

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**INTERIM SUPPLEMENTAL REQUEST
FOR FY 2012-13**

DEPARTMENT OF HIGHER EDUCATION

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

**Prepared By:
Amanda Bickel, JBC Staff
June 20, 2013**

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

TABLE OF CONTENTS

	Narrative Page	Numbers Page
Supplementals		
FY 2012-13 College Opportunity Fund Stipend and Fee-for-service Contract Alignment	1	5

Supplemental Requests

INTERIM SUPPLEMENTAL REQUEST FY 2012-13 COLLEGE OPPORTUNITY FUND STIPEND AND FEE FOR SERVICE CONTRACT ALIGNMENT

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
FTE	0	0
General Fund	0	0
Cash Funds	0	0
Federal Funds	0	0

<p>Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [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.]</p>	YES
<p>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [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.]</p>	YES
<p>JBC staff and the Department agree that this request is the result of information not available when the original appropriation was made or when the General Assembly was in session.</p>	

Department Request: The Department requests adjusting several line items with a net \$0 impact to match new data about the population eligible for stipends. Statutes at Section 23-18-202 (1) (c), C.R.S. provide limited authority for the Department, in conjunction with the institutions, to convert up to 3.0 percent of the spending authority for stipends to fee-for-service contracts, but not the other way around. In cases where the stipend eligible population varied from the forecast by more than the 3.0 percent that the Department can handle administratively with its statutory authority, the Department requests that the JBC approve a decrease in stipend spending authority and a corresponding increase in fee-for-service contract spending authority. Also, the Department requests that in cases where the stipend eligible population exceeds the stipend appropriation, the JBC approve an increase in stipend spending authority and a corresponding decrease in the fee-for-service contract spending authority.

The following table shows the institutions that are requesting adjustments to their stipend and fee-for-service appropriations. Note that these calculations are based on actual end of year billing data and incorporate partial student FTE in the stipend calculations for each institution. The request includes moving General Fund appropriations between two line items (for stipends

and fee-for-service contracts) in the College Opportunity Fund Program section of the Long Bill and modifying reappropriated funds letter notes for each of the affected governing boards.

Institutions bill the College Opportunity Trust Fund four times per year. The final bill for the first summer session closes out each fiscal year. This bill is due by June 15 and incorporates the final numbers needed to determine each governing board’s split between College Opportunity Fund (COF) stipends and fee-for-service contracts for the fiscal year.

Higher Education, Governing Boards	Stipends	Fee-for-service contracts
Adams State University	(\$150,691)	\$150,691
Metropolitan State University of Denver	(1,260,306)	1,260,306
Colorado State University System	(1,324,458)	1,324,458
University of Colorado System	77,384	(77,384)
Colorado School of Mines	157,713	(157,713)
Community College System	2,875,156	(2,875,156)
Total	\$374,798	(\$374,798)

Staff Recommendation: Staff recommends that the Committee approve the requested adjustment. The net impact of this change on FY 2012-13 appropriations is \$0. However, if it is not approved, some General Fund moneys previously appropriated for the governing boards for FY 2012-13 will revert.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves.

Staff Analysis: The JBC typically receives and approves a late supplemental to “true up” COF stipend and fee-for-service amounts. As reflected in the request, the Department’s authority to make adjustments on an administrative basis is limited, and the enrollment numbers required to make final adjustments between COF stipend and COF fee for service amounts are not received until June. As a result, a late supplemental change is always requested.

The table below compares the projection for the number of COF-eligible students included in the forecast used in the S.B. 13-230 add-on with the final figures from the June actual enrollment. As shown, in total, the variance was 0.15 percent across the governing boards, with greater variance for individual governing boards (as would be anticipated). Only six of these institutions require supplemental appropriation action by the General Assembly; for the remaining institutions, funding adjustments will be handled administratively within the Department’s statutory authority for moving funds from COF stipend appropriations to COF fee-for-service appropriations.

Students Eligible for COF Stipends FY 2012-13				
	February 2013 Projection used in S.B. 13-230	June 2013 Actual	Difference	Percent Difference
Adams State University	1,518	1,437	(81)	-5.3%
Mesa State University	6,592	6,399	(193)	-2.9%
Metropolitan State University of Denver	16,168	15,490	(678)	-4.2%
Western State Colorado University	1,240	1,218	(22)	-1.8%
Colorado State University System	20,691	19,979	(712)	-3.4%
Fort Lewis College	2,131	2,082	(49)	-2.3%
University of Colorado System	27,346	27,388	42	0.2%
Colorado School of Mines	2,682	2,767	85	3.2%
University of Northern Colorado	7,892	7,752	(140)	-1.8%
Community College System	51,253	52,799	1,546	3.0%
Total - Governing Boards	137,513	137,311	(202)	-0.1%

Staff also recommends that the JBC consider statutory changes next year to eliminate the need for end-of-year adjustments such as these. As the Committee is aware, virtually since the beginning of the COF, the General Assembly has set funding levels for the governing boards based on a total amount for each governing board, rather than setting fee-for-service and COF stipend amounts independently. In response to changes in enrollment, the General Assembly has adopted mid-year and end-of-year supplemental adjustments to stipend and fee-for-service amounts so that changes to enrollment do not change the total funding level for each governing board. *If the General Assembly chooses to continue to operate the COF in this fashion, staff believes that the Department should be given greater administrative flexibility to transfer funds for each governing board between COF stipend and fee-for-service amounts, so that technical supplementals such as this one are no longer needed.* Of course, such additional flexibility would not be appropriate if the General Assembly chooses to pursue an alternative funding mechanism or to manage the COF so that changes in enrollment actually affect institutional funding levels. Staff hopes to return to the Committee in November with some options for the Committee's consideration.

While staff believes the Committee and the General Assembly should consider some structural funding changes for the future, this does not change the staff recommendation for the end-of-year adjustment included in this supplemental request.

As has been discussed on various occasions, if the General Assembly wished to use COF stipends as an incentive for increased enrollment, it would want to make a different kind of adjustment, *i.e.*, it would want to reduce COF stipend amounts for those governing boards with enrollment below the projections and increase appropriations for governing boards with enrollment above projections—without making offsetting adjustments to COF fee-for-service amounts. Based on actual end-of-year enrollments this year (0.15 percent below projections), such adjustments, if applied to all governing boards, would lead to a net reduction in total funding for the governing boards for FY 2012-13 of about \$375,000. However:

- Such an adjustment would simply penalize or reward institutions based on forecasting error. The original FY 2012-13 appropriations were based on setting total funding for each institution and then “backing in” to fee-for-service and stipend amounts. The General Assembly then adjusted FY 2012-13 fee-for-service and stipend appropriations (through a Long Bill add-on) with the goal of keeping governing board funding whole (*i.e.*, adjusting fee-for-service funding to compensate for changes in stipends). Had the forecast used for the supplemental appropriation been more accurate in predicting the stipend-eligible population, the General Assembly would have adjusted the stipends and fee-for-service contracts at that point. To provide increases and decreases in stipends now without adjusting the fee-for-service contracts would be arbitrary and based on how close the forecast was to the actual mark, rather than rewarding institutional initiative.
- Even if the General Assembly wants to move in this direction, this is not the time. For FY 2012-13, the governing boards have been operating on the assumption that there will be a final true-up between COF and fee-for-service, as there has been in the past. If the JBC doesn’t approve the requested adjustment now, it won’t change institutional behavior for FY 2012-13; it will simply penalize institutions after-the-fact.

	FY 2011-12	FY 2012-13	Fiscal Year 2012-13 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HIGHER EDUCATION					
Executive Director - Lt. Governor Joe Garcia					
Interim Supplemental - College Opportunity Fund Stipend and Fee for Service Contract Alignment					
<i>(4) College Opportunity Fund Program</i>					
<i>(A) Stipends</i>					
Stipends for eligible full-time equivalent students attending state institutions - General Fund	261,370,727	255,774,180	374,798	374,798	256,148,978
<i>(B) Fee-for-service Contracts with State Institutions - General Fund</i>	238,095,145	245,198,423	(374,798)	(374,798)	244,823,625
<i>(5) Governing Boards</i>					
Various line items - Reappropriated Funds letternote adjustments [see narrative]	N.A.	N.A.	0	0	N.A.
Total for Supplemental					
General Fund	499,465,872	500,972,603	0	0	500,972,603
Reappropriated Funds	N.A.	N.A.	0	0	N.A.

	FY 2011-12	FY 2012-13	Fiscal Year 2012-13 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Totals					
DEPARTMENT OF HIGHER EDUCATION					
TOTALS for ALL Departmental line items	2,924,461,774	3,035,143,739	0	0	3,035,143,739
FTE	<u>21,479.4</u>	<u>1,050.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,050.0</u>
General Fund	623,630,453	628,569,790	0	0	628,569,790
Cash Funds	1,731,968,520	1,835,273,931	0	0	1,835,273,931
Reappropriated Funds	549,800,599	552,186,789	0	0	552,186,789
Federal Funds	19,062,202	19,113,229	0	0	19,113,229

Key:

"N.A." = Not Applicable or Not Available