confirm student enrollment with and develop contracts and option letters for postsecondary providers, pull and verify student data from the CDHE-maintained opt-in portal for Path4Ward, answer questions from eligible and potentially eligible students and their families, and collect and report program data.”

If the Committee does not entirely eliminate the program for FY 2026-27, the JBC would finalize staffing and scholarship amounts during FY 2026-27 figure setting.

Higher Education statutory change options: Staff had originally recommended retaining funding for scholarships in the Department of Higher Education for FY 2026-27, on the grounds that the State should not reverse its position on a previous commitment to students. ***While this may be a flawed program, staff continues to support leaving previously-authorized scholarships available for students who begin postsecondary education by Fall 2026 and modifying the program so no payments are required after FY 2026-27.*** Rationale:

- ***It seems likely that the small share of students who graduate early and claim the scholarship take the scholarship into account when making plans and have probably already done so for students graduating early in FY 2025-26.*** Students graduating $\frac{1}{2}$ year early in FY 2025-26 have already graduated by the end of January 2026. Students graduating a full year early in FY 2025-26 who are eligible for the scholarship in FY 2026-27 will graduate in May 2026. If these students were at a Fourth Year Innovation Pilot school location, they were presumably informed they would be eligible for the scholarship. *Most students who graduate early—78.0 percent from FY 2021-22 through FY 2023-24³—never claim the scholarship, so staff assumes that students who do claim the scholarship have taken it into consideration when they decide to graduate early.*

² In recent responses, the Department reports total scholarships for FY 2023-24 at \$170,294 and total scholarships for FY 2024-25 at \$234,631 (a 38% increase year over year). Actual fiscal year expenses in FY 2024-25 for scholarships appear to staff to be \$199,909 based on state accounting records, but there may be some late adjustments not captured.

³ Based on new data provided by the Department of Higher Education for FY 2021-22 through FY 2023-24.

Based on data thus far, staff assumes **about 80 students** eligible for early graduation scholarships in FY 2025-26 will actually claim the scholarships.

- **The costs of the program are partially offset by reduced per pupil costs in K-12.** When students graduate a full year early, it does save state funds. The current state share of the statewide average per pupil funding in FY 2025-26 is \$5,811.⁴ This program awards up to \$4,113 for a student graduating a year early, so the state still has a net savings of \$1,698 (\$5,811-\$4,113=\$1,698). The State has a net expense, rather than savings, for a student who graduates a semester early, since the student is still included in the school's per pupil count but can receive a scholarship of \$2,468.⁵

HED Scholarship Costs v. Average K-12 PPOR - Early Graduates FY 2022 through FY 2024
(Excludes pilot program school incentives and FTE costs)

	Number Scholarships Provided for Early Graduates FY 2021-22 through FY 2023-24	FY 2025-26 Estimated Net Fiscal Impact for 1 Student (scholarship cost for one student less avg state PPOR saving)	State Cost/Savings
Student Graduated 1 Year early	76	-\$1,698	-\$129,048
Student Graduated 1 Semester early	66	2,468	162,888
Net fiscal impact	142		\$33,840

- **Postsecondary tuition and fees are already covered for most low income students under institutional promise programs, as well as state tax credits at public institutions⁶, but these programs do not cover room and board or other costs of attendance** except under rare circumstances. These costs can be covered by the Fourth-year Innovation Program. When students' full cost of attendance is covered, the Department is typically informed of this by the institution and does not then make a Fourth Year Innovation Pilot Program payment. Community colleges—where most students are using these scholarships—and private occupational schools do not usually offer institutional promise programs, although financial aid may cover students' tuition and fees.⁷
- **Statutory change recommendation: Staff recommends requiring that students who graduate in FY 2025-26 commence their postgraduate education no later than Fall 2026 and that all payments associated with the program be completed by the end of FY 2026-27**, rather than extending payments into FY 2027-28. **The**

⁴ Based on \$10,670 average PPOR for FY 2025-26 of which the State pays, on average 54.5 percent.

⁵ Staff notes that the vast majority of students who graduate (78.0 percent from FY 22 through FY 24) do not claim the scholarship. For purposes of this analysis, staff is assuming that the students who do claim the scholarship are incentivized to graduate early, but there is no way to confirm this.

⁶ Students enrolled in traditional Colorado public institutions will generally be eligible for institutional promise programs, though the exact provisions of each of those programs will vary. Further, under Section 39-22-570 et. seq., starting with tax year 2025 (filed in 2026), students with incomes of \$90,000 or less are eligible for refundable state tax credits for the balance of tuition and fees that are not covered by institutional promise programs and other scholarships. State tax credits, as well as most institutional promise programs, do not cover room, board, and other costs of attendance beyond tuition and fees. The Colorado Promise tax credits cover out-of-pocket tuition and fees for up to 65 credit hours and is available for students who enroll in a public postsecondary institution within two years of graduation, apply for financial aid, and maintain at least a 2.5 GPA.

⁷ Low-income students at public community colleges typically receive both federal Pell grants and state financial aid, which is usually sufficient to cover their tuition. They are also eligible for state tax credits for the balance of tuition and fees up to 65 credit hours. Low-income students at private occupational schools are typically eligible for federal Pell grants but are not eligible for state financial aid or tax credits.

Department estimates that this would reduce the scholarship costs to about \$152,000 General Fund in FY 2026-27, based on Department estimates, and would eliminate FY 2027-28 costs.⁸ Under current law, students must *commence* postgraduate education within 18 months of graduating early to claim the Fourth Year Innovation Scholarship. This seems to be too long a timeframe, given that most research indicates that students are more likely to pursue postgraduate education at all if they do so immediately upon high school graduation.

Although staff is not recommending other statutory changes, ***other options for JBC consideration*** include: (1) eliminate the program for students who graduate early in FY 2025-26, thereby eliminating all program costs in FY 2026-27 or (2) restrict the program to students enrolled in private occupational schools (DPOS), since those students are not eligible for Promise Program scholarships or tax credits but currently are eligible for the Fourth Year Innovation Pilot scholarships. The Department estimates that limiting the program to DPOS programs would leave a projected cost of \$57,844 General Fund for FY 2026-27.⁹

Please see the [attachment](#) for the initial write-up.

Staff-initiated Proposal – Early Bill Affecting FY 27 - Proposed Bill to Modify the Structure of Some State Education Fund Allocations

As described in the staff supplemental packet dated January 15, 2025, Staff recommended that the Committee consider sponsoring new legislation that would require appropriations—rather than transfers—from the State Education Fund for two program categories: (1) Early Literacy; and (2) Teacher of the Year. **The Committee delayed action on this proposal. No immediate action is required; however, if the JBC is interested in pursuing this, it could request a bill draft. Earlier action will make the figure setting process for the two affected programs more straight-forward.**

General Background - Review

Currently all allocations from the State Education Fund are appropriations, apart from allocations for early literacy and teacher of the year, which are accomplished via statutory transfers. **Staff believes that making all allocations from the State Education Fund appropriations, instead of transfers, will improve transparency and create administrative efficiencies.** To guarantee annual funding at current levels, staff suggests including statutory language that requires appropriations that are no less than the current statutory transfers. If the Committee is willing to run such a bill early, before the Long Bill is introduced, implementing the proposed change in the FY 2026-27 Long Bill should be straightforward.

The two programs that would change under the staff recommendation:

- **\$24,800** annual transfer from the State Education Fund to the Colorado Teacher of the Year Fund.¹⁰

⁸ This figure does not include any Department staffing costs, which would add \$41,393.

⁹ Staff is uncertain how this change might affect student behavior or whether additional students would attend a DPOS institution based on this change. In FY 2025-26, only 5 students (18%) were attending a DPOS school.

¹⁰ Note – This dollar amount is a correction from the amount cited in the January 15, 2026 supplemental document.

- **\$34.0 million** annual transfer from the State Education Fund to the Early Literacy Fund; and

The staff recommendation was solely focused on increased transparency. However, during the conversation with the JBC, the Committee appeared interested in additional information about these programs, with a possible eye toward program changes. **If the Committee wishes to have greater flexibility to implement program changes, instead of requiring appropriations for these two programs that align with current statutory transfers, it could introduce a bill to make funding amounts for both programs subject to appropriation, with no minimum funding amount.** Staff does not yet have a specific recommendation on the appropriate funding amount for each program, but has provided additional information on both programs to enable the JBC to begin thinking about this prior to FY 2026-27 figure setting.

Please see the attachment for the initial write-up.

Teacher of the Year

This program was created in 2009 legislation, and the current statutory transfer amount for the program was established in 2014 legislation. Section 22-61.5-105 (1)(a.5), C.R.S. requires an annual transfer from the State Education Fund of \$24,800 to the Colorado Teacher of the Year Fund, which is continuously appropriated to the Department of Education for the program. The Department may spend up to 10.0 percent of the total on administration and may also accept gifts, grants, and donations for the program.

As outlined in statute at Section 22-61.5-104, C.R.S., the program is “to honor and reward the teacher named annually as the Colorado teacher of the year....”

“(2) The state board shall adopt rules necessary for the creation and implementation of the program. Elements of the program may include, but need not be limited to, the following:

(a) The program may reward the award recipient with gifts, services, and opportunities that may include, but need not be limited to:

- (I) A sabbatical from teaching responsibilities that includes moneys awarded to the award recipient’s employer for the purpose of hiring a substitute teacher during the award recipient’s sabbatical;
- (II) A cash gift;
- (III) Travel and lodging expenses;
- (IV) A computer;
- (V) Supplies and equipment for the award recipient’s classroom or school; and
- (VI) The opportunity to receive additional training or education.

(b) During his or her tenure as Colorado teacher of the year, the award recipient may participate in activities that may include, but need not be limited to:

- (I) Participating in local, regional, and national events related to the award recipient’s designation as Colorado teacher of the year;
- (II) Promoting the teaching profession;
- (III) Teaching best practices to other teachers;
- (IV) Teaching temporarily in other public schools or school districts;

- (V) Mentoring students in educator preparation programs and supporting newer teachers in Colorado;
- (VI) Collaborating with institutions of higher education in scholarly research and teaching; and
- (VII) Participating in special projects relating to education that are important to the award recipient.

The Department website for the program is located here:

<https://ed.cde.state.co.us/cdeawards/teacheroftheyear>

Early Literacy Program

As requested by the Committee, staff provided some additional information for the JBC via email and the Department of Education has provided a write-up. So that the JBC has all of the information in one place, staff has included both sets of information below.

READ Act Reports and CMAS Scores – Program Impacts

Below are links to recent Colorado READ Act reports and Colorado Measures of Academic Success (CMAS) scores. These READ Act reports address the services provided under the READ Act that are funded primarily with the Early Literacy Cash Fund, which derives from a \$34.0M transfer from the State Education Fund.

The FY 2024-25 READ Act Report executive summary provides a generally positive evaluation, but Colorado CMAS results are still low and haven't moved much in 3rd grade reading proficiency.

Executive Summary from FY 2024-25 READ Act Report:

"Adoption of evidence-based materials on the Colorado Reading to Ensure Academic Development (READ) Act Advisory List of Professional Development and Instructional Programming has continued to grow. Feeling comfortable with newly adopted evidence-based materials takes time and support.

Teachers reported confidence implementing READ Plans but need additional training and improved materials to feel confident supporting students with multiple identifications.

Overall, the number of students identified with significant reading deficiencies (SRDs) continues to decrease since the end of the most acute phase of the COVID-19 pandemic.

Across Colorado, a higher percentage of students reached proficiency during the 2023–2024 school year. This positive trend was also evident in students who had at any point been identified with an SRD, especially those who were identified or exited in earlier grades."

<https://ed.cde.state.co.us/coloradoliteracy/read-act-independent-evaluation-of-colorado-read>

CMAS Test Results:

Overall Results				
Report Category	Percent Met or Exceeded Expectations			
	2025	2024	2023	Change 2025-2024
English Language Arts (ELA) Overall				
Grade 03				
Grade 03 - English	42.0	42.1	39.9	-0.1
Grade 03 - Spanish	16.5	17.2	18.7	-0.7

<https://ed.cde.state.co.us/assessment/cmas-dataandresults-2025>

Appropriations

FY 2025-26 Early Literacy appropriations are shown in the table below. Most of the cash funds are from the Early Literacy Cash Fund (which derives from a \$34.0M transfer from the State Education Fund), but there are also direct appropriations from the State Education Fund and the Marijuana Tax Cash Fund. As shown the largest allocation (\$26.3M) is for per pupil allocations to school districts; \$7.5M is used for grants to districts.

	Fund Source	Total
Early Literacy Program Administration and Technical Support		<u>1,930,481</u>
FTE		9.3
Cash Funds		<u>1,930,481</u>
Early Literacy Competitive Grant Program		<u>7,500,000</u>
FTE		0.0
Cash Funds		<u>7,500,000</u>
Early Literacy Evidence Program Evidence Based Training Provided to Teachers		<u>2,784,277</u>
FTE		3.5
Cash Funds		<u>2,784,277</u>
READ Act Targeted Training Initiative		<u>3,361,590</u>
FTE		2.0
Cash Funds		<u>3,361,590</u>
Early Literacy Program External Evaluation		<u>750,000</u>
FTE		0.0
Cash Funds		<u>750,000</u>
Early Literacy Program Public Information Campaign		<u>505,240</u>
FTE		0.5
Cash Funds		<u>505,240</u>
Early Literacy Program Per Pupil Intervention Program		<u>26,261,551</u>
FTE		0.0
Cash Funds		<u>26,261,551</u>
Early Literacy Assessment Tool Program		<u>2,997,072</u>
FTE		0.0
Cash Funds		<u>2,997,072</u>
<hr/>		
	Fund Source	Total
SUBTOTAL--(B) Early Literacy		<u>46,090,211</u>
FTE		15.3
Cash Funds		<u>46,090,211</u>

Early Literacy Cash Fund

As shown, the Early Literacy Cash Fund had a balance of \$8.8 million at the end of FY 2024-25. The Department expects the balance to have fallen to \$3.0M by the end of FY 2025-26

Schedule 9: Cash Funds Reports
 Department of Education
 FY 2026-27 Budget Request
 Fund 26R0 - Early Literacy Fund
 22-7-1210, C.R.S.

	Actual FY 2023-24	Actual FY 2024-25	Appropriated FY 2025-26	Requested FY 2026-27
Year Beginning Fund Balance (A)	\$11,264,769	\$9,452,594	\$8,834,212	\$3,017,891
Changes in Cash Assets	-\$1,813,030	-\$370,641	-\$6,508,344	-\$1,226,323
Changes in Non-Cash Assets	\$0	\$0	\$0	\$0
Changes in Long-Term Assets	\$0	\$0	\$0	\$0
Changes in Total Liabilities	\$856	-\$247,741	\$692,022	\$0
TOTAL CHANGES TO FUND BALANCE	-\$1,812,174	-\$618,382	-\$5,816,322	-\$1,226,323
Assets Total (B)	\$10,067,996	\$9,697,355	\$3,189,011	\$1,962,688
Cash	\$10,067,996	\$9,697,355	\$3,189,011	\$1,962,688
Liabilities Total (C)	\$615,402	\$863,142	\$171,120	\$171,120
Warrants Payable	\$144	\$6,146	\$0	\$0
Vouchers Payable	\$454,344	\$685,876	\$0	\$0
Accounts Payable	\$11,862	\$0	\$0	\$0
Fringe Liability Clearing	\$149,051	\$171,120	\$171,120	\$171,120
Ending Fund Balance (D)	\$9,452,594	\$8,834,212	\$3,017,891	\$1,791,568
Logical Test	TRUE	TRUE	TRUE	TRUE
Net Cash Assets - (B-C)	\$9,452,594	\$8,834,212	\$3,017,891	\$1,791,568
Change from Prior Year Fund Balance (D-A)	-\$1,812,174	-\$618,382	-\$5,816,322	-\$1,226,323

Early Literacy Program Information from Department of Education

Please see the attached document. The Department reports successful impacts from the \$7.5 million grant program. The impact of per pupil distributions is less clear.

Attachment 1 – Staff Write-ups from January 15, 2026

→ S5 Fourth Year Innovation Pilot Program

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$231,721	\$231,721	\$0	\$0	\$0	0.0
Recommendation in DEPT OF HIGHER EDUCATION	-150,000	-150,000	0	0	0	0.0
Staff Recommendation Higher/-Lower than Request	-\$381,721	-\$381,721	\$0	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES in part

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: The request is based on data that was not available to CDE when the appropriation was made; however, part of it—related to FY 2023-24—was known by the Executive Branch earlier.

Request

The Department of Education requests \$231,721 General Fund for payments to school districts required under the Fourth Year Innovation Pilot Program (S.B. 21-106). The request for FY 2025-26 is based on actual program participation for FY 2023-24, which was expected to be paid in FY 2024-25, as well as estimated FY 2024-25 participation to be paid in FY 2025-26.

Table 1: SY 2023-24 Program Participation

LEP	No. of eligible graduates	Payment based on \$1,371.13 per graduate
Greeley-Evans SD6	208	\$ 285,195.04
Adams 12 Five Star Schools	51	\$ 69,927.63
Colorado Early Colleges	41	\$ 56,216.33
Aurora Public Schools	19	\$ 26,051.47
Cañon City School District	4	\$ 5,484.52
Total	323	\$ 442,874.99
FY24-25 Appropriation		\$386,659
Additional Funding Needed		\$56,215.99

Table 2: SY 2024-25 and Ongoing Participation (Estimated)

SY2024-25 and Ongoing Participation (Estimated)		
LEP	No. of eligible graduates	Payment based on \$1,371.13 per graduate
Greeley-Evans SD6	242	\$ 331,813.46
Adams 12 Five Star Schools	61	\$ 83,638.93
Colorado Early Colleges	52	\$ 71,298.76
Aurora Public Schools	33	\$ 45,247.29
Cañon City School District	22	\$ 30,164.86
Total	410	\$562,163.30
FY25-26 Appropriation		\$386,659
Additional Funding Needed		\$175,504.30

Recommendation

Staff does not recommend the requested increase. Instead, Staff recommends:

- The Committee sponsor legislation as part of the supplemental package to specify that allocations for *school incentives* are limited to available appropriations and may be prorated. Such legislation could also specify that school incentives for FY 2025-26 graduates (paid in FY 2026-27) be based on students graduating a full year early. With this change, staff would recommend no supplemental change for FY 2025-26 in the Department of Education (holding the FY 2025-26 appropriation in the Department flat at \$386,659) and appropriating no more than \$150,000 for school incentives in FY 2026-27. *If the legislation is not adopted, a Long Bill supplemental add-on for FY 2025-26 would be needed.*
- Staff also recommends a supplemental *reduction* in the Department of Higher Education that would reduce the current FY 2025-26 appropriation by \$150,000 General Fund to approximately \$400,000. This is based on a high estimate of the utilization for student scholarships under current law, rather than any recommended reduction in student scholarships. [The CDHE appropriation for FY 2026-27 could also be held at no more than \$400,000—but this is substantially *more* than its FY 2026-27 request of \$0. If legislative changes are adopted, staff expects the total program cost for FY 2025-26 for the two departments to be \$0.8 million, rather than \$1.2 million, and staff expects the FY 2026-27 appropriation (for the program's last year of payments) will be substantially reduced—certainly to no more than \$0.55 million.]
- Based on data currently available, the results of this program appear to be disappointing, and staff would not recommend continuing the program.

Analysis

Program Background

S.B. 21-106 created the fourth-year innovation pilot program. The program is designed to incentivize early graduation from high school for qualified low-income students by supporting such students in continuing their postsecondary education and providing incentive payments to their local education provider (LEP/school district).

The program is funded in both the Department of Higher Education and the Department of Education. It received \$555,573 General Fund and 1.0 in the Department of Higher Education and \$386,659 General Fund in the Department of Education for FY 2025-26.¹¹

The Department of Education is requesting an increase of \$231,721 through its supplemental, which—if approved—would bring the total annual appropriation to **\$1.174 million General Fund** across the two departments. The Department of Higher Education has not requested a change. The law requires that the incentives to school districts be distributed by the Department of Education and that the scholarships be administered by the Department of Higher Education. The program is being administered by the Department of Higher Education.

A qualified student is a student who is determined to be low income, based on qualifying for free-and-reduced lunch at any time during grades 8 through 12 or based on qualifying for a federal Pell grant the student's last year of high school, who then enrolls in a Colorado public postsecondary institution or state-authorized private occupational school program.

Funding is based on an incentive of 25.0 percent of the average state share of average per pupil revenue for FY 2021-22 (\$1,371.13 per qualified student) that goes to the student's local education provider (LEP) for a qualified student who graduates early. If the student then enrolls in a qualified Colorado postsecondary institution, the student receives a scholarship of 75.0 percent of the average state share of average per pupil revenue for FY 2021-22 (\$4,113) for a student graduating a year early, which is reduced to 45 percent (\$2,468) for a student graduating a semester early.

The program is structured as a pilot that continues through students graduating in FY 2025-26, with payments through FY 2027-28. The program was originally capped at five LEPs. S.B. 22-140 eliminated this cap without otherwise changing the program. The JBC subsequently sponsored H.B. 24-1392, which limited the program to schools and groups of schools participating in FY 2023-24. H.B. 24-1392 also added a final evaluation component of the pilot program's data, to include an analysis of the pilot program's outcomes and cost-effectiveness, with associated recommendations due November 1, 2026.¹²

¹¹ The Department of Education also received 0.1 FTE for this program in S.B. 21-106, but this FTE was included in the program appropriation for the Innovative Learning Opportunity Pilot, which has not been continued.

¹² For comparison with current program costs: S.B. 21-106 was expected to require \$447,659 General Fund and 0.7 FTE by its second year. HB24-1392 was expected to add \$30,958 and 0.3 FTE for FY 2025-26 only.

Data on Program Utilization to-date

The Department of Higher Education has thus far submitted four reports on the program.¹³ The table below summarizes key data from the reports. Notably, while the participating school districts/consortia and payments claimed by districts are known when the reports are submitted, the number of students claiming scholarships is only an estimate, since students have up to 18 months to claim scholarships. Based on actual payments thus far, it appears actual scholarships paid out are even lower than the estimates included in the reports.

Fourth Year Innovation Pilot Participation & Projected Scholarships

	Participating districts/consortia	Eligible graduates (Basis for district payment amounts)	DHE Projected Students claiming scholarship incentives*	DHE Projected Percentage students claiming scholarship incentives*
FY 2021-22	5	61	19	31%
FY 2022-23	7	197	53	27%
FY 2023-24	11	379	133	35%
FY 2024-25	5	334	113	34%

*Projections. Figures appear to be over-estimates.

The table below shows the district incentive amounts to be paid out by the Department of Education, based on the program's annual reports and the estimated scholarship incentives to be paid out by the Department of Higher Education. Payments that will be made to districts for the prior year early graduates is known by the time of the reports; the number of students claiming scholarships is only estimated. However, actual payments out for scholarships in recent years, as reflected in Department of Higher Education accounting records, appears to be significantly **lower** than the Department estimates in reports. Both are well below the appropriation. Excess amounts revert to the General Fund.

Actual and Estimated Payments

	District incentives to be Paid by CDE in Subsequent Year (Program Report)	Scholarship Incentives to be Paid by DHE in subsequent 18 months Estimate (Program Report)	Actual DHE Scholarship Expenses by Fiscal Year (OSC data)
FY 2021-22	\$78,154	\$74,864	<i>Incomplete data</i>
FY 2022-23	237,205	166,181	<i>Incomplete data</i>
FY 2023-24	519,658	414,629	222,123
FY 2024-25	457,958	338,120	199,908

Eligible early graduates from FY 2024-25 data (from the report) are shown below. Under current law, the state must pay school district incentives for each of these qualifying early graduates in FY 2025-26, regardless whether the students proceed to postsecondary education.

¹³ <https://highered.colorado.gov/publications/Reports/Legislative>. Search for "Path4Ward". The link for the most recent report: https://highered.colorado.gov/publications/Reports/Legislative/General/2025/Path4Ward_Legislative_Report.pdf

Local Education Provider	Number of 3-Year Graduates	Number of 3.5-Year Graduates	Total Eligible Students
Adams 12 Five Star Schools*	16	39	55
Aurora Public Schools	11	38	49
Cañon City Schools**	<10	13	<20
Clear Creek School District	0	0	0
Colorado Early Colleges	19	27	46
Cotopaxi School District	0	0	0
East Grand School District	0	0	0
Greeley-Evans School District 6	59	153	212
Harrison School District	0	0	0
Montezuma-Cortez School District	0	0	0
West Grand School District	0	0	0
Total	>110	270	>380

Source: Colorado Department of Higher Education, 2024-25 reports of early graduates' data from participating LEPs

*One additional eligible graduate was reported after the July 1 deadline.

**Data suppressed to protect student privacy.

As shown above, most students in the program are graduating only one semester early. Students graduating after 3.5 years (mid-year FY 2024-25) are included in FY 2024-25 October counts used for FY 2024-25 school finance calculations, although students graduating after 3.0 years (end of FY 2023-24) are not.

Staff notes that the Department of Education budget amendment request for FY 2026-27 would *increase* program funding (by \$175,505) to \$562,1654. However, the Department of Higher Education November 1 request reflects *entirely eliminating program costs of \$559,975 General Fund and 1.0 FTE. Staff does not believe the Higher Education FY 2026-27 request reflects current law, which appears to require payments beyond FY 2025-26.*

Staff Observations

- The five larger school districts/consortia that have continued in the pilot appear to have increased the number of students they claim under the program as early graduates, which increases their incentive payments. However, 30 percent or less of those early graduates are proceeding to postsecondary education or vocational training and claiming scholarships. Rural and small districts are no longer participating. *The results seem inconsistent with the program's goals and expected results.*
- Staff believes there is little justification for providing incentives to schools for students who graduate only one semester early. Schools receive a full year of per pupil operating revenue (PPOR) for any student who is present for the October count. Thus, schools are already receiving an "incentive" for students who graduate one semester early: they have already been paid for the student for a full year. There *may* be rationale for the incentive for students who graduate a full year early, if the associated funds are used to counsel students graduating early on their next steps. Staff does not currently know how schools are using these funds.
- When the program was created, nonprofits were assisting schools and students. However, grants for those nonprofits have ended, and it is unclear what supports schools are providing low-income students who

qualify for the program. The most recent report hypothesizes that this is the reason for the disappointing results thus far.

- While the benefits of the program remain uncertain, students who are graduating early in FY 2025-26 have been promised scholarships. Given this, staff is still recommending continuing scholarship payments for qualifying students who graduate early in FY 2025-26 and who enroll in Colorado postsecondary education within 18 months. Based on current law, this means that program *payments* will extend into FY 2027-28. However, unless legislation extends the program (which staff does not recommend), the program will not offer benefits for students who graduate early in FY 2026-27 or beyond.
- Staff does not recommend eliminating or reducing funding for scholarships for qualified students who qualify by graduating early in FY 2025-26, but the appropriation for student scholarships can be reduced. The total actual expenses for the program in FY 2024-25 in the Department of Higher Education was \$296,603, of which \$96,694 was to support FTE and contractual FTE costs, \$199,909 was for scholarships, and \$228,012 reverted.¹⁴ Based on this history and the Department's current FY 2025-26 forecast for student scholarships, it appears that the total appropriation for both FY 2025-26 and FY 2026-27 can be reduced by at least \$150,000¹⁵ from the current \$555,573 appropriation, without any risk that funding for scholarships will be insufficient. This still incorporates an "over-appropriation" of \$50,000, based on recent year actual expenses. Staff assumes that any amounts not required will revert.

→ Proposed Bill to Modify the Structure of Some State Education Fund Allocations

Request

The Department did not request the proposed change.

Recommendation

Staff recommends that the Committee consider sponsoring new legislation that would require appropriations—rather than transfers—from the State Education Fund for two groups of programs: (1) Early Literacy; and (2) Teacher of the Year.

Currently all allocations from the State Education Fund are *appropriations*, apart from allocations for early literacy and teacher of the year. Staff believes that making **all** allocations from the State Education Fund appropriations, instead of transfers, will improve transparency and create administrative efficiencies. To guarantee annual funding at current levels, staff suggests including statutory language that *requires* appropriations that are no less than the current statutory transfers. If the Committee is willing to run such a bill early, before the Long Bill is introduced, implementing the proposed change in the FY 2026-27 Long Bill should be straightforward.

¹⁴ Staff notes that \$96,694 spent for personal services and operating in FY 2024-25 is nearly double the \$52,053 (including pots) assumed in SB21-106 fiscal note, and this is augmented for FY 2025-26 only by \$30,958 for an evaluation.

¹⁵ One-time HB24-1392 funding is also eliminated for FY 2026-27.

Analysis

Under current statute, \$34,000,000 is transferred each year from the State Education Fund to the Early Literacy Fund for support of early literacy programs. Appropriations are then provided from the Early Literacy Fund. Early literacy programs also receive some appropriations from the Marijuana Tax Cash Fund and one component—the Early Literacy Assessment Tool Program—receives a direct State Education Fund appropriation.

In addition, under current statute, ~~\$10,000~~ \$24,800 is transferred each year from the State Education Fund for the Teacher of the Year Program. This funding is continuously appropriated and is not currently included in the state budget.

The current structure makes these uses of the State Education Fund less transparent to legislators and the public and also makes these uses harder for JBC Staff to track. Further, because the Early Literacy Fund can carry a balance and the Department has reverted appropriations over the years, the current structure adds unnecessary complexity, as staff, the Department, and OSPB attempt to forecast how much will be available in the Early Literacy Fund and whether that amount can substitute for Marijuana Tax Cash Fund appropriations and/or be used for additional program appropriations. In the current environment, this more complicated structure—and the extra reserve it creates—appear to serve little useful purpose. Staff believes any unused funds should simply revert directly to the State Education Fund.

As noted above, the staff recommendation would still **require appropriations** of no less than \$34.0 million from the State Education Fund for early literacy and would still require an appropriation of no less than \$10,000 for Teacher of the Year. Thus, the proposed change is purely technical.

Attachment 2 –Department of Education – READ Act

Colorado READ Act and Its Impact

The Colorado READ Act establishes the state's framework for supporting early literacy development, with a focus on ensuring students build foundational reading skills by the end of third grade. The law emphasizes the use of scientifically based reading instruction, universal screening, early identification of reading difficulties, and targeted intervention when students are not making expected progress. Through requirements related to professional development, approved instructional materials, and ongoing progress monitoring, the READ Act is intended to promote greater consistency and quality in literacy instruction statewide, particularly in the early grades, where timely support may help mitigate later reading challenges. There are several highlights that demonstrated continued system-wide progress:

The READ ACT has resulted in nearly universal adoption of evidence-based literacy instruction.

A significant shift toward standardized, scientifically grounded reading instruction has taken hold across Colorado schools. This shift is critical because it ensures students across districts have equitable access to high-quality, evidence-based instruction that is proven to improve literacy outcomes. **In 2020, 40.1% of districts used the state-approved core literacy curriculum from the Advisory List. Today, more than 98% of schools use core literacy curricula from the state's approved Advisory List**, signaling widespread adoption of evidence-based materials. This move has also led to far greater systemic consistency: 32% of schools have now reached full alignment, meaning they rely exclusively on approved materials for core instruction, supplemental supports, interventions, and assessments—a dramatic rise from fewer than 1% of schools just two years ago. District and school leaders consistently point to the transition to evidence-based materials and high-quality instruction as the primary driver behind recent gains in student growth.

The READ Act has propelled post-pandemic recovery in student performance.

Student outcomes – driven by the READ Act — are trending upward, with reading proficiency reaching new peaks as the system recovers from pandemic-related disruptions.

- **Declining SRD Rates:** The percentage of students identified with a Significant Reading Deficiency (SRD) dropped to 19% in the 2023–2024 school year, down from a post-pandemic high of 22%.
- **Record Proficiency:** 3rd-grade students reached an all-time high proficiency rate of 42.1% (23-24) on the CMAS ELA exam.
- **Impact:** For the first time since 2020-21, the rate of students exiting SRD status exceeded the rate of students being newly identified, indicating a net positive movement toward literacy. This trend holds true for Multilingual Learners and Students with Individual Education Programs.

The READ Act's early interventions have demonstrated outcomes as critical to student success.

Data clearly show that when a student receives READ Act supports matters more than any other factor in determining long-term literacy success. Students who are identified early and receive targeted intervention in

kindergarten or first grade have a markedly higher likelihood of reading on grade level by third grade. **In fact, 24% of students identified with a Significant Reading Deficiency in kindergarten who exited a READ Plan by first grade met third-grade proficiency standards.** By contrast, outcomes drop sharply when identification and support are delayed: only 7% of students who were first identified in second grade or who remained on a READ Plan until third grade reached proficiency on the third-grade ELA CMAS assessment. These results underscore a clear conclusion—early identification and intervention in grades K–1 dramatically improve the odds of success, while delays in providing READ Act supports significantly diminish students' chances of achieving grade-level reading by third grade.

There is demonstrated effectiveness of core components like the Early Literacy Grants

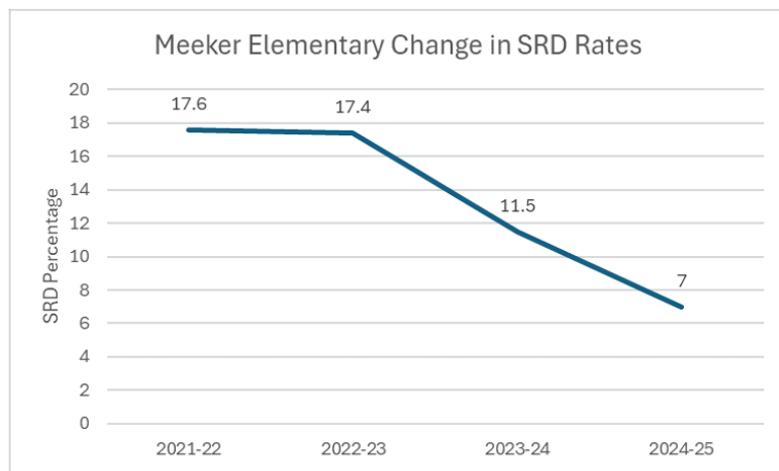
The Early Literacy Grant (ELG) is a proven concept - driven by the READ Act - that consistently improves students' reading proficiency rates and decreases significant reading deficiencies. ELG data show that grantees begin to see measurable increases in achievement in Year 2 of implementation, with the strongest and most sustained outcomes occurring in years 3 and 4.

Early Literacy Grant Significant Reading Deficiency Rates				
	Cohort 4 (2018-2023)	Cohort 5 (2020-2025)	Cohort 6 (2022-2027)	Cohort 7 (2024-2029)
2018-2019	23.3%			
2019-2020	N/A*			
2020-2021	31.7%	38.6%		
2021-2022	28.0%	33.6%		
2022-2023	27.7%	29.4%	26.0%	
2023-2024		25.0%	22.6%	
2024-2025		24.2%	20.5%	25.8%

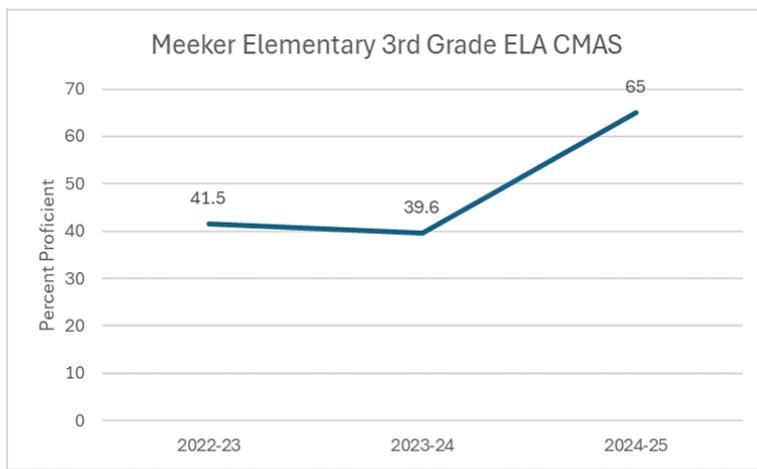
*Assessments paused due to pandemic.

Meeker Elementary School, a recent recipient of an Early Literacy Grant, had 10.4% fewer students with significant reading deficiencies and had a 25.4 % point increase in 3rd-grade CMAS ELA in just 2 years.

Meeker Elementary School, Meeker RE-1



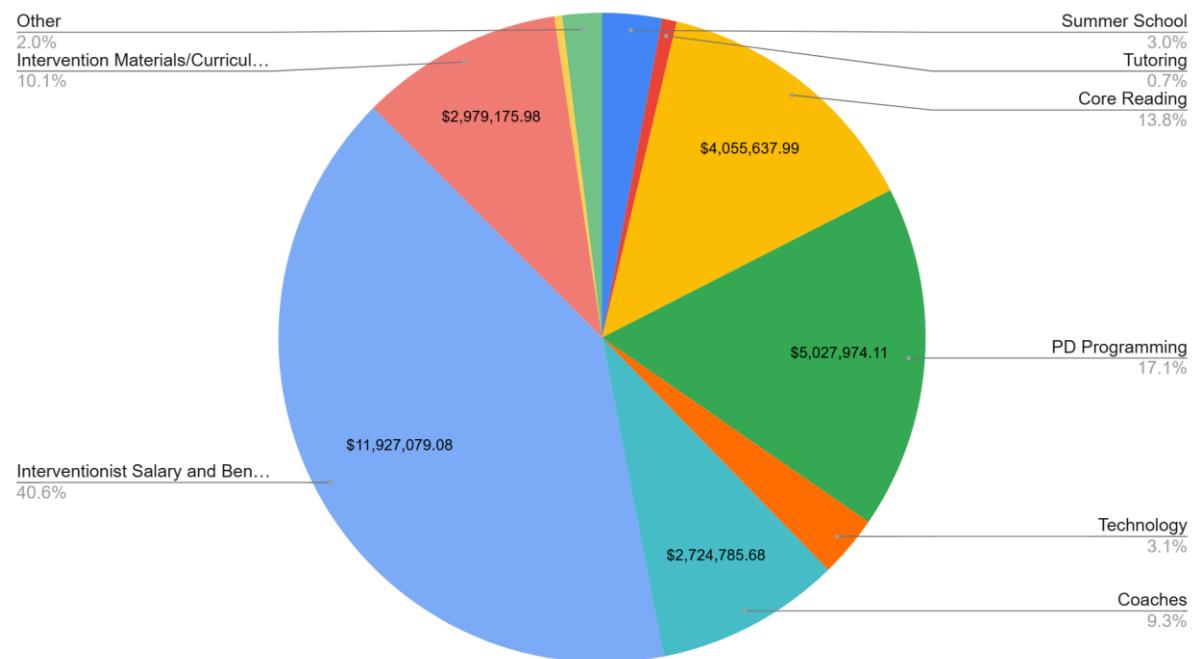
Meeker Elementary School, Meeker RE-1



A detailed breakdown of READ Act funding per use as reported by districts for 2023-24.

The most recently available data (from the 2023-24 school year) indicates that a majority of the READ ACT PPR funding (40.6%) was used to fund interventionist salary and benefits. The next most common use of READ funds was for PD Programming (17.1%), followed by Core Reading Instructional Programs. The graph below shows the totals for each category, and a table outlining the types of eligible expenses for each category can be found in the appendix.

READ Act District Expenditures



APPENDIX

2023-24 Allowable Uses for Per-Pupil Intervention Funds per C.R.S. 22-7-1210.5 (4)

Intervention	Examples of Allowable Uses of Funds	Examples of Non-Allowable Uses of Funds
Tutoring Services	Contracted services for tutoring, focused on increasing students' foundational reading skills.	Regular classroom instruction or general tutoring.
Summer School Literacy Program	Reading intervention programming and materials, teacher salaries for summer school contracts, transportation costs for eligible students.	General summer school that is not focused on literary / reading interventions. General classroom supplies and materials, transportation for all students, non-reading, intervention materials, teacher professional development.
Other Targeted Interventions Approved by the Department	Purchase and/or provide approved targeted, evidence-based or scientifically based intervention services to students which may include services provided by a reading interventionist.	General classroom supplies and materials, general teacher professional development, evidence-based or scientifically based instructional programming.
Reading Specialist	Purchase from a BOCES the services of a reading specialist or reading interventionist.	Contracting services from a specialist not related to literacy.
Core Reading Instructional Programs	Purchasing core reading instructional programs that are included on the READ Act advisory list.	Instructional programs not included on the advisory list of programs.
Technology	Provide technology, including software, that is on the advisory list of instructional programming. This may include professional development for use of technology.	General classroom technology, or items not included on the CDE advisory list.
Professional Development	Provide professional development programming to support K-3 educators in teaching reading.	General education professional development that is not focused on literary / reading interventions

Higher Education

JBC Staff: Alfredo Kemm, (303-866-4549)
Date: January 23, 2026

S1 Institution Operating and Tuition

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	-\$18,622,144	-\$9,501,916	\$0	-\$9,120,228	\$0	0.0
Recommendation	-18,622,144	-9,501,916	0	-9,120,228	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

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 data that was not available when the original appropriation was made.

Request

The Department requests reductions to funding for institutions of higher education to align with the Governor's Executive Order. Reductions total \$9.5 million General Fund and include associated reappropriated funds reductions.

Recommendation

Staff recommends that the Committee approve the reductions.

Analysis

The Governor's Executive Order reduced by 30 percent, the incremental increase for institutions of higher education for FY 2025-26. The following table outlines the adjustments.

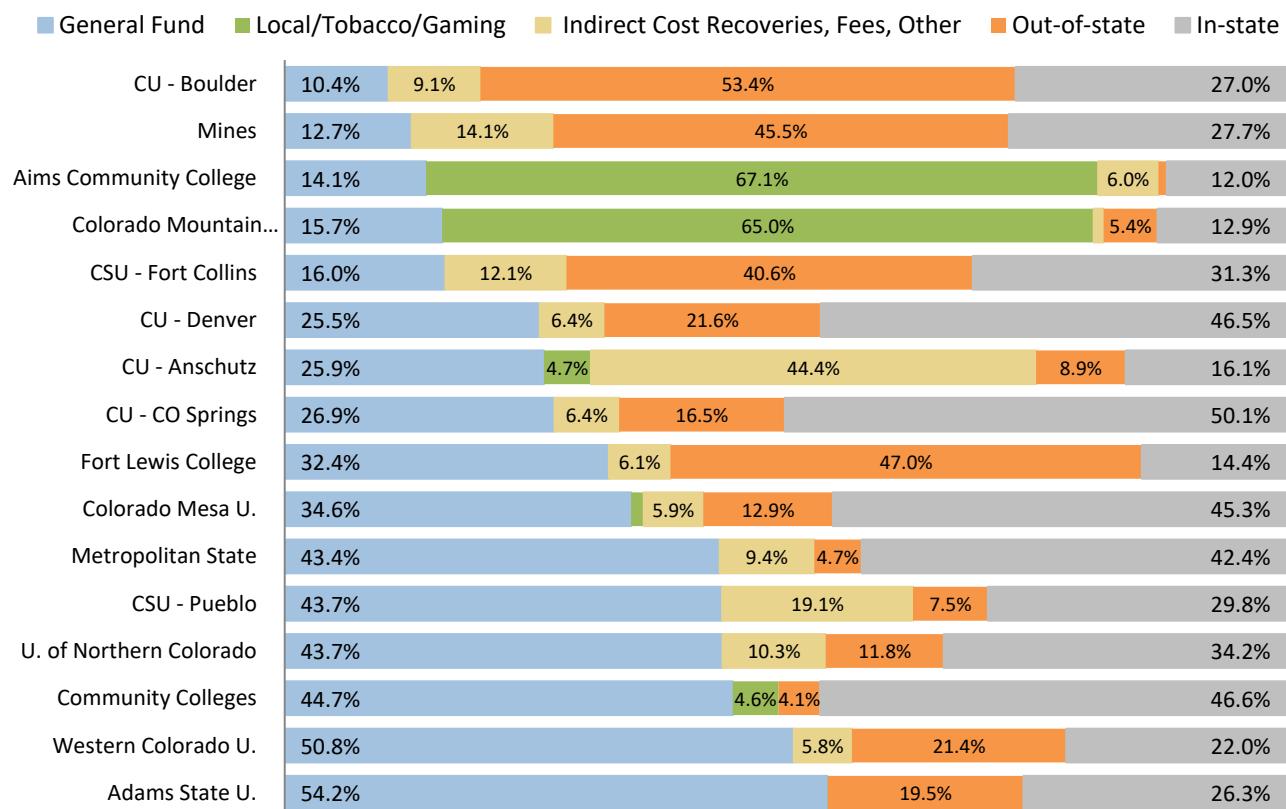
Institution Operating Support Reductions FY 2025-26

Governing Board or Institution	Fee for Service	FFS-SEP/LDC/ATC	Total
Adams State	-\$209,102	\$0	-\$209,102
Mesa U	-366,065	0	-366,065
Metro State	-773,402	0	-773,402

Governing Board or Institution	Fee for Service	FFS-SEP/LDC/ATC	Total
Western CO	-184,314	0	-184,314
CO State	-1,098,935	-732,918	-1,831,853
Fort Lewis	-174,006	0	-174,006
Univ of CO	-1,773,976	-817,563	-2,591,539
Mines	-279,200	0	-279,200
Northern CO	-516,000	0	-516,000
Comm Colleges	-2,194,747	0	-2,194,747
Gov Boards Subtotal	-\$7,569,747	-\$1,550,481	-\$9,120,228
CO Mountain	\$0	-\$97,820	-\$97,820
Aims CC	0	-116,151	-116,151
LDC Subtotal	\$0	-\$213,971	-\$213,971
ATCs	\$0	-\$167,717	-\$167,717
Total	-7,569,747	-1,932,169	-9,501,916

The reductions reflect a proportional decrease relative to the increase for FY 2025-26. However, staff is concerned that General Fund reductions impact institutions differently based on the General Fund proportion of institutional funding. The following chart outlines the relative reliance on state funds by institution.

Institution Proportion of Funding FY 24-25



The Community College System absorbed the largest reduction of governing boards for its fee-for-service appropriation; a reduction of \$2.2 million. Forty-five percent of revenue earned or received by the Community College System is from the General Fund. It is reasonable that new funding is generally provided through the funding model. However, when considering cuts, it may be reasonable to consider the dollar-for-dollar impact on institutions based on their ability to absorb cuts. Nevertheless, at this time staff is not recommending adjustments.

S2 LPFFS Reductions

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	-\$6,027,800	-\$3,013,900	\$0	-\$3,013,900	\$0	0.0
Recommendation	-6,027,800	-3,013,900	0	-3,013,900	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

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 data that was not available when the original appropriation was made.

Request

The Department requests reductions to limited purpose fee-for-service (LPFFS) contracts funding for institutions of higher education to align with the Governor's Executive Order. Adjustments reflect a 50 percent reduction and total \$3.0 million General Fund and associated reappropriated funds reductions.

Recommendation

Staff recommends that the Committee approve the reductions.

Analysis

The Governor's Executive Order reduced LPFFS contracts funding for institutions of higher education by 50 percent. The following table outlines the adjustments.

FY 2025-26 LPFFS Reductions

Institution	Reduction	Program	Reduction
Adams State	-\$32,500	CO Rural Healthcare Workforce Initiative	-\$567,500
Mesa U	-107,500	Cyber Coding	-1,275,000
Metro State	-107,500	Food Systems Advisory Council	-37,767
Western CO	-82,500	Improve Healthcare for Older Coloradans	-974,849
CO State	-370,267	CTE and Apprenticeship Alignment	-55,360
Fort Lewis	-32,500	Career Pathways Funding	-43,480
Univ of CO	-2,009,793	Supporting Educator Workforce in Colorado	-59,944
Mines	0		
Northern CO	-32,500		
Comm Colleges	-238,840		
Subtotal	-\$3,013,900		-\$3,013,900

Office of the Governor (Office of Information Technology)

JBC Staff: Andrew McLeer, (303-866-4959)

Date: January 25, 2026

Technical Correction for OIT S1: Real-time billing

Staff recommends a net neutral technical correction to the committee regarding OIT S1. The recommendation has a net neutral effect on General Fund utilization while allowing continued alignment of indirect cost allocations for Departments, particularly those with indirect cost agreements with federal partners.

Recommendation

Staff is recommending a one-time \$1.8 million increase in General Fund for payments to OIT across the Departments of Human Services, Natural Resources, and Labor and Employment, matching the original requests from these Departments.

Recommended adjustments to approved real-time billing payments

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Human Services	\$1,318,266	\$1,318,266	\$0	\$0	\$0	0.0
Labor and Employment	441,000	441,000	0	0	0	0.0
Natural Resources	41,029	41,029	0	0	0	0.0
Total	\$1,800,095	\$1,800,295	\$0	\$0	\$0	0.0

Staff further recommends a transfer of \$1.8 million from the IT Revolving Fund to the General Fund to offset these one-time costs. This recommendation will maintain the alignment of indirect cost allocation pools, particularly for the Department of Human Services and Department of Labor and Employment, where the Departments need to maintain specific balances of cost allocations in the line item with federal funds.

Staff also recommends the Committee approve the Office's request for a total reduction in reappropriated funds of \$14,569,333 while also reducing the cash fund appropriation to \$0. This will align the Office's expenditures with projected revenues for the current fiscal year. The following table shows the supplemental changes:

OIT S1 Real-time billing spending authority

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	-\$14,569,333	\$0	\$0	-\$14,569,333	\$0	0.0
Recommendation	-14,569,333	0	0	-14,569,333	0	0.0
Staff Recommendation Higher/Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0