COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2008-09 STAFF BUDGET BRIEFING:
DEPARTMENT OF HIGHER EDUCATION

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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December 10, 2007

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FY 2008-09 Budget Briefing

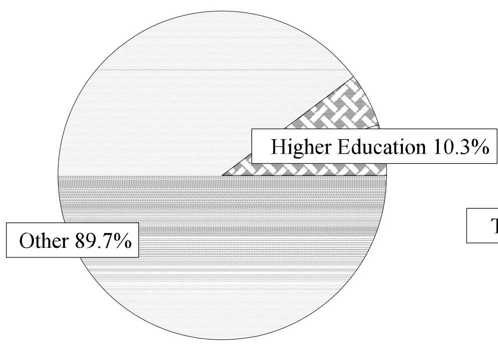
Staff Presentation to the Joint Budget Committee:

Department of Higher Education

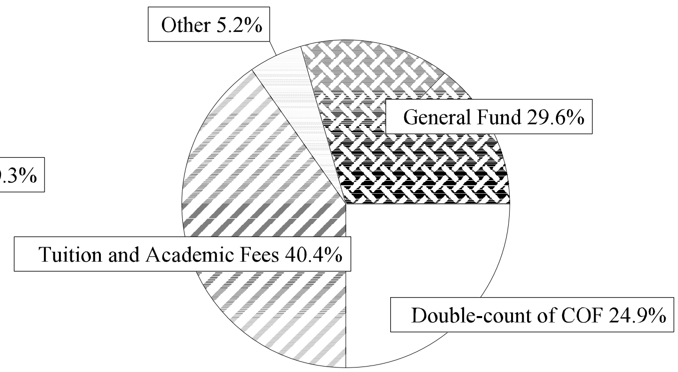
Table of Contents

Department of Higher Education
Graphic Overview

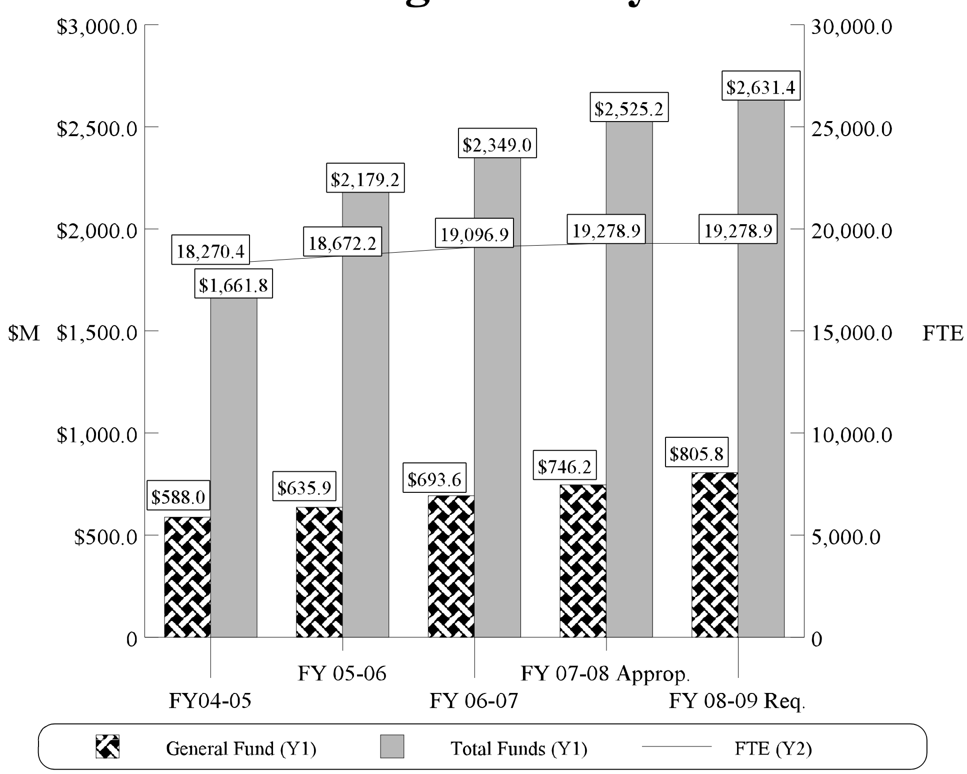
Share of State General Fund FY 2007-08



Funding Source Split FY 2007-08



Budget History



Department of Higher Education
Overview

Key Responsibilities

- ✓ Provides higher education opportunities for Colorado residents through 26 state-operated campuses, two local district junior colleges, and four area vocational schools.
- ✓ Administers the College Opportunity Fund Program that provides stipends to students for undergraduate education.
- ✓ Negotiates fee-for-service contracts with institutions to provide graduate, professional, specialized, rural, and other education programs.
- ✓ Distributes state financial assistance for students to attend public, private, or proprietary schools.
- ✓ Through the State Historical Society, collects, preserves, exhibits and interprets items and properties of historical significance.

Factors Driving the Budget

College Opportunity Fund Program (S.B. 04-189)

In FY 2005-06 the General Assembly changed the funding mechanism for higher education. Senate Bill 04-189 required that direct appropriations for higher education institutions be replaced by a combination of (1) stipends for students and (2) "fee-for-service" contracts. Collectively the stipends and fee-for-service contracts are referred to here as the College Opportunity Fund (COF) Program. No other state uses this mechanism for funding higher education.

Stipends: Stipends can be used by eligible undergraduate students to attend any of the twenty-six state-operated institutions. In limited circumstances students may also receive a stipend to attend a private institution. The stipend to attend private institutions is worth half as much as the stipend to attend state-operated institutions. To use a stipend at a private institution, a student must qualify for the need-based federal Pell grant. They must also attend a participating private, non-sectarian, accredited, baccalaureate college. Currently the University of Denver and Regis University are the only participating private institutions.

The amount of the flat-rate, per-credit-hour stipend is determined annually by the legislature through the budget process. Stipends may only be used for tuition payments. The total amount required for student stipends, and the amount each higher education institution earns from student stipend payments, is the product of the number of eligible student credit hours and the stipend rate set by the General Assembly. The table below summarizes the stipend payments since the program began. Between FY 2005-06 and FY 2006-07 there was a change in the stipend eligibility criteria.

Stipends for Students at State-supported Institutions			
	FY 05-06	FY 06-07	FY 07-08
Stipend per Credit Hour	$80.00	$86.00	$89.00
Stipend for full-time student	$2,400.00	$2,580.00	$2,670.00
Stipend-eligible SFTE	113,251.3	121,087.3	122,154.8
Stipend payments	$271,803,110	$312,405,160	$323,117,640

Fee-for-service contracts: With money appropriated by the General Assembly, the Colorado Commission on Higher Education may purchase higher education services from the state institutions of higher education through fee-for-service contracts. Pursuant to Section 23-5-130, C.R.S., the Commission may purchase:

- ✓ Educational services in rural areas or communities where the cost of educational services is not sustained by tuition;
- ✓ Educational services required to meet reciprocal agreements with other states;
- ✓ Graduate school services;
- ✓ Educational services that increase economic development opportunities in the state, including career development and retraining; and,
- ✓ Specialized educational services and professional degrees and programs that address identified state or national priorities.

The table below summarizes the FY 2007-08 fee-for-service contracts.

Relationship of fee-for-service contracts to stipends and tuition: The flat-rate stipends, the student's share of tuition, and other revenues available to the institution cover a varying amount of the costs of undergraduate education at each institution. The remaining revenue from these sources is applied toward the types of educational services that are purchased through the fee-for-service contracts. For this reason, the relationship of the fee-for-service contract amount to the cost of the service being purchased can not be seen without taking into account all of the revenues available to the higher education institution. The sum of stipends and fee-for-service contracts is the total state support that makes its way to the institutions through the COF Program. The table below summarizes the state support versus tuition at each governing board.

Governing Board	TOTAL State+Tuition	State Support (Stipends+Fee-for-service) Dollars	Percent	Tuition Dollars	Percent
Adams State College	$20,122,885	$13,624,080	67.7%	$6,498,805	32.3%
Western State College	$20,493,556	$11,355,691	55.4%	$9,137,865	44.6%
Community Colleges	$258,067,278	$132,329,692	51.3%	$125,737,586	48.7%
Mesa State College	$43,845,881	$22,376,340	51.0%	$21,469,541	49.0%
Metro State College of Denver	$90,584,244	$44,644,910	49.3%	$45,939,334	50.7%
University of Northern Colorado	$93,990,123	$41,156,170	43.8%	$52,833,953	56.2%
Colorado State University	$306,217,083	$133,789,929	43.7%	$172,427,154	56.3%
Fort Lewis College	$34,964,754	$11,653,935	33.3%	$23,310,819	66.7%
Colorado School of Mines	$67,534,680	$21,737,271	32.2%	$45,797,409	67.8%
University of Colorado	$677,141,940	$194,986,340	28.8%	$482,155,600	71.2%
TOTAL	**$1,612,962,424**	**$627,654,358**	**38.9%**	**$985,308,066**	**61.1%**

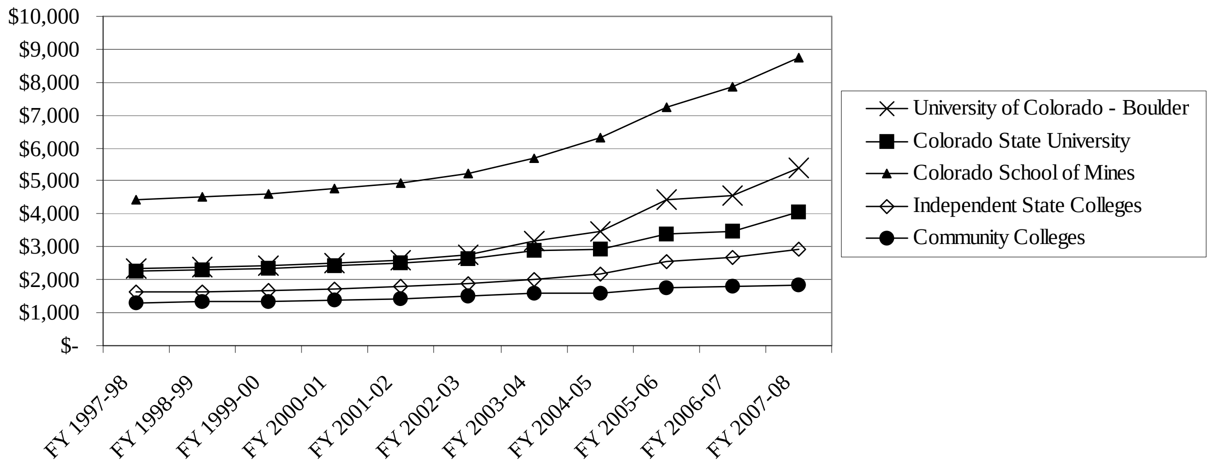
Performance Contracts: As a condition of participation in the College Opportunity Fund Program, higher education institutions must negotiate performance contracts with CCHE. Performance contracts are *not* the same thing as fee-for-service contracts. The performance contracts establish parameters for measuring the success of higher education institutions in meeting statewide goals. The performance contracts can also delegate certain functions to the governing boards that were previously administered statewide, or regulated by CCHE.

Enterprise Status: Senate Bill 04-189 provided a mechanism for designating qualifying institutions as enterprises, so that tuition and other cash fund revenue used by the institutions is exempt from limitations imposed by TABOR. To achieve enterprise status under TABOR a program must: 1) be a government-owned business; 2) have authority to issue revenue bonds; and 3) receive less than 10 percent of annual revenue from state and local grants. Senate Bill 04-189 stated that stipends and fee-for-service contracts are not state grants for TABOR purposes. In the case of stipends, the payments are on behalf of students who have choice in where to apply the funds, and thus the benefit to higher education institutions is indirect. In the case of fee-for-service contracts, a market exchange occurs where services are provided and paid for at a rate sufficient for the independent operation of the enterprise. The final determination of whether a higher education institutions qualifies for enterprise status is made at the end of each fiscal year when actual revenues from state grants are compared to the 10 percent threshold.

Tuition

Tuition rates are a central consideration in discussions about access and affordability. The total projected tuition revenues for the governing boards influences legislative decisions about how much General Fund to appropriate for stipends and fee-for-service contracts. The table below charts tuition rates at selected institutions over the last 10 years.

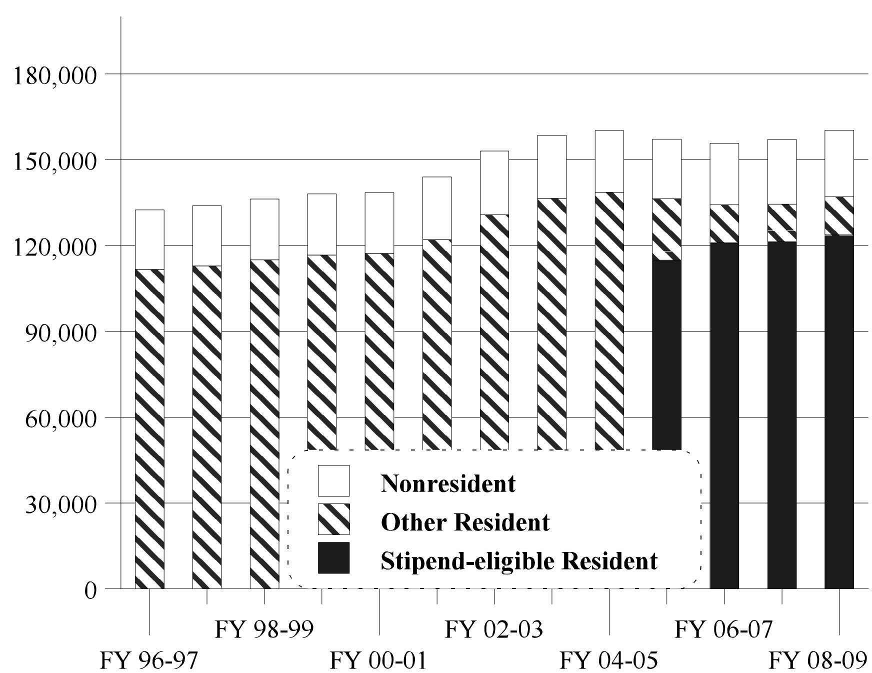
Resident, Undergraduate, Full-time Tuition Rates



Enrollment

Enrollment is both a workload and performance measure for the campuses, and it affects tuition and stipend revenue. For a few schools, nonresident enrollment is important in terms of total revenues, since nonresident tuition helps subsidize resident education. Enrollment tends to be counter-cyclical. In other words, when the economy slows higher education enrollment increases. The table below charts enrollment trends.

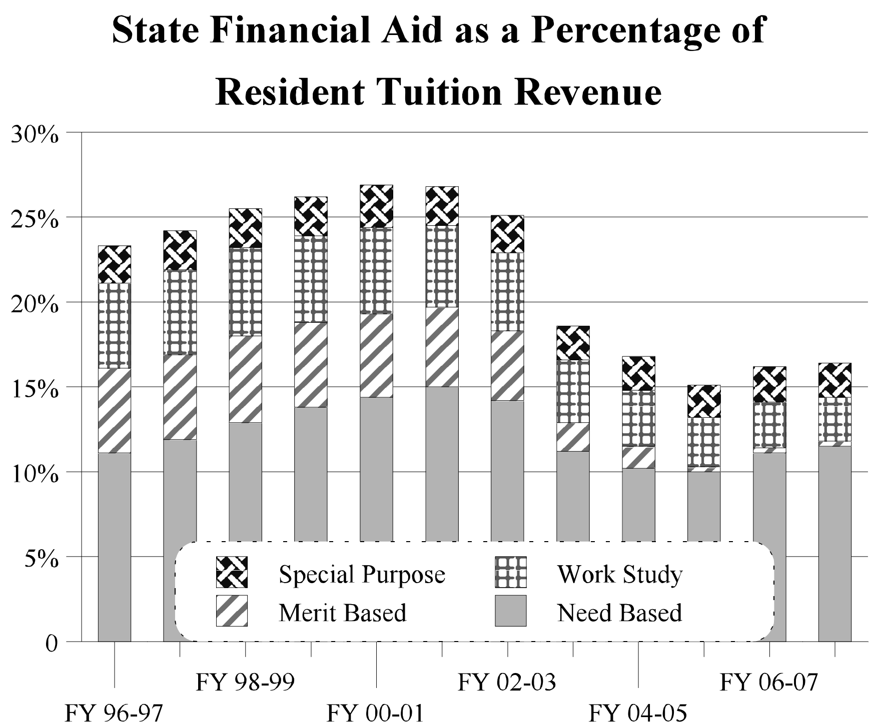
Enrollment



Financial Aid

Of the General Fund appropriation for higher education in FY 2007-08, $95.2 million (12.8 percent) is for financial aid. The three major, broad-based Colorado financial aid programs are (1) need based aid, (2) merit based aid, and (3) work study. There are also a number of smaller, special purpose financial aid programs. Financial aid funds are appropriated to CCHE and then allocated to the institutions based on formulas that consider financial need at the schools, total student enrollment, and program eligibility criteria.

The following table shows General Fund appropriations for financial aid as a percentage of resident tuition revenues over time. The table provides an indication of the buying power of financial aid appropriations. However, it should be noted that financial aid is used for more than paying tuition. It also helps pay for expenses related to room, board, transportation, student fees, and learning materials. Also, the table does not take into account changes in the economic circumstances of the overall student population, including the number of students with financial need and the amount of need for those students.



State financial aid programs trail federal financial aid distributions in Colorado. The most recent year of data shows federal Pell Grants to the neediest students attending Colorado schools totaled $141.4 million in FY 2005-06. Federal guaranteed loan programs provided another $834.6 million for students and their parents.

Another source of funding for financial aid is money set aside by the institutions. Some of the money comes from fund-raising, but the majority comes from the operating budgets of the schools. There is significant variation in the amount of money available by institution based on differences in school policies and fund raising. The total institutional financial aid available in the state in FY

2005-06 was $250.9 million. Senate Bill 04-189 implemented a new requirement that higher education institutions increase need based institutional financial aid by an amount equal to 20 percent of any increase in tuition revenues in excess of inflation.

Summary of Major Legislation

✓ **S.B. 07-97 (Fitzgerald/Madden)Tobacco Settlement Payments:** Reallocates the portion of the tobacco settlement money received by the state pursuant to the Master Settlement Agreement that was previously credited to the General Fund and Tobacco Litigation Settlement Trust Fund. The bill allocates these moneys as follows:

Program	Percentage
University of Colorado Health Sciences Center	49.0%
Mental Health Services for Juvenile and Adult Offenders	12.0%
Indigent Health Care Provided by Rural and Public Hospitals	8.5%
Local Public Health Services	7.0%
Increase Eligibility in the Children's Basic Health Plan from 200 percent to 205 percent of the Federal Poverty Level	5.0%
Supplement State Contribution for Group Benefit Plans	4.5%
Colorado Immunization Program	4.0%
Expansion of Alcohol and Drug Abuse programs	3.0%
Short-term Grants for Innovative Health Programs	6.0%
Offset Medicaid Shortfall at Children's Hospital	1.0%
Total	**100.0%**

The combined impact of S.B. 07-97 and H.B. 07-1359 provided $8,393,149 from the Tobacco Settlement Agreement to the University of Colorado Health Sciences Center in FY 2007-08.

✓ **S.B. 07-182 (Bacon/Pommer) Innovative Higher Education Research Fund:** Creates the Higher Education Competitive Research Authority to administer the Innovative Higher Education Research Fund (the Fund). Requires forty percent of moneys that previously flowed from the Waste Tire Recycling Development Cash Fund to the Advanced Technology Fund to be transferred to the Innovative Higher Education Research Fund. Directs the Authority to provide matching grants from the Fund to Colorado public institutions of higher education for federally sponsored research projects. Requires the authority to provide an annual report on the research projects funded from the fund to the education committees of the House of Representatives and the Senate. Appropriates $901,854 from the Fund to the Department of Higher Education in FY 2007-08, for distribution to the Higher Education

Competitive Research Authority. Reduces FY 2007-08 appropriations from the Advanced Technology Fund to the Department of Higher Education by $825,000.

Transfers control of the Advanced Technology Fund from the Colorado Commission on Higher Education to the Pollution Prevention Advisory Board in the Department of Public Health and Environment and continuously appropriates the moneys in the Advanced Technology Fund to the Department of Public Health and Environment. Requires the Advisory Board to develop criteria for making research grants from the Advanced Technology Fund for specified purposes and to make the research grants therefrom. Includes, for informational purposes, a $495,000 cash funds exempt appropriation from the Advanced Technology Fund to the Department of Public Health and Environment for FY 2007-08 to reflect the amount that is anticipated to be available for expenditure by the Pollution Prevention Advisory Board.

✓ **H.B. 07-1096 (Fischer/Bacon) Colorado Water Resources Research Institute:** For the 2007-08 fiscal year, appropriates from the Operational Account of the Severance Tax Trust Fund $150,000 to the Department of Higher Education to be used by the Colorado Water Resources Research Institute.

✓ **H.B. 07-1163 (McNulty/Copp) In-state Tuition for Military:** Makes a member of the armed forces, or a dependent of the member, eligible for in-state tuition status if the member is transferred to Colorado on a temporary assignment of duty. Gives all members of the Colorado National Guard, and their dependents, in-state tuition status. Provides that persons eligible for in-state tuition solely because of a person's status as a member of the armed forces or Colorado National Guard are not eligible for a stipend under the college opportunity program. Decreases cash funds exempt appropriations to the Department of Higher Education for tuition by $120,437.

✓ **H.B. 07-1256 (Massey & Butcher/Williams)In-state Tuition Economic Development Incentive:** Permits an institution of higher education to provide in-state tuition status to a student who moves to Colorado as a result of the student's employer or the student's parent's employer moving to Colorado pursuant to an incentive from the Office of Economic Development or an incentive from a local government. Permits an institution to provide in-state tuition status to a student who moves to Colorado as a result of the student's parent taking a faculty position at a Colorado institution of higher education. Requires the institution to develop a verification process to provide students in-state tuition under these provisions. Prohibits a student receiving in-state tuition pursuant to this provision from receiving state financial aid. In FY 2007-08, appropriates $20,826 General Fund to the Department of Higher Education, College Opportunity Fund for an estimated 7.8 additional stipend-eligible SFTE as a result of the bill. Also, appropriates $38,879 cash funds exempt from student stipend payments and resident tuition to the State Board of Community Colleges and Occupational Education State System Community Colleges.

- ✓ **H.B. 07-1359 (Buescher/Fitzgerald) Tobacco Settlement Payments:** Accelerates the use of a portion of the moneys that Colorado receives under the Master Settlement Agreement (MSA) and makes up to $24.4 million of MSA moneys available prior to April 16, 2008, to pay for FY 2006-07 and FY 2007-08 overexpenditures and supplementals of the Children's Basic Health Plan and the Colorado Benefits Management System. Alters the appropriations in the FY 2007-08 Long Bill and in S.B. 07-97 to most MSA supported programs. The combined impact of S.B. 07-97 and H.B. 07-1359 provided $8,393,149 from the MSA to the University of Colorado Health Sciences Center in FY 2007-08.

- ✓ **S.B. 06-49 (Bacon/Lindstrom) Transfer of Council on the Arts to the Governor's Office:** Transfers administration of the Council on the Arts from the Department of Higher Education to the Office of Economic Development in the Governor's Office.

- ✓ **H.B. 06-1399 (Hall/Tapia) Transfers from Stipends to Fee-for-service:** If there are moneys remaining in the College Opportunity Fund after the last academic term of a state fiscal year, allows a governing board of an institution of higher education to expend up to three percent of the amount originally authorized as stipends for fee-for-service contracts. Authorizes the Department to transfer general fund spending authority from stipends to fee-for-service contracts in an equivalent amount to fulfill its fee-for-service contract obligations.

- ✓ **S.B. 05-132 (Windels/Paccione) College Opportunity Fund Program Clarifications:** Specifies that a student who is eligible to receive a stipend may receive a stipend for graduate-level courses that apply toward the student's undergraduate degree. Requires the Colorado student loan program to reduce the amount of the stipend per credit hour for all students, subject to Joint Budget Committee approval, if moneys in the College Opportunity Fund in any fiscal year are not sufficient to pay the rate per credit hour established by the General Assembly. Effective July 1, 2006, allows an eligible student to receive a stipend payment for basic skills courses, courses taken under the "Postsecondary Enrollment Options Act", and high school fast-tracks courses. Correspondingly, repeals the ability of a governing board to receive fee-for-service contract payments for these courses. Allows the Colorado student loan program to charge a one-time fee to the State Board of Community Colleges and Occupational Education for the actual cost related to the computer system changes necessary to allow stipend payments for these courses.

  Authorizes a governing board to approve and commence, without prior approval of the Colorado Commission on Higher Education (CCHE), capital construction projects that are constructed, operated, and maintained without state capital construction or General Fund moneys if the capital construction project costs less than $1,000,000. Also, authorizes a governing board to approve and commence, without prior approval of the CCHE, capital construction projects that are not constructed with state moneys but may be operated and maintained with state moneys if the project costs less than $500,000. For the 2004-05 fiscal year, changes the statutorily required reduction in state-funded administrative costs for the community college's system office (established by H.B. 04-1086) from 35 to 20 percent. Reduces the FY 2005-06 appropriation from indirect cost recoveries for the CCHE by $8,553 and 0.3 FTE associated with the review of capital construction projects. The saved indirect cost recoveries are then used to offset the need for General Fund elsewhere in the budget (specifically the Division of Occupational Education).

✓ **S.B. 04-189 (Anderson/King) College Opportunity Fund Program:** Replaces subsidies for higher education institutions with stipends for students and fee for service contracts beginning in FY 2005-06. Authorizes governing boards to designate institutions that receive less than 10 percent of their revenue from state and local grants as enterprises under TABOR beginning in FY 2004-05. Requires schools to set aside 20 percent of any increase in tuition rates above inflation for financial aid. Reduces General Fund appropriations and increases tuition appropriations for the University of Colorado by $4.5 million, dependent on the institution being designated as an enterprise in FY 2004-05.

✓ **S.B. 03-193 (Reeves/Young) Use of State Historical Fund Moneys:** Refinances General Fund appropriations for the Historical Society with limited gaming funds deposited in the State Historical Fund.

✓ **H.B. 03-1093 (Berry/Teck) Independent State Colleges:** Repeals the Board of Trustees of the State Colleges in Colorado and establishes separate governing boards for Adams State College, Mesa State College, and Western State College.

✓ **H.B. 03-1256 (Spradley/Anderson) Lease Purchase Agreements for Fitzsimons and CSP II:** Authorizes the Board of Regents of the University of Colorado to enter lease-purchase agreements to finance the construction of academic buildings at the University of Colorado Health Sciences Center (UCHSC) Fitzsimons campus. The lease-purchase agreements may be for terms of up to twenty-five years, and may not exceed a total value of $202,876,109, plus reasonable administrative, monitoring, and closing costs and interest; annual aggregate rentals may not exceed $15.1 million. Specifically, the bill authorizes lease-purchase agreements for: Education Facility IB; Education Facility II; Library at Fitzsimons; Academic Office Complex; Environmental Health and Safety II; Facility Support; and, Education Bridge.

Requires UCHSC to enter an agreement with a third-party master developer by June 30, 2006, to dispose of the real estate interests of the University at Ninth Avenue and Colorado Boulevard. The first $15 million of net proceeds from the property shall be deposited in the General Fund, and thereafter 50 percent is to be deposited in the General Fund and 50 percent retained by the University of Colorado for development of the Fitzsimons campus.

Requires that eight percent of moneys received from the Tobacco Master Settlement Agreement, up to $8.0 million, be appropriated annually to the Fitzsimons Trust Fund.

Expands the allowable uses of the Fitzsimons Trust Fund to include making payments on any lease-purchase agreement.

Authorizes the Department of Corrections to enter into a lease-purchase agreement for a high-custody correctional facility. The lease-purchase agreement may be for a term of up to fifteen years, and may not exceed a total value of $102.8 million, plus necessary administrative, monitoring, interest, and closing costs.

✓ **H.B. 02-1165 (Chavez/Tate) Independent Metro State College:** Transfers governance for Metropolitan State College of Denver (Metro) from the Trustees of the State Colleges to a newly-created independent governing board. Provides a methodology for the Trustees for the State Colleges to transfer funds to Metro in FY 2002-03, and stipulates that beginning in FY 2003-04, the General Assembly shall appropriate funds directly to Metro. Requires the Colorado Commission on Higher Education (CCHE) and the Trustees of the State Colleges to prepare a study of the costs associated with operating the state colleges by July 1, 2002. Instructs CCHE and the State Colleges to use the cost study to establish a minimum level of funding for Adams State College, Mesa State College and Western State College. States that the General Assembly shall appropriate an amount from the General Fund that is adequate to support the minimum level of funding, except in fiscal years where there is an overall reduction in the level of General Fund appropriations for the state-supported institutions of higher education. Allows more than one third of the students admitted to the state colleges to be from out-of-state, if all qualified in-state applicants are accepted.

Major Funding Changes FY 2006-07 to FY 2007-08

❏ Provided $64.1 million in additional tuition spending authority for the governing boards, including the following increases:

  ❏ 7.0 percent for the research institutions;
  ❏ 5.0 percent for state colleges; and
  ❏ 3.5 percent for the community colleges.

❏ Added $48.9 million General Fund for an 8.5 percent increase in the combined stipends and fee-for-service contracts for each governing board;

❏ Provided $8.4 million from the tobacco Master Settlement Agreement for the University of Colorado Health Sciences Center;

❏ Increased financial aid programs by $7.4 million, or 8.5 percent, including $6.9 million for need based financial aid;

- ❑ Added $1.2 million General Fund for an 8.5 percent increase for the Local District Junior Colleges;

- ❑ Added $572,397 General Fund for an 8.5 percent increase for the Area Vocational Schools;

- ❑ Provided another $160,000 General Fund for stipends for students attending participating private institutions based on the projected eligible enrollment; and

- ❑ Reduced General Fund appropriations for the operating budget of the Cumbres and Toltec Scenic Railroad by $410,000 to match the operating support provided by New Mexico.

FY 2008-09 Budget Briefing
Department of Higher Education
Summary of Decision Items Submitted by the Governor and by the Colorado Commission on Higher Education

Priority	Description of Decision Item / Base Reduction	Source of Funds	Governor	CCHE
1	**College Opportunity Fund Stipends and Fee for Service Contracts:** Both the ***Governor and CCHE*** request a 7.8 percent increase in General Fund for the stipends and fee-for-service contracts. Of this amount, $4.6 million is for projected stipend enrollment growth of 1,726 SFTE, or 1.4 percent. The remainder is described as a "place holder" for the College Opportunity Fund Program. The Department intends to submit a budget amendment detailing the distribution of the "place holder" between stipends and fee-for-service contracts, and by governing board.	TOTAL	$48,553,201	$48,553,201
	Stipend-eligible enrollment changes	GF	4,608,420	4,608,420
	General Fund Place Holder	GF	43,944,781	43,944,781
1a	**Cash Funds Exempt Spending Authority for the Governing Boards:** Part of the ***Governor's and CCHE's*** request for the College Opportunity Fund Program includes providing cash funds exempt spending authority for the governing boards to receive the stipend and fee-for-service contract payments. As noted above, the November 1 request does not include an allocation of spending authority by governing board. The request did not include spending authority for tuition increases. The Department intends to submit a budget amendment detailing requested tuition increases	CFE	48,553,201	48,553,201
2	**Need Based Financial Aid:** Both the ***Governor and CCHE*** request a $7.3 million General Fund increase for a 10.8 percent increase in need based financial aid.	GF	7,270,600	7,270,600
3	**Area Vocational Schools:** The ***Governor and CCHE*** request a 7.0 percent increase in grants to Area Vocational Schools.	GF	731,509	58,574,120
4	**Local District Junior Colleges:** The ***Governor and CCHE*** request a 3.0 percent increase in grants for Local District Junior Colleges	GF	444,690	444,690
5	**Office Relocation:** Both the ***Governor and CCHE*** request an increase in leased space for the Department's administrative office to relocate from 1380 Lawrence Street to 1560 Broadway. The source of cash funds is indirect cost recoveries. Part of the move includes consolidating the College Invest and College Assist in the same building. The expenses of College Invest and College Assist are not appropriated in the Long Bill.	CF	136,194	136,194
6	**Division of Private Ocupational Schools, Personal Services Funding:** Both the ***Governor and CCHE*** request additional spending authority from regulatory fees paid by private occupational schools to fund a position that the Department says has been held vacant in prior years due to insufficient funds. The additional staff would regulate and licensce private occupational schools	CF	60,242	60,242
7	**Restore Work Study Funding to FY 2002-03 Level:** Both the ***Governor and CCHE*** request $1.7 million General Fund to restore the funding for Work Study Grants to the FY 2002-03 level. The requested funding represents an 11.6 percent increase over the FY 2007-08 appropriation.	GF	1,728,057	1,728,057
8	**Additional Funding for Pre-collegiate Program:** Both the ***Governor and CCHE*** request $800,000 General Fund to double the size of the pre-collegiate grant program.	GF	800,000	800,000
Hist 1	**Salary Survey Funding for Non-classified Staff:** The Historical Society requests a transfer from State Historical Funds that would otherwise be available for the Statewide Preservation Grant Program in order to increase salaries for non-classified staff. The Historical Society contracted for a salary survey in response to findings by the State Auditor in a May 2006 report on the Higher Education Personnel System. The request is for the shortall in salaries identified in the salary survey	TOTAL	0	0
	Statewide Preservation Grant Program	CFE	(199,330)	(199,330)
	Society Museum and Preservation Operations	CFE	199,330	199,330

Priority	Description of Decision Item / Base Reduction	Source of Funds	Governor	CCHE
Hist 2	**Extend Computer Network to Regional Musuems:** The Historical Society requests a transfer from State Historical Funds that would otherwise be available for the Statewide Preservation Grant Program in order to extend the Society's computer network to regional museums and storage facilities located in Montrose, Leadville, Fort Garland, Fort Vaxquez, Georgetown, Trinidad and El Pueblo. FY 2008-09 amount is for one-time hardware, software, and telecommunications services. There will be on-going expenses of $15,600 annual for telecommunications costs.	TOTAL	0	0
	Statewide Preservation Grant Program	CFE	(75,100)	(75,100)
	Society Museum and Preservation Operations	CFE	75,100	75,100
NP	**C-SEAP Program Staffing:** This is a statewide decision item that will be discussed during the briefing for the Department of Personnel and Administration	TOTAL	241	241
		CF	63	63
		CFE	178	178
	DEPARTMENT TOTAL	TOTAL	**$108,277,935**	**$166,120,546**
		GF	**59,528,057**	**117,370,668**
		CF	**196,499**	**196,499**
		CFE	**48,553,379**	**48,553,379**

	FY 2005-06	FY 2006-07	FY 2007-08	FY 20080-9		
	Actual	Actual	Approp	Gov. Req.	CCHE Req.	Notes

DEPARTMENT OF HIGHER EDUCATION
Executive Director: David Skaggs

(1) Department Administrative Office

(Primary Functions: Centrally appropriated items for the Department Administration, the Commission, the Division of Private Occupational Schools, and the Historical Society. Cash funds reflect the share of costs born by various cash programs within the Department, and indirect costrecoveries from enterprises. Cash funds exempt are from gaming revenues)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Health, Life, and Dental	458,152	565,992	683,910	806,386	806,386	
General Fund	0	0	0			
Cash Funds	155,572	189,588	243,084	257,985	257,985	
Cash Funds Exempt	302,580	376,404	426,498	521,011	521,011	
Federal Funds	0	0	14,328	27,390	27,390	
Short-term Disability	9,543	7,086	9,793	9,824	9,824	
General Fund	0	0	0	0	0	
Cash Funds	4,766	3,246	3,409	2,824	2,824	
Cash Funds Exempt	4,006	3,359	5,525	5,589	5,589	
Federal Funds	771	481	859	1,411	1,411	
S.B. 04-257 Amortization Equalization Disbursement	16,185	47,033	90,400	129,473	129,473	
General Fund	0	0	0	0	0	
Cash Funds	8,060	21,542	31,473	41,682	41,682	
Cash Funds Exempt	6,814	22,295	50,996	73,612	73,612	
Federal Funds	1,311	3,196	7,931	14,179	14,179	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	0	0	18,834	41,481	41,481	
General Fund			0	0	0	
Cash Funds			6,557	13,383	13,383	
Cash Funds Exempt			10,624	23,557	23,557	
Federal Funds			1,653	4,541	4,541	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Salary Suvey and Senior Executive Service	251,030	217,561	258,113	331,344	331,344	
General Fund	0	0	0	0	0	
Cash Funds	101,792	71,323	79,165	119,564	119,564	
Cash Funds Exempt	133,115	126,579	150,482	176,332	176,332	
Federal Funds	16,123	19,659	28,466	35,448	35,448	
Performance-based Pay Awards	0	0	123,924	124,684	124,684	
General Fund			0	0	0	
Cash Funds			34,645	40,142	40,142	
Cash Funds Exempt			75,954	70,892	70,892	
Federal Funds			13,325	13,650	13,650	
Worker's Compensation	16,717	16,988	20,284	22,852	22,852	
General Fund	0	0	0	0	0	
Cash Funds	6,870	13,884	6,656	5,991	5,991	
Cash Funds Exempt	9,847	3,104	13,628	16,861	16,861	
Legal Services	100,124	78,388	32,269	32,269	32,269	
# of Hours (non-add)	*448*	*995*	*448*	*448*	*448*	
General Fund	71,250	37,070	0	0	0	
Cash Funds	21,656	33,728	26,447	26,447	26,447	
Cash Funds Exempt	7,218	7,590	5,822	5,822	5,822	
Purchase of Services from Computer Center	6,312	6,392	31,214	71,197	71,197	
General Fund	0	0	0	0	0	
Cash Funds	3,080	3,190	26,567	60,529	60,529	
Cash Funds Exempt	3,232	3,202	4,647	10,668	10,668	
Payment to Risk Management/ Property Funds	18,999	34,033	29,210	23,588	23,588	
General Fund	0	0	0	0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Cash Funds	926	3,436	1,158	1,287	1,287	
Cash Funds Exempt	18,073	30,597	28,052	22,301	22,301	
Leased Space	382,352	353,073	370,956	507,150	507,150	
General Fund	0	0	0	0	0	
Cash Funds	382,352	353,073	370,956	507,150	507,150	DI#5
Cash Funds Exempt	0	0	0	0	0	
						Approp vs Request
TOTAL - (1) Administrative Office	1,259,414	1,326,546	1,668,907	2,100,248	2,100,248	25.8%
General Fund	71,250	37,070	0	0	0	n/a
Cash Funds	685,074	693,010	830,117	1,076,984	1,076,984	29.7%
Cash Funds Exempt	484,885	573,130	772,228	926,645	926,645	20.0%
Federal Funds	18,205	23,336	66,562	96,619	96,619	45.2%

(2) Colorado Commission on Higher Education

(Primary Functions:Serves as the central policy and coordinating board for higher education. Cash fund sources include indirect cost recoveries from enterprises, fees from proprietary schools deposited in thePrivate Occuapational Schools Fund, and payments from other states for veterinary medicine as a part of the exchange program organized by WICHE. Cash funds exempt include waste tire fees deposited in the Advanced Technoloy Fund and indirect cost recoveries.)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
(A) Administration	2,224,290	2,332,300	2,515,756	2,596,490	2,596,490	
FTE	28.1	23.6	30.1	30.1	30.1	
General Fund	0	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	0.0	
Cash Funds	1,844,650	1,798,052	1,949,105	2,015,955	2,015,955	
FTE	24.5	20.5	26.5	26.5	26.5	
Cash Funds Exempt	58,795	184,248	215,615	215,615	215,615	
FTE	0.0	0.0	0.0	0.0	0.0	
Federal Funds	320,845	350,000	351,036	364,920	364,920	
FTE	3.6	3.1	3.6	3.6	3.6	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Financial Aid Research	5,000	5,000	0	0	0	
FTE	0.1	0.1	0.0	0.0	0.0	
Cash Funds	0	5,000				
Cash Funds Exempt	5,000	0				
(B) Div. of Private Occupational Schools	507,519	521,043	533,977	614,353	614,353	
FTE	6.0	6.0	7.8	7.8	7.8	
Cash Funds	507,519	521,043	533,977	614,353	614,353	DI#6
FTE	6.0	6.0	7.8	7.8	7.8	
Cash Funds Exempt	0	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	0.0	
(C) Special Purpose						
WICHE (Annual Dues)	108,000	112,000	116,000	116,000	116,000	
General Fund	0	0	0	0	0	
Cash Funds	108,000	112,000	116,000	116,000	116,000	
Cash Funds Exempt	0	0	0	0	0	
WICHE Optometry	324,610	329,750	399,000	399,000	399,000	
General Fund	0	0	0	0	0	
Cash Funds	324,610	329,750	399,000	399,000	399,000	
Cash Funds Exempt	0	0	0	0	0	
Advanced Technology Grants - CFE	0	334,196	0	0	0	
Distribution to the Higher Education Competitive Research Authority						
Cash Funds Exempt	0	0	901,854	901,854	901,854	
Veterinary School Program Needs	285,000	285,000	285,000	285,000	285,000	
General Fund	0	0	0	0	0	
Cash Funds	122,600	285,000	285,000	285,000	285,000	
Cash Funds Exempt	162,400	0	0	0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Enrollment/Tuition and Stipend Contingency	0	13,500,815	20,000,000	20,000,000	20,000,000	
Cash Funds	0	13,500,815	0	0	0	
Cash Funds Exempt	0	0	20,000,000	20,000,000	20,000,000	
Subtotal - (C) Special Purpose	717,610	14,561,761	20,800,000	20,800,000	20,800,000	0.0%
						Approp vs Request
TOTAL - (2) CCHE	3,454,419	17,420,104	24,751,587	24,912,697	24,912,697	0.7%
FTE	34.2	29.7	37.9	37.9	37.9	0.0
General Fund	0	0	0	0	0	n/a
Cash Funds	2,907,379	16,551,660	3,283,082	3,430,308	3,430,308	4.5%
Cash Funds Exempt	226,195	518,444	21,117,469	21,117,469	21,117,469	0.0%
Federal Funds	320,845	350,000	351,036	364,920	364,920	4.0%

(3) Financial Aid

(Primary Functions: Provides assistance to students in meeting the costs of higher education. The source of cash funds exempt is money transferred from the Department of Human Services for the Early Childhood Professional Loan Repayment program.)

(A) Need Based Grants

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
General Need Based Grants	44,285,061	52,240,163	67,023,546	74,294,146	74,294,146	
General Fund	44,285,061	52,240,163	67,023,546	74,294,146	74,294,146	DI#2
Federal Funds	0	0	0	0	0	
Governor's Opportunity Scholarships - GF	7,990,908	7,902,673	0	0	0	
Subtotal - (A) Need Based Grants (GF)	52,275,969	60,142,836	67,023,546	74,294,146	74,294,146	10.8%
(B) Merit Based Grants	1,497,959	1,499,743	1,500,000	1,500,000	1,500,000	
General Fund	1,497,959	1,499,743	1,500,000	1,500,000	1,500,000	
Cash Funds Exempt	0	0	0	0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
(C) Work Study - GF	14,883,518	14,856,716	14,884,300	16,612,357	16,612,357	DI#7
(D) Special Purpose						
Precollegiate Programs - GF	0	787,940	800,000	1,600,000	1,600,000	DI#8
Required Federal Match	2,836,474	2,410,037	3,026,350	3,026,350	3,026,350	
General Fund	1,832,701	1,434,968	1,726,350	1,726,350	1,726,350	
Federal Funds	1,003,773	975,069	1,300,000	1,300,000	1,300,000	
Veterans'/Law Enforcement/POW Tuition Assistance						
General Fund	346,276	304,585	364,922	364,922	364,922	
National Guard Tuition Assistance - GF	410,207	539,271	650,000	650,000	650,000	
Native American Students/Fort Lewis College						
General Fund	7,299,164	7,634,353	8,063,560	8,063,560	8,063,560	
Grant Program for Nurses Training - GF	0	0	0	0	0	
Early Childhood Professional Loan Repayment						
Cash Funds Exempt	3,000	1,000	0	0	0	
Nursing Teacher Loan Forgiveness Pilot						
General Fund	0	0	161,600	161,600	161,600	
GEAR - UP - FF	503,687	639,027	600,000	600,000	600,000	
Teacher and Principal Training Grants - FF	1,007,235	820,547	0	0	0	
Subtotal - (D) Special Purpose	12,406,043	13,136,761	13,666,432	14,466,432	14,466,432	5.9% Approp vs Request

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
TOTAL - (3) Financial Aid	81,063,489	89,636,056	97,074,278	106,872,935	106,872,935	10.1%
General Fund	78,545,794	87,200,411	95,174,278	104,972,935	104,972,935	10.3%
Cash Funds Exempt	3,000	1,000	0	0	0	n/a
Federal Funds	2,514,696	2,434,644	1,900,000	1,900,000	1,900,000	0.0%

(4) College Opportunity Fund Program

(Provides General Fund for student stipend payments and for fee-for-service contracts between the Colorado Commission on Higher Education and state higher education institutions)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Stipends - State	271,803,110	312,405,160	326,153,316	*Not identified*	*Not identified*	
General Fund	271,803,110	312,405,160	323,117,640			DI#1
Cash Funds Exempt	0	0	3,035,676			
Eligible Students (non-add)	*113,251.3*	*121,087.3*	*122,154.8*			
Rate per 30 Credit Hours (non-add)	*$2,400*	*$2,580*	*$2,670*			
Stipends - Private						
Eligible Students (non-add)	*600.0*	*704.3*	*700.0*	*Not identified*	*Not identified*	
Rate per 30 Credit Hours (non-add)	*$1,200*	*$1,290*	*$1,335*			
General Fund	720,000	908,552	934,500			DI#1
Subtotal - Stipends	272,523,110	313,313,712	327,087,816	*Not identified*	*Not identified*	
College Opportunity Fund Balance - GF	0	2,644,738	0	0	0	
Fee-for-service Contracts - GF	262,378,433	266,575,756	301,501,042	*Not identified*	*Not identified*	DI#1
						Approp vs Request
TOTAL - (4) College Opportunity Fund Program	534,901,543	582,534,206	628,588,858	674,106,383	674,106,383	7.2%
General Fund	534,901,543	582,534,206	625,553,182	674,106,383	674,106,383	7.8%
Cash Funds Exempt	0	0	3,035,676	0	0	-100.0%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
†General Fund Exempt	*253,400,000*	*322,400,000*	*310,700,000*	*310,700,000*	*310,700,000*	

(5) Governing Boards

(Primary Functions: Provides spending authority for revenue earned by higher education institutions from student stipend payments, fee-for-service contracts, tuition, academic program and academic facility fees, and miscelaneous other sources.)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
(A) Trustees of Adams State College	18,373,243	19,418,698	20,219,125	*Not identified*	*Not identified*	
FTE	273.0	261.2	271.5			
College Opportunity Fund/GF pre 05-06	12,149,322	12,475,285	13,624,080			
Student Stipend Payments - CFE	3,375,990	3,694,312	3,770,040			
Fee-for-service Contracts - CFE	8,773,332	8,780,973	9,854,040			
Tuition - CFE/CF pre 05-06	6,136,638	6,532,983	6,498,805			
Resident	4,748,660	4,562,171	5,016,918			
Nonresident	1,387,978	1,970,812	1,481,887			
Academic Fees - CFE	87,283	410,430	96,240			
(B) Trustees of Mesa State College	35,751,958	40,203,297	44,205,881	*Not identified*	*Not identified*	
FTE	394.7	422.2	452.2			
College Opportunity Fund/GF pre 05-06	19,888,392	20,618,060	22,376,340			
Student Stipend Payments - CFE	9,733,520	11,268,086	12,087,090			
Fee-for-service Contracts - CFE	10,154,872	9,349,974	10,289,250			
Tuition - CFE/CF pre 05-06	15,858,766	19,244,180	21,469,541			
Resident	12,550,210	16,215,306	17,192,846			
Nonresident	3,308,556	3,028,874	4,276,695			
Academic Fees - CFE	4,800	341,057	360,000			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	CCHE Req.	Notes
(C) Trustees of Metropolitan State College	82,721,879	87,650,038	91,334,244	*Not identified*	*Not identified*	
FTE	1,040.3	1,077.8	1,056.3			
College Opportunity Fund/GF pre 05-06	39,778,568	42,692,725	44,644,910			
Student Stipend Payments - CFE	33,883,200	38,529,170	40,696,140			
Fee-for-service Contracts - CFE	5,895,368	4,163,555	3,948,770			
Tuition - CFE/CF pre 05-06	42,262,524	44,193,238	45,939,334			
Resident	38,385,745	39,574,870	41,490,868			
Nonresident	3,876,779	4,618,368	4,448,466			
Academic Fees - CFE	680,787	764,075	750,000			
(D) Trustees of Western State College	18,960,962	18,992,688	20,519,556	*Not identified*	*Not identified*	
FTE	204.2	232.0	230.9			
College Opportunity Fund/GF pre 05-06	9,892,147	10,372,540	11,355,691			
Student Stipend Payments - CFE	3,592,800	3,678,183	3,866,160			
Fee-for-service Contracts - CFE	6,299,347	6,694,357	7,489,531			
Tuition - CFE/CF pre 05-06	8,780,615	8,599,218	9,137,865			
Resident	3,780,705	4,012,046	4,161,099			
Nonresident	4,999,910	4,587,172	4,976,766			
Academic Fees - CFE	288,200	20,930	26,000			
(E) Colorado State University System	273,462,105	289,148,260	310,787,083	*Not identified*	*Not identified*	
FTE	3,677.7	3,815.1	3,852.4			
College Opportunity Fund/GF pre 05-06	113,620,028	123,387,585	133,789,929			
Student Stipend Payments - CFE	45,405,600	49,205,538	51,234,630			
Fee-for-service Contracts - CFE	68,214,428	74,182,047	82,555,299			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Tuition - CFE/CF pre 05-06	155,161,777	160,416,661	172,427,154			
Resident	82,968,862	85,021,401	92,122,373			
Nonresident	72,192,915	75,395,260	80,304,781			
Academic Fees - CFE	4,510,300	4,674,014	4,250,000			
Appropriated Grants - CF	0	500,000	150,000			
Appropriated Grants - CFE	170,000	170,000	170,000			
(F) Trustees of Fort Lewis College	31,696,667	33,084,575	36,162,754	*Not identified*	*Not identified*	
FTE	375.5	390.5	432.3			
College Opportunity Fund/GF pre 05-06	8,757,822	10,745,879	11,653,935			
Student Stipend Payments - CFE	5,971,200	6,607,166	6,829,860			
Fee-for-service Contracts - CFE	2,786,622	4,138,713	4,824,075			
Tuition - CFE/CF pre 05-06	21,771,794	21,432,247	23,310,819			
Resident	7,536,978	7,082,213	7,625,247			
Nonresident	14,234,816	14,350,034	15,685,572			
Academic Fees - CFE	1,121,051	858,449	1,150,000			
Appropriated Grants - CFE	46,000	48,000	48,000			
(G) Regents of the University of Colorado	605,770,144	649,662,657	706,954,933	*Not identified*	*Not identified*	
FTE	6,296.9	6,438.1	6,441.1			
College Opportunity Fund/GF pre 05-06	159,103,983	178,783,883	194,986,340			
Student Stipend Payments - CFE	63,396,000	70,001,769	73,075,230			
Fee-for-service Contracts - CFE	95,707,983	108,782,114	121,911,110			
Tuition - CFE/CF pre 05-06	427,775,517	452,204,926	482,155,600			
Resident	215,144,987	227,486,718	243,164,790			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	CCHE Req.	Notes
Nonresident	212,630,530	224,718,208	238,990,810			
Academic Fees - CFE	18,233,113	18,016,317	20,762,313			
Appropriated Grants - CFE	657,531	657,531	9,050,680			
(H) Colorado School of Mines	58,268,589	63,758,843	67,684,680	*Not identified*	*Not identified*	
FTE	619.0	633.9	629.4			
College Opportunity Fund/GF pre 05-06	18,793,625	20,043,357	21,737,271			
Student Stipend Payments - CFE	6,103,200	6,849,036	7,235,700			
Fee-for-service Contracts - CFE	12,690,425	13,194,321	14,501,571			
Tuition - CFE/CF pre 05-06	37,646,698	42,503,108	45,797,409			
Resident	21,489,369	24,544,515	25,986,286			
Nonresident	16,157,329	17,958,593	19,811,123			
Academic Fees - CFE	153,266	12,378	150,000			
Appropriated Grants - CF	0	0	0			
Appropriated Grants - CFE	1,675,000	1,200,000	0			
(I) University of Northern Colorado	83,818,506	87,289,756	94,746,590	*Not identified*	*Not identified*	
FTE	940.6	959.4	1,015.0			
College Opportunity Fund/GF pre 05-06	35,176,878	37,949,011	41,156,170			
Student Stipend Payments - CFE	21,160,800	22,603,916	23,317,110			
Fee-for-service Contracts - CFE	14,016,078	15,345,095	17,839,060			
Tuition - CFE/CF pre 05-06	47,906,042	48,589,809	52,833,953			
Resident	35,909,033	35,891,829	39,503,974			
Nonresident	11,997,009	12,697,980	13,329,979			
Academic Fees - CFE	735,586	750,936	756,467			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
(J) State Board for the Community Colleges and Occupational Education						
State System Community Colleges	241,274,232	250,940,624	263,685,304	*Not identified*	*Not identified*	
FTE	4,547.4	4,559.9	4,576.4			
College Opportunity Fund/GF pre 05-06	117,020,778	121,912,591	132,329,692			
Student Stipend Payments - CFE	79,180,800	99,967,984	104,041,356			
Fee-for-service Contracts - CFE	37,839,978	21,944,607	28,288,336			
Tuition - CFE/CF pre 05-06	118,157,415	124,895,574	125,737,586			
Resident	102,348,575	104,135,831	104,975,838			
Nonresident	15,808,840	20,759,743	20,761,748			
Academic Fees - CFE	6,096,039	4,132,459	5,618,026			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Approp vs Request
TOTAL - (5) Governing Boards	1,450,098,285	1,540,149,436	1,656,300,150	1,704,853,351	1,704,853,351	2.9%
FTE	18,369.3	18,790.1	18,957.5	18,957.5	18,957.5	0.0
College Opportunity Fund/GF pre 05-06	534,181,543	578,980,916	627,654,358	676,207,559	676,207,559	7.7%
Student Stipend Payments - CFE	271,803,110	312,405,160	326,153,316	*Not identified*	*Not identified*	
Fee-for-service Contracts - CFE	262,378,433	266,575,756	301,501,042	*Not identified*	*Not identified*	
Tuition - CFE/CF pre 05-06	881,457,786	928,611,944	985,308,066	985,308,066	985,308,066	0.0%
Resident	524,863,124	548,526,900	581,240,239	581,240,239	581,240,239	0.0%
Nonresident	356,594,662	380,085,044	404,067,827	404,067,827	404,067,827	0.0%
Academic Fees - CFE	31,910,425	29,981,045	33,919,046	33,919,046	33,919,046	0.0%
Appropriated Grants - CF	0	500,000	150,000	150,000	150,000	0.0%
Appropriated Grants - CFE	2,548,531	2,075,531	9,268,680	9,268,680	9,268,680	0.0%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
TOTAL - (6) Local District Junior College Grants						
General Fund	12,601,934	13,668,051	14,823,001	15,267,691	15,267,691	3.0% DI#2

						Approp vs Request
TOTAL - (7) Advisory Commission on Family Medicine	1,576,502	1,703,558	1,903,558	1,903,558	1,903,558	0.0%
FTE	0.0	0.0	0.0	0.0	0.0	0.0
General Fund	0	0	0	0	0	n/a
Cash Funds Exempt	1,576,502	1,703,558	1,903,558	1,903,558	1,903,558	0.0%

(8) Division of Occupational Education

(Primary Functions: Administers and supervises vocational programs and distributes state and federal funds for this purpose. Also, coordinates resources for job development, job training, and job retraining. The cash funds exempt represent transfers from the Office of Economic Development and from the Department of Education for the Colorado Vocational Act.)

(A) Administrative Costs	543,510	586,389	900,000	900,000	900,000	
FTE	5.4	7.5	9.0	9.0	9.0	
General Fund	299,880	0	148,261	148,261	148,261	
Cash Funds	243,630	586,389	751,739	751,739	751,739	
Cash Funds Exempt	0	0	0	0	0	
(B) Colorado Vocational Act Distributions						
Cash Funds Exempt	19,996,048	20,635,922	21,208,319	21,208,319	21,208,319	
(C) Area Vocational School Support						
General Fund	8,505,528	9,635,902	10,450,136	11,181,645	11,181,645	7.0% DI#3
(D) Sponsored Programs						
(1) Administration						
Federal Funds	1,439,039	2,065,069	2,262,431	2,262,431	2,262,431	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
FTE	25.2	20.5	23.0	23.0	23.0	
(2) Sponsored Programs						
Federal Funds	12,874,615	20,657,226	15,015,100	15,015,100	15,015,100	
Subtotal - (D) Sponsored Programs	14,313,654	22,722,295	17,277,531	17,277,531	17,277,531	0.0%
(E) Colorado First Customized Job Training						
Cash Funds Exempt	1,169,211	2,290,638	2,725,022	2,725,022	2,725,022	
(F) Existing Industry Training						
Cash Funds Exempt	598,405	0	0	0	0	
						Approp vs Request
TOTAL - (8) Occupational Education	45,126,356	55,871,146	52,561,008	53,292,517	53,292,517	1.4%
FTE	30.6	28.0	32.0	32.0	32.0	0.0
General Fund	8,805,408	9,635,902	10,598,397	11,329,906	11,329,906	6.9%
Cash Funds	243,630	586,389	751,739	751,739	751,739	0.0%
Cash Funds Exempt	21,763,664	22,926,560	23,933,341	23,933,341	23,933,341	0.0%
Federal Funds	14,313,654	22,722,295	17,277,531	17,277,531	17,277,531	0.0%

(9) Auraria Higher Education Center

(Primary Functions: Coordinate administration of the Auraria campus. The cash funds exempt represent payments from the resident institutions.)

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Administration	14,305,316	14,814,761	15,686,087	15,686,087	15,686,087	
FTE	124.7	123.6	123.6	123.6	123.6	
Cash Funds	14,305,316	14,814,761	15,686,087	15,686,087	15,686,087	
Cash Funds Exempt	0	0	0	0	0	
Auxilary Enterprises - CF	2,264,486	2,440,000	50,000	50,000	50,000	
						Approp vs Request

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
TOTAL - (9) AHEC	16,569,802	17,254,761	15,736,087	15,736,087	15,736,087	0.0%
FTE	124.7	123.6	123.6	123.6	123.6	0.0
Cash Funds	16,569,802	17,254,761	15,736,087	15,736,087	15,736,087	0.0%
Cash Funds Exempt	0	0	0	0	0	n/a

Approp vs Request

TOTAL - Council on the Arts						
Program Costs	1,416,000	*See Governor's Office*	*See Governor's Office*	*See Governor's Office*	*See Governor's Office*	n/a
FTE	2.0					
General Fund	700,000					
Cash Funds Exempt	16,000					
Federal Funds	700,000					

(10) State Historical Society

(Primary Functions: Collect, preserve, exhibit, and interpret artifacts and properties of historical significance to the state. Distribute gaming revenues earmarked for historic preservation. The primary source of cash funds is museum revenues. Most of the cash funds exempt comes from gaming revenues deposited in the State Historic Fund, but also includes gifts and grants.)

(A) Cumbres and Toltec Railroad Commission						
General Fund	260,000	510,000	100,000	100,000	100,000	
(B) Sponsored Programs	259,126	227,985	250,000	250,000	250,000	
FTE	2.9	3.4	3.5	3.5	3.5	
Cash Funds	1,100	0	0	0	0	
Cash Funds Exempt	15,182	0	20,000	20,000	20,000	
Federal Funds	242,844	227,985	230,000	230,000	230,000	
(C) Auxiliary Programs	1,137,484	875,420	1,535,699	1,535,699	1,535,699	
FTE	12.7	14.5	14.5	14.5	14.5	
Cash Funds	586,243	461,180	1,035,699	1,035,699	1,035,699	
Cash Funds Exempt	551,241	414,240	500,000	500,000	500,000	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
(D) Gaming Revenue						
Gaming Cities Distribution						
Cash Funds Exempt - SHF	5,204,091	5,608,258	5,878,129	5,878,129	5,878,129	
Statewide Preservation Grant Program						
Cash Funds Exempt - SHF	18,432,859	16,159,864	17,863,255	17,039,965	17,039,965	Hist#1, Hist#2
FTE	16.5	15.7	18.0	18.0	18.0	
Society Museum and Preservation						
Operations	5,801,705	6,069,255	6,189,164	7,562,928	7,562,928	
FTE	79.3	90.9	90.9	90.9	90.9	
Cash Funds	696,740	695,347	692,748	731,269	731,269	
Cash Funds Exempt - SHF	4,464,965	4,735,188	4,843,309	6,098,431	6,098,431	Hist#1, Hist#2
Federal Funds	640,000	638,720	653,107	733,228	733,228	
Subtotal - (D) Gaming Revenue	29,438,655	27,837,377	29,930,548	30,481,022	30,481,022	1.8%
						Approp vs Request
TOTAL - (10) Historical Society	31,095,265	29,450,782	31,816,247	32,366,721	32,366,721	1.7%
FTE	111.4	124.5	126.9	126.9	126.9	0.0
General Fund	260,000	510,000	100,000	100,000	100,000	0.0%
Cash Funds	1,284,083	1,156,527	1,728,447	1,766,968	1,766,968	2.2%
Cash Funds Exempt	28,668,338	26,917,550	29,104,693	29,536,525	29,536,525	1.5%
Federal Funds	882,844	866,705	883,107	963,228	963,228	9.1%
						Approp vs Request
TOTAL - Dept. of Higher Education	2,179,163,009	2,349,014,645	2,525,223,681	2,631,412,188	2,631,412,188	4.2%
FTE	18,672.2	19,095.9	19,277.9	19,277.9	19,277.9	0.0
General Fund	635,885,929	693,585,640	746,248,858	805,776,915	805,776,915	8.0%
Cash Funds	21,689,968	36,742,347	22,479,472	22,912,086	22,912,086	1.9%
Cash Funds Exempt	1,502,836,869	1,592,289,678	1,736,017,115	1,782,120,889	1,782,120,889	2.7%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9 Gov. Req.	FY 20080-9 CCHE Req.	Notes
Federal Funds	18,750,244	26,396,980	20,478,236	20,602,298	20,602,298	0.6%
†*General Fund Exempt*	*253,400,000*	*322,400,000*	*310,700,000*	*310,700,000*	*310,700,000*	*0.0%*

Key:
ITALICS = non-add figure, included for informational purposes
A = impacted by a budget amendment submitted after the November 1 request
S = impacted by a supplemental appropriation approved by the Joint Budget Committee

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Update on footnotes in the FY 2007-08 Long Bill

4 **All Departments, Totals --** The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly.

<u>Comment:</u> Of the footnotes discussed in this briefing, footnotes 38 through 41 requested reports from the Department. The Department has not supplied the reports, and so no copies have been provided to the majority and minority leadership.

5 **All Departments, Totals --** Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2007-08. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

<u>Comment:</u> *The Governor vetoed this footnote on May 2, 2007 on the grounds that it is attached to federal funds and private donations which are not subject to legislative appropriation; placing information requirements on these funds constitutes substantive legislation; and it creates an unfunded administrative burden for the departments. The General Assembly subsequently overode the veto. To the extent that this footnote can be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

Information on federal grants and private donations is available from the higher education institutions' financial statements, although they do not routinely include information specifically on FTE, or descriptions of each grant as requested by the footnote. Due to the volume, staff did not include the information from the higher education financial statements in this briefing. The Commission and the Historical Society included information about federal- and grant-funded FTE in the budget request, but did not provide the full descriptions of the grants that is requested in the footnote.

15 **Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Colorado Vocational Act Distributions pursuant to Section 23-8-102, C.R.S. --** The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available

for each categorical program excluding grant programs. The information for special education - children with disabilities, English language proficiency programs, public school transportation, Colorado Vocational Act distributions, and small attendance center aid is requested to include the following: (a) A comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2006-07 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each district or administrative unit for each program in fiscal year 2005-06 and actual district expenditures for each program. The information for special education services - gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2005-06 and actual district expenditures.

Comment: This footnote was discussed in detail in the Department of Education briefing.

38 **Department of Higher Education, Colorado Commission on Higher Education, Administration --** The Department should continue its efforts to provide data on the efficiency and effectiveness of state financial aid in expanding access to higher education for Colorado residents. The Department is requested to provide to the Joint Budget Committee by November 1 of each year an evaluation of financial aid programs, which should include, but not be limited to: 1) An estimate of the amount of federal, institutional, and private resources (including tax credits) devoted to financial aid; 2) the number of recipients from all sources; 3) information on typical awards; and 4) the typical debt loads of graduates. To the extent possible, the Department should differentiate the data based on available information about the demographic characteristics of the recipients. To the extent that this information is not currently available, the Department is requested to provide a reasonable estimate, or identify the additional costs that would be associated with collecting the data.

Comment: *The Governor vetoed footnotes 38, 40, and 41 on May 2, 2007. After the General Assembly overrode all Long Bill vetoes, the Department was directed not to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly. According to the letter, the data is not available to the Department in time to meet the November 1st reporting date, and so the Governor instructed the Department to submit the requested reports by January 2, 2008.*

For several years in response to this trio of footnotes requesting information about financial aid the Department has either failed to submit the requested reports, or submitted reports that were late and incomplete. In some years, including last year (when the briefing was a full week earlier than this year), the Department has managed to submit responses prior to the staff briefing, or in reaction to a JBC hearing question. Also, the Department has control over the schedule of when institutions must submit data to the Department. Therefore, staff does not understand why the Department continues to insist that the data can not be collected by November 1 to comply with the JBC's budget schedule. The JBC is typically too busy with supplementals and figure settings to analyze and digest a report submitted in January.

Footnote 38 specifically requests that if the requested information is not currently available the Department should provide an estimate of the costs associated with collecting the data.

Staff recommends discussing with the Department:

1. Why can't the data requested in footnotes 38, 40, and 41 currently be collected by November 1 each year?
2. What would it take to collect the data by November 1 each year, or at least prior to the budget briefing date?
3. Does the Department for some reason object to the requests for information contained in footnotes 38, 40, and 41? Does the Department believe that the information is not useful or beyond the statutory duties of the Department?
4. Does the Department have suggestions for improving the footnotes (other than delaying the deadline to January)? Does the Department think that there is a better way to analyze and track the performance of financial aid programs?

39 **Department of Higher Education, Colorado Commission on Higher Education, Administration --** The Department is requested to submit a report to the Joint Budget Committee by November 1, 2007, comparing the retention rates of students receiving Governor's Opportunity Scholarships with retention rates for low-income students receiving other types of financial aid packages.

<u>Comment:</u> *The Governor vetoed this footnote on May 2, 2007. After the General Assembly overrode all Long Bill vetoes, the Department was directed not to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly because the Governor's Opportunity Scholarships are being eliminated.* The status of the Governor's Opportunity Scholarships changed several times during the budget process last year. Staff suspects that the inclusion of this footnote was unintentional and had staff brought the footnote to the attention of the Conference Committee the footnote probably would have been eliminated, given the ultimate decision by the legislature to roll the funding for the Governor's Opportunity Scholarships into the Need Based Grants line item.

40 **Department of Higher Education, Colorado Commission on Higher Education, Administration --** The Department is requested to submit a report to the Joint Budget Committee by November 1 each year documenting the base level of institutional financial aid at each institution and demonstrating that at least 20 percent of any increase in undergraduate resident tuition revenues in excess of inflation is being devoted to need-based financial assistance pursuant to section 23-18-202 (3) (c), C.R.S.

<u>Comment:</u> See the comment under footnote 38.

41 **Department of Higher Education, Colorado Commission on Higher Education, Administration --** The Department is requested to submit a report to the House and Senate Education Committees and the Joint Budget Committee by November 1, 2007, analyzing the impact of need based financial aid programs on the recruitment, retention, and academic performance of under-served students, and making recommendations for improvement.

Comment: See the comment under footnote 38.

42 **Department of Higher Education, Colorado Commission on Higher Education, Special Purpose, Enrollment/Tuition and Stipend Contingency --** The Colorado Commission on Higher Education may transfer spending authority from this line item to the Governing Boards in the event that tuition or stipend revenues increase beyond appropriated levels. The spending authority for this line item shall be in addition to the funds appropriated directly to the Governing Boards. The Colorado Commission on Higher Education shall not authorize transfers of spending authority from this line item to support tuition or fee increases.

Comment: This footnote provides guidance on how the Department may use the appropriation.

43 **Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Work Study --** It is the intent of the General Assembly to allow the Colorado Commission on Higher Education to roll forward two percent of the Work Study appropriation to the next fiscal year.

Comment: The footnote provides flexibility for the Department to roll forward work study funds, since employment by some students in the summer of the academic year may occur in the next state fiscal year.

44 **Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, National Guard Tuition Assistance Fund --** It is the intent of the General Assembly that only the minimum funds necessary to pay tuition assistance for qualifying applicants pursuant to section 23-5-111.4, C.R.S. will be transferred to the National Guard Tuition Fund administered by the Department of Military Affairs. Any funds appropriated in this line item that are in excess of the minimum necessary to pay tuition assistance for qualifying applicants may be used for need based financial aid.

Comment: The Department is in compliance with the footnote. The Department is only transferring the minimum necessary to pay tuition assistance for qualifying national guardsmen.

45 **Department of Higher Education, Governing Boards, Trustees of Adams State College; Trustees of Mesa State College; Trustees of Metropolitan State College of Denver; Trustees of Western State College; Board of Governors of the Colorado State**

University System; Trustees of Fort Lewis College; Regents of the University of Colorado; Trustees of the Colorado School of Mines; University of Northern Colorado; State Board for Community Colleges and Occupational Education State System Community Colleges; and Auraria Higher Education Center -- Notwithstanding the limitations set forth in subsection (3) of section 1 of this act, the FTE reflected in these line items are shown for informational purposes and are not intended to be a limitation on the budgetary flexibility allowed by section 23-1-104 (1) (a) (I), C.R.S.

Comment: This footnote expresses legislative intent with regard to FTE.

46 **Department of Higher Education, Governing Boards, Trustees of Adams State College; Trustees of Mesa State College; Trustees of Metropolitan State College of Denver; Trustees of Western State College; Trustees of Fort Lewis College --** Undergraduate resident tuition credit hour rate increases are limited to 5%. However, for four-year institutions, governing boards have the option to set tuition levels within a 5% total tuition revenue limit, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

47 **Department of Higher Education, Governing Boards, Board of Governors of the Colorado State University System; Regents of the University of Colorado; Trustees of the Colorado School of Mines; University of Northern Colorado --** Undergraduate resident tuition credit hour rate increases are limited to 7%. However, for research institutions, governing boards have the option to set tuition levels within a 7% total tuition revenue limit, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

48 **Department of Higher Education, Governing Boards, Regents of the University of Colorado --** Of the amount appropriated to the Regents of the University of Colorado, it is the intent of the General Assembly that $104,189,992 shall be for the University of Colorado

Health Sciences Center, including $1,223,762 from student stipend payments, $61,329,192 from fee-for-service contracts, $38,157,595 from the students' share of tuition, and $3,479,443 from academic fees and academic facility fees.

Comment: The FY 2007-08 estimated expenditures in the budget data book submitted by the University of Colorado do not show compliance with the footnote:

	Footnote	Budget Data Book	More/(Less) than Footnote
TOTAL	$104,189,992	$111,163,671	$6,973,679
Stipends	$1,223,762	$1,184,033	($39,729)
Fee-for-service	$61,329,192	$61,368,920	$39,728
Student's share tuition	$38,157,595	$38,196,293	$38,698
Academic fees	$3,479,443	$10,414,425	$6,934,982

Staff recommends discussing with the Department why they aren't in compliance with this footnote.

49 **Department of Higher Education, Governing Boards, State Board for Community Colleges and Occupational Education State System Community Colleges --** Undergraduate resident tuition credit hour rate increases are limited to 3.5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

ISSUE:

Tuition increases implemented by the governing boards, and compliance with legislative intent

SUMMARY:

- Footnotes 46, 47, and 49 in the FY 2007-08 Long Bill limited increases in resident tuition revenue generated by the Governing Boards to:
  - 7.0 percent of total revenue for CU, CSU, Mines, and UNC
  - 5.0 percent of total revenue for the other 4-year institutions
  - 3.5 percent over the prior year per-credit-hour rate for the Community Colleges**.**
- A revenue limit, as opposed to a rate limit, allows institutions to apply different rate increases to different classes of students, as long as the total projected revenue fits within the limit.
  - Compliance with revenue limits can be difficult to track because it requires an interpretation of whether the enrollment assumptions were reasonable.
  - Higher education institutions typically prefer revenue limits over rate limits, and there is some historical statutory basis for using revenue limits rather than rate limits.
- Higher education institutions didn't really take advantage of the flexibility a revenue limit provides versus a rate limit until governing boards began changing the full-time tuition window.
  - Many institutions charge students per credit hour up to a threshold beyond which additional credit hours are free. The free credit hours are referred to as the full-time tuition window. When an institution closes the full-time tuition window it charges full-time students for more credit hours than it did in the prior year.
- The tuition footnotes in the FY 2007-08 Long Bill allowed governing boards to calculate the resident tuition revenue limit based on total resident and nonresident tuition.
  - There is no policy basis for indexing the allowable resident tuition increase to total tuition, but that is the way the footnote was written.
  - The way the footnote was written does not promote transparency in budgeting.

RECOMMENDATION:

Staff recommends that in the future the General Assembly express its intent with regard to tuition in the form of a rate limit, rather than a revenue limit, to reduce confusion.

DISCUSSION:

In footnotes 46, 47, and 49 to the FY 2007-08 Long Bill, the General Assembly expressed its intent with regard to tuition increases. The instructions for the research institutions (CU, CSU, Mines, and UNC) were as follows:

> Undergraduate resident tuition credit hour rate increases are limited to 7%. However, for research institutions, governing boards have the option to set tuition levels within a 7% total tuition revenue limit, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

The footnote for the other 4-year institutions was identical, except that the rate and revenue limits in the first two sentences were 5 percent rather than 7 percent. For the community colleges the rate cap was 3.5 percent and there was no option to use a revenue limit.

Revenue limit versus a rate limit

A rate limit is relatively easy to understand. If the tuition charge for a full-time student is $4,000 and the limit on rate increases is 5.0 percent, then the maximum new charge is $4,200. A revenue limit caps the income an institution can generate from tuition. Indirectly this limits the rates that the institution can charge, but it offers some flexibility to an institution that implements different tuition rates for different classes of students. For example, with a 5.0 percent revenue limit an institution might raise a $4,000 tuition rate by 10 percent to $4,400 for business students, and then compensate by holding the tuition rate increase for all other students to something less than 5.0 percent. Because the number of business students is small compared to the rest of the student population, the institution might only need to shave a fraction off of the tuition rate increase for the remaining student body, like a 4.9 percent increase rather than a 5.0 percent increase.

It is difficult to track compliance with a revenue limit. Setting a revenue limit requires some assumptions about enrollment. If the General Assembly makes a forecast of enrollment and the enrollment forecast is wrong, it is unlikely that the General Assembly would want to punish an institution for exceeding its revenue limit due to a faulty forecast. The General Assembly forecasts the total student body, but it doesn't forecast the business school population. If an institution makes a good faith projection that a 10 percent increase in tuition for business students and a 4.9 percent increase for the remaining population will generate a total 5.0 percent revenue increase, it could be wrong and end up exceeding the revenue limit. Meanwhile, another institution could intentionally manipulate assumptions about the business school enrollment versus the remaining enrollment and end up exceeding the revenue cap because they used unrealistic data. How does the legislature distinguish between the institution that makes a good faith effort and the institution that exploits the flexibility of a revenue limit?

There is some historical statutory basis for the legislature to express tuition limits in the form of a revenue limit rather than a rate limit. Subsequent to the passage of TABOR, the General Assembly asserted in Section 23-1-103.5, C.R.S. that it has an interest in limiting higher education revenues that count toward the TABOR limit. That section of statute prohibits governing boards from raising more revenue than the appropriation in the Long Bill from sources that count against the TABOR limit. In concert with that statute, several governing boards (although not all) were given specific statutory authority to set tuition. For example, the statutory authorization for CSU in Section 23-31-107, C.R.S. says, "The board of governors of the Colorado state university system shall fix tuition in accordance with the level of cash fund appropriations set by the general assembly for the university pursuant to section 23-1-103.5." Section 23-1-103.5, C.R.S. is somewhat obsolete now that the governing boards have been designated as enterprises and their tuition no longer counts toward the TABOR limit. The statute has been replaced by Section 23-5-129, C.R.S. that says the general assembly retains the authority to approve tuition spending authority for the governing boards, and by Section 23-18-202 (3) (b), C.R.S. that says, "The tuition increases from which the general assembly derived the total cash spending authority for each governing board shall be noted in a footnote in the annual general appropriations act."

If given the choice between a revenue limit and a rate limit, the governing boards typically argue for a revenue limit, because that preserves the most flexibility and authority for the governing boards. However, for at least a decade prior to FY 2003-04 staff only knows of one governing board using different tuition rate increases for different segments of the student body. The governing board that differentiated tuition was CU, and for the most part CU didn't take advantage of the revenue limit versus a rate limit to create the differentiation in tuition. Rather, CU requested and received specific legislative authorization in the tuition footnote to create the different tuition classifications. The percentage increases in tuition rates implemented by the other higher education institutions were at or below the allowable percentage increases in revenue expressed in the tuition footnote, and so in practice there was little difference between a rate limit and a revenue limit.

Closing the tuition window

In FY 2003-04, CSU-Pueblo increased the threshold at which they stopped charging full-time students for additional credit hours. They "closed the tuition window" and charged full-time students for one more credit hour than they had the year before. They accomplished this within the overall revenue limit for the governing board by limiting rate increases at CSU-Fort Collins. This is similar to the example above of a differential rate increase for business students versus the rest of the population, except that in this case there was a differential rate increase for full-time students at CSU-Pueblo versus part time students at that campus and all students at the Fort Collins campus.

In FY 2004-05, several governing boards followed the example of CSU-Pueblo the year before and closed the tuition window. However, these other governing boards did not balance out the increased revenue by holding tuition rate increases down for students not affected by the window closure. It turned out to be a year when the state owed a TABOR refund and the only governing board that qualified for enterprise status was the University of Colorado (the COF Program was not implemented until FY 2005-06). The additional revenue from tuition increases implemented by the governing boards increased the TABOR refund, and thereby reduced the General Fund available for operating expenditures. The impact on the state's operating budget would have been almost the same if the governing boards had just authorized a General Fund increase for themselves.

Although the institutions that closed the tuition window appeared to be in clear violation of the legislative intent, at supplemental time the General Assembly provided the necessary additional tuition spending authority, rather than taking punitive action. General Fund adjustments were made elsewhere in the budget to balance to the available revenue. Legislators may have been persuaded that the higher education institutions were acting in desperation, given the General Fund reductions in prior years, and the fact that for FY 2004-05 the Long Bill didn't provide any General Fund increase for the governing boards and limited tuition increases to 1.1 percent for institutions that did not qualify for enterprise status (everyone except CU).

Staff believes that the experience in FY 2004-05 has emboldened governing boards to take a liberal interpretation of legislative intent with regard to tuition. All of the governing boards except the Community Colleges, which have a linear tuition scale, have made adjustments to tuition charges for full-time students versus part-time students. Some higher education policy makers argue that a full-time tuition window, where students pay per credit hour up to a threshold where additional credit hours are free, provides an economic incentive for students to take a full-time course load and graduate in four years. Other higher education policy makers argue that maintaining a full-time tuition window unfairly burdens part-time, working students, who end up paying a higher cost per credit hour than they would otherwise. This is why the Community Colleges charge the same amount for every credit hour, regardless of the number of credit hours taken. Notwithstanding policy reasons for having a tuition window or not, staff believes that the changes in the tuition structure per credit hour at Colorado institutions in recent years have been implemented primarily as a means of generating more revenue.

Notably, one of the institutions that did not close the tuition window in FY 2004-05 was CSU-Fort Collins. It adhered to the legislatively mandated 1.1 percent increase that year. The impact on the TABOR refund if CSU-Fort Collins had closed the tuition window would have been much more dramatic than the impact from the smaller institutions that did close the full-time tuition window. CSU-Fort Collins' decision to play by the rules in FY 2004-05 put it at a competitive disadvantage relative to higher education institutions that violated the tuition footnote. It's possible that this experience played a role in how CSU-Fort Collins approached tuition increases in FY 2007-08.

Are the governing boards in compliance with the FY 2007-08 tuition footnote?

The table below illustrates the increases in annual tuition rates implemented by the governing boards for resident, undergraduate, full-time (15 credit hours per semester) students.

Institution	FY 2006-07 Resident Tuition (30 CHRS)	FY 2007-08 Resident Tuition (30 CHRS)	Dollar Difference	Percent Difference	Overall Tuition Revenue Limit Category
University of Colorado - Boulder					
All-Other	4,554	5,418	864	19.0%	7.0%
Business	7,254	8,632	1,378	19.0%	
Engineering	5,994	7,498	1,504	25.1%	
Journalism/Music	4,734	5,628	894	18.9%	
University of Colorado - Colorado Springs					
Incoming Freshman	N/A	5,190	5,190	N/A	7.0%
Continuing Freshman & Sophomores	4,066	4,350	284	7.0%	
Jr & Sr in LAS	4,264	4,562	298	7.0%	
Upper Division Business & Engineering	4,508	4,824	316	7.0%	
Jr & Sr in Beth El Nursing & Health Sciences	6,250	6,688	438	7.0%	
Certificate in Education	4,264	4,562	298	7.0%	
University of Colorado - Denver					
All Freshmen & Sophomores	4,330	5,054	724	16.7%	7.0%
Juniors & Seniors in Liberal Arts & Science, Non-Degree	4,330	5,184	854	19.7%	
Juniors & Seniors in Arts & Media, Business & Engineering	4,806	N/A	-4,806	-100.0%	
Colorado State University - Fort Collins					
Resident	3,466	4,040	574	16.6%	7.0%
College of Business	4,036	4,610	574	14.2%	
College of Engineering	3,841	4,415	574	14.9%	
Department of Computer Science	3,841	4,415	574	14.9%	
Upper Division Courses	3,526	4,160	634	18.0%	
High Cost Programs	N/A	4,220	4,220	N/A	
Colorado State University - Pueblo					
Base	2,975	3,184	208	7.0%	7.0%
Differential	N/A	3,671	3,671	N/A	
Fort Lewis College	2,522	2,684	162	6.4%	5.0%
University of Northern Colorado					
Resident	3,276	3,600	324	9.9%	7.0%
Music, Theatre, and Nursing	3,636	3,960	324	8.9%	
Business	3,756	4,080	324	8.6%	
Adams State College	2,030	2,328	298	14.7%	5.0%
Mesa State College	3,442	3,893	451	13.1%	5.0%
Metropolitan State College of Denver	2,447	2,432	-15	-0.6%	5.0%
Western State College	2,554	2,688	134	5.3%	5.0%
Colorado School of Mines	7,852	8,764	912	11.6%	7.0%
Community Colleges	2,237	2,315	78	3.5%	3.5%

How did the governing boards justify these tuition increases given the language of the footnote? Here is how some governing boards parsed the footnote:

Footnote language	Interpretation
Undergraduate resident tuition credit hour rate increases are limited to 7% *[5% for 4-year institutions and 3.5% for community colleges]*.	This is a rate limit, but it only applies to the per-credit-hour rate. An institution could still close the full-time tuition window. The second sentence offers an alternative way to calculate the allowable tuition increase for research and 4-year institutions. Most institutions took advantage of the alternative calculation.
However, for research institutions *[4-year institutions]*, governing boards have the option to set tuition levels within a 7% *[5%]* total tuition revenue limit, . . .	This is a revenue limit. Significantly, it applies to total tuition. This means that a governing board could apply different tuition increases for resident students versus nonresident students, as long as the total increase complied with the relevant 7% or 5% limit. If an institution wanted to implement a 14 percent increase for residents and no increase for nonresidents, this sentence would allow it, if the total revenue generated didn't exceed the limit.
. . .provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%.	This is a condition if the governing board uses the revenue limit to calculate the allowable tuition increase. Staff is unsure how to measure compliance. Can an institution reallocate existing financial aid resources to claim that they have met this condition? However, the Department has come up with a methodology and reports that all governing boards are meeting this condition.
These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session.	Some institutions have interpreted this to mean that the text of the footnote to this point only applies to resident tuition, and the governing boards are free to do whatever the market will bear with regard to nonresident tuition. This interpretation is controversial. However, it should be noted that this doesn't give the institutions any more flexibility with regard to resident tuition than is theoretically possible if these two sentences were not part of the footnote. However, this interpretation does mean that rather than having to hold nonresident tuition increases to zero to accomplish the maximum resident tuition increase, the institutions can implement the maximum resident tuition increase and then increase nonresident tuition to market levels.
The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.	This puts the institutions on notice that if they misjudge the nonresident market and price themselves too high, the General Fund will not backfill lost revenue.

Staff has not heard anyone argue that there is a logical basis for using total tuition as an index for the allowable increase in resident tuition. However, staff agrees with the institutions that the language of the footnotes allows institutions to take this approach. With this interpretation of the footnotes, staff doesn't have any reason to question the enrollment assumptions or calculations of the governing boards that these undergraduate resident tuition increases when combined with graduate resident increases will comply with the revenue limits expressed in the footnotes.

The text of the footnotes is undeniably torturous and confusing. Staff believes that the way the footnotes were written does not promote transparency in budgeting. However, staff has no basis for commenting on whether the footnotes came out the way they did as a result of a deliberate attempt by parties involved to mislead legislators or the public, or a series of compromises with many cooks putting a spoon in the pot. JBC members will need to decide whether the responses of the institutions to the footnote comply with the intent of the JBC.

Staff believes that a rate limit is far less confusing than a revenue limit. To reduce confusion and the risk of misinterpretation of the General Assembly's intent, **staff recommends that the JBC consider expressing its intent in the form of a rate limit rather than a revenue limit.** However, this may be easier said than done. A look at the tuition footnotes in prior years reveals that FY 2007-08 was not unique in the degree of convolution.

FY 2007-08

47 Undergraduate resident tuition credit hour rate increases are limited to 7%. However, for research institutions, governing boards have the **option to set tuition levels within a 7% total tuition revenue limit**, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

FY 2006-07

43 It is the intent of the General Assembly that no governing board increase the **tuition credit hour rate for resident undergraduate students more than 2.5 percent**. These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each governing board will give consideration to establishing equity of tuition increases among the campuses and programs under the governing board's jurisdiction.

FY 2005-06

55 The tuition increases from which the General Assembly derived the total cash spending authority for each governing board are **based on the requested amounts submitted by the institutions** as approved by the Colorado Commission on Higher Education, **except that** tuition spending authority for the University of Colorado includes an additional $1,603,118 for investment in merit based aid.

FY 2004-05

53 It is the intent of the General Assembly that each governing board may increase tuition rates by an amount calculated to generate **up to a maximum of 1.1 percent additional revenue from resident students**, not including the effects of enrollment changes; **except that**, if legislation allowing designation of institutions of higher education as enterprises is enacted by the Sixty-fourth General Assembly and becomes law, **the governing board of an institution or group of institutions that is designated as an enterprise** pursuant to such legislation may increase the tuition rates for the institution or group of institutions by an amount calculated to generate up to a maximum of **eight**

percent additional revenue from resident and non-resident students not including the effects of enrollment changes. Of said eight percent additional revenue, spending authority for one and one-tenths percent additional revenue shall be from the appropriation in this section, and spending authority for six and nine-tenths percent additional revenue shall be from the appropriation in section 15 of this act. These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each governing board will give consideration to establishing equity of tuition increases among the campuses and programs under the governing board's jurisdiction.

FY 2003-04

53 It is the intent of the General Assembly that each governing board may increase tuition rates by an amount calculated to generate up to **a maximum of 10 percent additional revenue from resident students** not including the effects of enrollment changes. These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each governing board will give consideration to establishing equity of tuition increases among the campuses and programs under the governing board's jurisdiction. **In addition** to the tuition increases outlined above, the General Assembly has approved an additional $7,643,990 in tuition spending authority for the Regents of the University of Colorado as follows: $1,100,000 for tuition rate increases in programs associated with the college of business at the Boulder campus; $435,904 for nursing, doctor of medicine, physical therapy, and doctor of dental surgery programs at the Health Sciences Center; and $6,108,086 for the "Quality for Colorado" initiative at the Boulder campus.

FY 2002-03

74 It is the intent of the General Assembly that each governing board, **except the Community Colleges**, may increase tuition rates by an amount calculated to generate up to **a maximum of 7.7 percent additional revenue from resident students** and up to a maximum of 7.7 percent additional revenue from nonresident students, not including the effects of enrollment changes. It is the intent of the General Assembly that the **Community Colleges** may increase tuition rates by an amount calculated to generate up to **a maximum of 5.7 percent additional revenue from resident students** and up to a maximum of 7.7 percent additional revenue from nonresident students, not including the effects of enrollment changes. These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each governing board will give consideration to establishing equity of tuition increases among the campuses and programs under the governing board's jurisdiction. **In addition** to the tuition increases outlined above, the General Assembly has approved an additional $3,274,351 in tuition spending authority for the Regents of the University of Colorado as follows: $842,384 for various tuition rate increases at the Colorado Springs campus; $933,800 for various tuition rate increases at the Denver campus; $1,097,000 for tuition rate increases in programs associated with the college of business at the Boulder campus; and $401,167 for nursing, doctor of medicine, physical therapy, and doctor of dental surgery programs at the Health Sciences Center. Also, the General Assembly has approved an additional $878,422 in tuition spending authority for the State Board of Agriculture for programs associated with the college of veterinary medicine at Colorado State University.

FY 2001-02

73 It is the intent of the General Assembly that each governing board may increase tuition rates by an amount calculated to generate up to **a maximum of 4.0 percent additional revenue from resident students** and up to a maximum of 5.0 percent additional revenue from nonresident students, not including the effects of enrollment changes. These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each governing board will give consideration to establishing equity of tuition increases among the campuses and programs under the governing board's jurisdiction. **In addition** to the tuition

increases outlined above, the General Assembly has approved an additional $2,762,154 in tuition spending authority for the University of Colorado for the following: at the Colorado Springs campus for resident and nonresident undergraduate and graduate tuition; at the Denver campus for resident undergraduate freshman and sophomore tuition and for junior and senior College of Liberal Arts and Sciences, engineering, and business tuition; at the Boulder campus for resident and nonresident undergraduate tuition and graduate business tuition.

FY 2000-01

66 It is the intent of the General Assembly that **the resident tuition rates by Governing Board be raised up to 2.9 percent** and nonresident tuition rates by Governing Board be raised up to 4.0 percent. These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each Governing Board will give consideration to establishing equity of tuition increases among the campuses under the Governing Board's jurisdiction. **In addition** to the tuition increases outlined above, the General Assembly has approved an additional $1,438,605 in tuition spending authority for the University of Colorado for the following: at the Colorado Springs campus for the resident graduate, education, engineering, and business programs and all nonresident tuition; at the Denver campus for resident undergraduate lower division freshman and sophomore tuition; at the Boulder campus for nonresident graduate business, engineering, journalism/music programs, and other miscellaneous programs where the nonresident graduate tuition rate is currently less than the nonresident undergraduate tuition rate.

FY 1999-00

70 It is the intent of the General Assembly that the **average resident and nonresident tuition rates by Governing Board be raised up to 2.4 percent.** These rates are used in order to increase spending authority for program enhancements and this is not an attempt by the General Assembly to set tuition policy. Each Governing Board will give consideration to establishing equity of tuition increases among the campuses under the Governing Board's jurisdiction. **In addition** to the tuition increases outlined above, the General Assembly has approved an additional $142,034 in tuition spending authority for the following programs at the University of Colorado Health Sciences Center: Masters in Public Health; Masters in Biophysics and Genetics, and the Child Health/Physician Assistant undergraduate and graduate programs. The University of Colorado is allowed to increase the tuition in these programs in amounts not to exceed the additional spending authority specified above. Also, the General Assembly authorizes the Law School at the University of Colorado at Boulder to increase their resident tuition by 7.6 percent and their nonresident tuition by 2.1 percent above the standard increases.

Key Constitutional and Statutory Provisions Related to Tuition

Section 4 of Aricle VIII of the Colorado Constitution: The governing boards of the state institutions of higher education, whether established by this constitution or by law, shall have the general supervision of their respective institutions and the exclusive control and direction of all funds of and appropriations to their respective institutions, unless otherwise provided by law.

Section 23-1-103.5 (2) (a), C.R.S.: For the 1993-94 fiscal year and fiscal years thereafter, the amount of cash funds appropriated in the general appropriation bill by the general assembly for the governing boards and the boards of trustees for all state-supported institutions of higher education shall equal the maximum amount of cash funds that such governing boards and boards of trustees shall raise, spend, or transfer to reserves for that fiscal year.

Section 23-5-129 (10), C.R.S.: While a state institution of higher education is operating pursuant to a performance contract negotiated pursuant to this section, the general assembly retains the authority to approve tuition spending authority for the governing board of the institution.

Section 23-1-104 (1) (a) (I), C.R.S.: The general assembly shall make annual appropriations of general fund moneys, of cash funds received from tuition income, and of cash funds exempt that are estimated to be received by an institution, under the direction and control of the governing board, as stipends, as defined in section 23-18-102, as a single line item to each governing board for the operation of its campuses.

Section 23-18-202 (3) (b), C.R.S.: The tuition increases from which the general assembly derived the total cash spending authority for each governing board shall be noted in a footnote in the annual general appropriations act.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HIGHER EDUCATION

ISSUE:

The peer comparison funding model under development by the Department

SUMMARY:

- The Department requested $48.6 million General Fund for stipends and fee-for-service contracts, but is still developing the distribution formula for these funds and hopes to have a recommendation in January.
- Draft distribution formulas shared with staff are based on comparisons between Colorado institutions and similarly situated peer institutions.
    - The justification offered for a peer comparison model is the need for Colorado institutions to have the resources to offer competitive compensation to faculty.
- The Department has identified a goal of achieving the average of peer funding for each institution in 10 years.
- The Department is developing target percentages for the state support versus student tuition and fees for each institution.
- Staff has concerns that the General Fund increases needed to close the peer gap in 10 years with the target percentages of state support under discussion by the Department are unrealistically high.

RECOMMENDATION:

Staff recommends that the JBC require the Department to submit a projection of the annual General Fund and tuition increases necessary to reach its targeted funding level with its distribution formula in December. The projection of tuition increases should be by institution. The Department should discuss how the administration plans to make that level of support available for the higher education institutions.

DISCUSSION:

The Department's decision item #1 includes $48.6 million General Fund for stipends and for fee-for-service contracts. However, the Department did not include a distribution formula explaining how the funding will be allocated by governing board and between stipends and fee-for-service contracts. The Department indicated to staff that they are still negotiating a formula with the governing boards and that they hope to have a solution in January.

Draft peer comparison model

Draft documents have been provided to the staff and some JBC members illustrating the principals of the distribution formula that is still under development.

- For each Colorado institution identify, with the help of a third-party consultant, peer institutions outside of Colorado that share similar characteristics;
- Calculate the average revenue per student FTE received by the peer group from combined state support, tuition, and fees;
- Close the gap between Colorado institutions and the peer average in 10 years (the Department counts FY 2007-08 as year one, and so the target year for completion is FY 2016-17); and
- Achieve goals for different higher education sectors for the share of costs paid from state support versus tuition by the end of the 10-year period.

The core justification for a peer comparison model is that Colorado institutions need to have the resources to offer competitive compensation to faculty. By far the largest expense for higher education institutions is faculty compensation. Most higher education faculty searches are national. There are certainly some disciplines and some institutions, particularly in the Denver metropolitan area, where wages in the local economy might be a good index of the necessary resources for Colorado institutions, but the institutions report that most often the competition for faculty is with other higher education institutions around the country.

An argument could be made that Colorado doesn't need the peer average resources to be competitive in faculty recruitment. Factors such as administrative efficiencies, mountains, sunshine, and low taxes could allow Colorado institutions to compete effectively at some funding level below the peer average. Assuming those factors apply equally to all Colorado institutions, the Department's draft model would still be a defensible distribution formula if the General Assembly determined that the overall level of funding should be some percentage less than the peer average.

Rather than providing an across the board increase, the draft model reexamines the base for each institution and justifies a disproportionate allocation of General Fund to some governing boards based on the need to treat all governing boards equally relative to the external peers. Through the selection of peers, the model recognizes differences in the types of programs and corresponding costs offered by each institution. The model explicitly identifies targets for the share of costs born by the state versus the student. These are the strengths of a peer comparison model, if the Department can successfully identify the peers and collect the data to implement it.

Shortcomings of a peer comparison model

A higher education funding model that is indexed to peers can be circular. The peer institutions will likely be watching Colorado while Colorado is watching them. This is similar to the problems associated with using a salary survey to determine compensation. The Department indicates that they intend to update the peer comparison model on an annual basis to account for growth in the resources available to peer institutions. The assumptions used about the future growth rate of peer institutions significantly influence any analysis of whether the state can reasonably expect to meet the Department's goal of peer parity in 10 years.

A peer comparison model is only as accurate and fair as the comparability of the peers and the quality of data from the peers. For some Colorado institutions there are a number of reasonable facsimiles around the country, but for others it is hard to find even one corresponding institution. The process of establishing peers is controversial and arguably better described as an art than a science. Peer comparison models are prone to criticisms of peer creep, where peer groups are perceived to represent aspirations rather than reality. Last year the National Commission on Higher Education Management Systems (NCHEMS) released a report on the gap between Colorado institutions and their peers. That report was not used as the basis for distributing resources. Since the NCHEMS report was released, as the Department has worked on a model that would actually distribute funding based on the peers, data submitted by the Department indicates that there have been 65 changes to the peer institutions for the 4-year institutions, which represents 34.9 percent of the original number of peers. The peer groupings for the community colleges have been completely reworked, although it appears that the universe of institutions being compared with Colorado community colleges is still fairly similar. Not all of the changes increased the average funding per student for the peer group. To change the peers the Department required institutions to go through a process where they provided quantifiable evidence to justify the change. All changes had to be approved by the third-party consultant.

The draft models distributed by CCHE rely heavily on data from the Integrated Postsecondary Education Data System (IPEDS). IPEDS is maintained by the federal government's National Center for Education Statistics. Federal statutes require higher education institutions to submit "timely and accurate" data to IPEDS in order to participate in federal financial aid programs. The federal government trains and assists higher education institutions in how to submit the data. The federal government attempts to verify some of the data by comparing it with other sources, and by analyzing prior submissions and trends. Anomalies are discussed with the submitting institutions. Some of the data submitted to IPEDS is supposed to be transcribed from audited financial statements for the institutions. However, the federal government does not systematically audit the data submitted to IPEDS. Still, IPEDS is among the most rigorous sources of data available for national comparisons.

The primary problem with IPEDS, or any other national data source, is that it limits the peer comparison model by the way that the national data is defined. For example, IPEDS data on SFTE and revenues includes continuing education, a category of expenditures that in Colorado is not eligible for state funding. There is no way to separate out the continuing education expenses, and some feel that this skews the peer comparison for certain institutions. Similarly, there are concerns that the way IPEDS defines SFTE for graduate programs and community colleges may not be compatible with Colorado practices. These types of data quality issues are a significant part of the current negotiations about the funding formula.

The share of costs for the student versus the state

A key component of the draft model is the so-called shares concept that identifies a target percentage of costs to come from the General Fund versus tuition and fees. The Department divided the higher education institutions into sectors and determined different shares to be born by the state for different sectors. The Department believes that different shares are necessary to balance the budget within available resources. Some policy makers argue that prices, or at least the percentage share of state support, should be equalized across institutions to ensure access and prevent discrimination. The Department points out that to attempt to equalize prices or percentage shares across the system would require a significant realignment of current funding. Also, it ignores differences in the ability of the student body to pay, the quality (or perceived quality) of the education provided, and the future earning potential of the students.

While the Department believes that different shares are necessary to balance the budget, in determining the shares it did not attempt to quantify variables such as student ability to pay, quality of the education, or future earning potential. Nor did the Department look to the peer institutions to determine the shares. The Department believes that while the total resources for Colorado institutions need to be competitive with peers, the share of costs born by the General Fund versus the student is an individual state policy decision.

The Department described the method it used to determine the shares in the draft documents provided to staff as gut instinct. The shares were latter revised based on averaging the results of a blind survey of what the chief financial officers for each governing board thought about the appropriate shares. The shares are arguably both the most important policy component of the model that the legislature needs to approve, and the least justified, researched, and analyzed part of the model. Staff does not believe it would be productive for the JBC to argue with the Department about how it defines SFTE, for example, unless there was some reason to believe that the balance of the Department's decisions were capricious or politically motivated. However, it would be appropriate for the JBC to debate the percentage state share versus student share of costs for each institution.

Projecting future resources

Staff attempted to get the Department to provide a projection of the resources necessary in future years to close the gap with the peers within the 10-year time period. The Department indicated that they have done this analysis and that they believe that closing the gap is possible with optimistic assumptions about future appropriations. However, the Department did not provide the analysis to support this position prior to the staff briefing. This may be in part because the distribution model is still in flux. Staff has concerns about the Department's assertion that the peer gap can be closed in 10 years. Staff suspects that the Department considered the total funding shortfall, but not the impact that the shares concept (which was developed at a later point in time) has on the need for General Fund.

The assumptions about future appropriations imbedded in the model are important because they provide insight on whether the higher education institutions are likely to be satisfied that the model treated them fairly. If it takes 30 years to reach peer parity rather than 10, because the model has unrealistic expectations about General Fund increases, will the higher education institutions be content with the approach?

Staff attempted to project the necessary General Fund increases through FY 2016-17 to achieve peer parity and estimated that it would require an annual increase of 12.5 percent. The results are displayed in a table form below and in a graph on page 55. Please note that this analysis is based on a discussion DRAFT of the Department's distribution formula at a point in time and may not resemble the current status of the Department's plan. Please also note that staff had to make a number of assumptions to create this projection that may not be consistent with the Department's intent. All of the calculations and assumptions behind the model are detailed in the table on page 56.

Increases Required to Close the Peer Gap in 10 Years							
Fiscal Year	**GF + Net Tuition and Fees**	**% inc**	**General Fund**	**% inc**	**Net Tuition and Fees**	**% inc**	
2007-08	1,509,608,672		627,654,360		881,954,312		Appropriated GF; CCHE est. Net Tuition and Fees
2008-09	1,637,459,645	8.5%	676,207,561	7.7%	961,252,084	9.0%	Requested GF; tuition assumes constant Total percent inc.
2009-10	1,776,138,504	8.5%	760,531,376	12.5%	1,015,607,128	5.7%	JBC Staff projection with conatant percent increase in
2010-11	1,926,562,279	8.5%	855,370,463	12.5%	1,071,191,816	5.5%	General Fund and Total for remaining years.
2011-12	2,089,725,664	8.5%	962,036,086	12.5%	1,127,689,579	5.3%	
2012-13	2,266,707,596	8.5%	1,082,003,028	12.5%	1,184,704,569	5.1%	
2013-14	2,458,678,387	8.5%	1,216,929,977	12.5%	1,241,748,410	4.8%	
2014-15	2,666,907,466	8.5%	1,368,682,463	12.5%	1,298,225,003	4.5%	
2015-16	2,892,771,772	8.5%	1,539,358,649	12.5%	1,353,413,123	4.3%	
2016-17	3,137,764,856	8.5%	1,731,318,339	12.5%	1,406,446,517	3.9%	

To create the projection staff took the average peer funding per SFTE that the Department estimated for FY 2007-08 and multiplied it by the Department's projected FY 2007-08 SFTE at each Colorado institution. To the resulting targeted funding level for FY 2007-08, staff applied the percentage state and student shares for each institution. This showed that in aggregate Colorado is $696.9 million below the targeted level of General Fund support.

Staff then made assumptions about the annual growth rate of the peer average and the Colorado SFTE to calculate the targeted funding in FY 2016-17. The Department indicated it was using optimistic assumptions, and so staff assumed only a 2.0 percent annual inflationary growth rate for the peer institutions and a 1.0 percent annual growth rate for the Colorado SFTE (the later may not be consistent with the Governor's goal of doubling degrees awarded by 2017).

Finally, staff assumed that the General Assembly would provide a constant percentage increase every year to achieve the targeted funding by FY 2016-17. The Department described a methodology that would divide the total estimated funding need in equal parts over the years available until the target year of FY 2016-17. Staff believes that given the six percent limit, the legislature would be better off with an equal percentage increase for higher education every year rather than an equal dollar increase. Staff made an exception to this methodology for FY 2008-09, since the Department has a General Fund request for that fiscal year. For all years, including FY 2008-09, staff assumed that tuition and fees would fill in the gap between a constant percentage increase in the total resources and the General Fund increase. Therefore, the table reflects a tuition and fee increase for FY 2008-09, even though the Department has not yet submitted a request in that area.

Predictions and questions

Given the six percent limit on General Fund appropriations, staff is concerned that it is unrealistic to expect the General Fund increases for higher education institutions to exceed six percent for 10 years in a row. This concern is heightened by the fact that staff used what is probably an unrealistically low assumption of only 2.0 percent for the annual growth in peer funding. This suggests that the Department may need to:

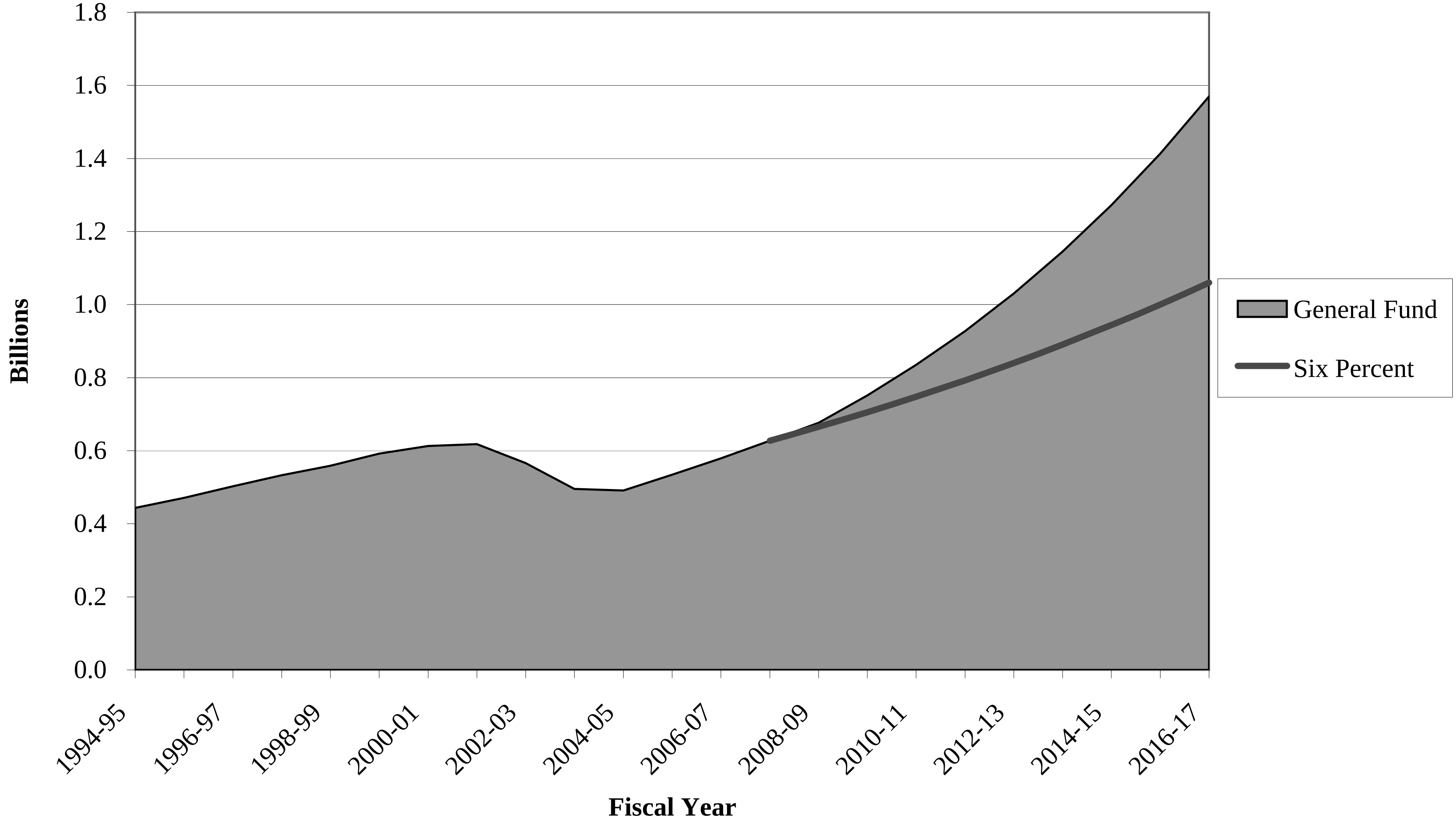
- set a less lofty goal than achieving the average of peer funding;
- decrease the state share and increase the student share;
- extend the time horizon to achieve peer parity; or
- some combination of all of the above.

If the model is not changed, staff predicts that the Department will fail to achieve its goal of peer parity. Impatient institutions that believe they have market capacity to increase tuition will successfully lobby the legislature for additional tuition spending authority. These institutions will then be better funded relative to their peers than other Colorado institutions and any perception within the higher education community that the funding model is fair will erode. The institutions that did not raise their tuition will rebel and force a reconsideration of the distribution formula.

With the risk of this potential scenario looming, why not start with a distribution formula that has a more realistic chance for success? Ten years is a long time to wait to reach an acceptable level of funding. Staff does not believe that extending the time horizon is a good option. Staff believes that the Department should propose a way to make due with less money and/or reduce the state share. If the Department thinks that the historic expenditure patterns under the six percent limit should not constrain projections of future funding for higher education, because of a pending ballot measure or plans for dramatic adjustments in funding for other state agencies, then these changes should be articulated so that the legislature can consider their merits and likelihood of passage when deciding whether to approve the higher education distribution formula.

Staff recommends that the JBC ask the Department to include a projection of General Fund needs over the ten year period when they submit their distribution plan in January. Staff also believes that the Department should project the increases in tuition rates necessary to achieve its targeted funding levels, <u>and do this by institution</u>. It is possible for the aggregate increase in tuition revenue to be acceptable to the legislature while the increases necessary for individual institutions are unacceptable, because of the gap between those institutions and peers and the state versus student shares targeted for those institutions by the Department.

General Fund to Close the Peer Gap



Institution	NCHEMS Peers Projected Average per SFTE in FY 2007-08	CCHE Projected FY 2007-08 SFTE	Targeted Funding in FY 2007-08	State Share	General Fund	Student Share	Net Tuition and Fees
UCD-HSC	120,695	3,286	396,603,297	65.0%	257,792,143	35.0%	138,811,154
CSM	21,137	3,970	83,912,641	45.0%	37,760,688	55.0%	46,151,952
CSU	19,814	22,107	438,025,331	45.0%	197,111,399	55.0%	240,913,932
UCB	18,343	25,913	475,312,254	45.0%	213,890,514	55.0%	261,421,740
UCD	13,843	9,031	125,016,106	50.0%	62,508,053	50.0%	62,508,053
UNC	13,282	10,242	136,035,211	50.0%	68,017,606	50.0%	68,017,606
FLC	12,529	3,711	46,493,997	60.0%	27,896,398	40.0%	18,597,599
UCCS	12,453	6,211	77,345,492	50.0%	38,672,746	50.0%	38,672,746
MSC	11,814	4,869	57,521,960	60.0%	34,513,176	40.0%	23,008,784
WSC	11,653	1,871	21,801,991	60.0%	13,081,194	40.0%	8,720,796
MSCD	10,788	15,497	167,184,403	60.0%	100,310,642	40.0%	66,873,761
ASC	10,780	2,021	21,787,180	60.0%	13,072,308	40.0%	8,714,872
CSU-P	10,735	3,248	34,866,372	60.0%	20,919,823	40.0%	13,946,549
OJC	7,956	1,161	9,237,422	75.0%	6,928,066	25.0%	2,309,355
MCC	7,956	921	7,327,877	75.0%	5,495,908	25.0%	1,831,969
CNCC	7,956	713	5,672,939	75.0%	4,254,704	25.0%	1,418,235
TSJC	7,412	1,319	9,776,465	75.0%	7,332,349	25.0%	2,444,116
NEJC	7,412	1,082	8,019,814	75.0%	6,014,861	25.0%	2,004,954
LCC	7,412	713	5,284,776	75.0%	3,963,582	25.0%	1,321,194
PPCC	7,359	7,334	53,968,256	75.0%	40,476,192	25.0%	13,492,064
FRCC	7,359	9,748	71,732,010	75.0%	53,799,007	25.0%	17,933,002
RRCC	7,223	4,183	30,215,449	75.0%	22,661,587	25.0%	7,553,862
PCC	7,223	3,490	25,209,639	75.0%	18,907,229	25.0%	6,302,410
CCD	7,223	5,373	38,811,286	75.0%	29,108,465	25.0%	9,702,822
CCA	7,223	3,197	23,093,185	75.0%	17,319,889	25.0%	5,773,296
ACC	7,223	4,206	30,381,587	75.0%	22,786,191	25.0%	7,595,397
Grand Total	**15,446**	**155,417**	**2,400,636,940**	**55.2%**	**1,324,594,720**	**44.8%**	**1,076,042,220**

Tuition Categories	State Share	Student Share
CU-B, CSU, CSM	45.0%	55.0%
UNC, UCCS, UCD	50.0%	50.0%
CSU-P, FLC, WSC	60.0%	40.0%
MSC, ASC, MSCD	60.0%	40.0%
CCs	75.0%	25.0%
HSC	65.0%	35.0%

	Annual Growth in Peer Average	Annual Growth in CO SFTE	Targeted Funding in FY 2016-17	State Share	General Fund	Student Share	Net Tuition and Fees
JBC Staff projected 2017 target	2.0%	1.0%	3,137,764,856	55.2%	1,731,318,339	44.8%	1,406,446,517

Increases Required to Close the Peer Gap in 10 Years

Fiscal Year	GF + Net Tuition and Fees	% inc	General Fund	% inc	Net Tuition and Fees	% inc	
2007-08	1,509,608,672		627,654,360		881,954,312		Appropriated GF; CCHE est. Net Tuition and Fees
2008-09	1,637,459,645	8.5%	676,207,561	7.7%	961,252,084	9.0%	Requested GF; tuition assumes constant Total percent inc.
2009-10	1,776,138,504	8.5%	760,531,376	12.5%	1,015,607,128	5.7%	JBC Staff projection with conatant percent increase in General Fund and Total for remaining years.
2010-11	1,926,562,279	8.5%	855,370,463	12.5%	1,071,191,816	5.5%	
2011-12	2,089,725,664	8.5%	962,036,086	12.5%	1,127,689,579	5.3%	
2012-13	2,266,707,596	8.5%	1,082,003,028	12.5%	1,184,704,569	5.1%	
2013-14	2,458,678,387	8.5%	1,216,929,977	12.5%	1,241,748,410	4.8%	
2014-15	2,666,907,466	8.5%	1,368,682,463	12.5%	1,298,225,003	4.5%	
2015-16	2,892,771,772	8.5%	1,539,358,649	12.5%	1,353,413,123	4.3%	
2016-17	3,137,764,856	8.5%	1,731,318,339	12.5%	1,406,446,517	3.9%	

ISSUE:

Enterprise status of the higher education institutions

SUMMARY:

- All of the higher education institutions qualified for enterprise status under TABOR in FY 2006-07.
- For FY 2007-08, the State Auditor projects that Adams, Mesa, and Western state colleges will not meet the criteria, because they will receive more than 10 percent of their revenue from state and local grants for capital construction.
- The advantage of enterprise status for higher education institutions is that the tuition and other revenues they earn are not counted against the state's TABOR limit.
- The loss of enterprise status due to capital construction appropriations is not necessarily a policy concern.
  - Enterprise status and the corresponding tuition flexibility maters most to a higher education institution during a budget crisis.
  - The first appropriations likely to be reduced in a budget crisis are capital construction appropriations. This would reduce or eliminate the reason the governing boards are projected not to qualify for enterprise status.
- If the institutions lose enterprise status as projected, it will require a supplemental or legislation to address the change in status.

RECOMMENDATION:

Staff recommends that the JBC sponsor legislation to eliminate Section 23-1-103.5, C.R.S., which requires the General Assembly to appropriate spending authority for all revenues earned by a governing board that are subject to TABOR. Eliminating this section would ensure that the funds appropriated and controlled by the General Assembly for each governing board are consistent across all governing boards. It would not reduce the General Assembly's control over tuition.

DISCUSSION:

In October of 2007 the State Auditor issued a report on the enterprise status of higher education institutions. Based on preliminary financial statements, all of the governing boards qualified for enterprise status in FY 2006-07. However, the State Auditor projected that three governing boards -- Adams, Mesa, and Western -- will not qualify in FY 2007-08. The reason they will not qualify is the level of state funding for capital construction.

Senate Bill 04-189 that set up the College Opportunity Fund Program redefined the way the state supports the operating expenses of higher education institutions so that it was no longer considered a state or local grant for purposes of meeting the qualifications in TABOR for enterprise status. An enterprise, among other things, must receive less than 10 percent of its revenues from state and local grants. However, S.B. 04-189 did not redefine the way that the state supports capital construction.

At the time S.B. 04-189 passed, there were discussions about whether setting up a higher education building authority to receive capital appropriations and hold title to the facilities would cause capital appropriations to no longer be considered state grants. There were also discussions about setting up building funds for each campus to receive steady annual appropriations for capital construction, or financing construction through certificates of participation to amortize construction appropriations over the life of the facility. Both of these strategies were intended to dilute the impact of capital construction appropriations on the enterprise calculation by spreading capital grants over a period of time. None of these discussions resulted in a change to the final bill and capital appropriations are still considered by the State Auditor to be a state grant.

The advantage of enterprise status for higher education institutions is that enterprise revenues are excluded from the TABOR calculation of whether a refund is due. Prior to the higher education institutions gaining enterprise status, and prior to Referendum C, increases in higher education revenues, particularly tuition, could cause the state to be required to refund more General Fund. This reduced the General Fund available for capital construction, roads, and potentially operating expenses. In the early 2000's, when the state was reducing General Fund appropriations for higher education institutions to balance the budget within available revenues, it also limited the capacity of higher education institutions to increase tuition to compensate for the loss in General Fund. This was because any increase in tuition would have reduced the available General Fund by increasing the refund due to taxpayers.

Referendum C established a five-year timeout period during which no refunds are due to taxpayers. A higher education institution losing enterprise status during the time-out period has no bearing on the TABOR refund amount, because there is no TABOR refund due. After the five-year time-out, Referendum C allows the state to retain an amount more than the original TABOR limit, but refunds are once again possible.

TABOR specifically addresses when an entity gains or losses enterprise status and instructs that the TABOR base must be adjusted. Thus, including or excluding the base revenues for a higher education institution from the TABOR calculation according to the enterprise status of the institution has little bearing on the TABOR refund. However, the rate of growth of those base revenues could impact the TABOR refund. Including in the TABOR calculation a higher education institution that is growing slower than the TABOR limit actually increases the General Fund that the state can retain when a refund is due. If the higher education institution is growing faster than the TABOR limit it would reduce the General Fund that the state can retain.

The fact that three governing boards are projected to lose enterprise status in FY 2007-08 is not a major policy concern to staff for several reasons:

- The loss of enterprise status is occurring during the five-year Referendum C timeout and has no bearing on a TABOR refund amount, and even if it were after the five-year timeout the other bullets apply;
- The institutions at most risk of losing enterprise status due to a capital appropriation are the smaller governing boards, and so the magnitude of the impact of their revenues on the TABOR calculation is relatively minor;
- The institutions at most risk of losing enterprise status are institutions that are not likely to have aggressive tuition growth strategies based on the demographics of the populations they serve;
- The enterprise status of higher education institutions matters the most during a budget crisis when there are insufficient revenues to meet all the needs and wants of the state. In this environment, one of the first expenditures to be reduced is typically capital construction. There might be a lag as institutions continue spending capital appropriations from prior years, but reducing new capital appropriations would quickly bring the higher education institutions back to enterprise status and eliminate concerns that tuition increases will reduce the available General Fund.

While the projected loss of enterprise status for three higher education institutions is not a major policy concern, it will necessitate a complicated supplemental, or a change in statute. Section 23-1-103.5, C.R.S. was enacted prior to the College Opportunity Fund Program and indicates that the cash funds appropriations in the Long Bill constitute a limit on the TABOR revenues that a higher education institution may earn. Prior to the adoption of the College Opportunity Fund Program, the decision about what higher education activities should be appropriated in the Long Bill was based on the TABOR status of the revenues. After the adoption of the College Opportunity Fund, the General Assembly decided to limit the cash funds that are controlled through the Long Bill to tuition and academic fees.

If the three higher education institutions lose enterprise status they will need to comply with Section 23-1-103.5, C.R.S. New appropriations will need to be made in the Long Bill to provide cash funds authority to raise revenues from non-academic fees and charges for activities that are not associated with auxiliary enterprises, such as library fines and renting out meeting space for conferences. This would make the appropriations for the three governing boards inconsistent with the appropriations for other institutions. Also, it would require the General Assembly to make decisions about the level of revenues to authorize in areas of the higher education budget where the General Assembly has historically expressed little interest in controlling decisions, other than to limit the impact of those decisions on the TABOR calculation.

A better solution might be to sponsor legislation to eliminate Section 23-1-103.5, C.R.S. In 1993 when Section 23-1-103.5, C.R.S. was created it served as justification for the General Assembly to reassert a stricter level of control over tuition after a brief period of time when the General Assembly was relatively laissez-faire about limiting tuition increases. The statute also reinforced a concept that had been used in some prior years that the legislature should express its intent with regard to tuition by restricting overall revenues rather than tuition rates.

If Section 23-1-103.5, C.R.S. were eliminated, the General Assembly would still have authority to control tuition based on its plenary power of appropriation. Also, Section 23-5-129, C.R.S. expressly states that the General Assembly retains the authority to approve tuition spending authority for the governing boards. Section 23-1-104 (1) (a) (I), C.R.S. requires the General Assembly to appropriate tuition spending authority in the Long Bill and Section 23-18-202 (3) (b), C.R.S. requires the General Assembly to describe its tuition assumptions in an annual footnote. The "exclusive control and direction of all funds" that is granted to governing boards in Section 4 of Aricle VIII of the Colorado Constitution specifically says, "except as otherwise provided by law."

It's possible that a governing board could interpret that a limit on tuition spending authority controls expenditures only and has no bearing on revenues. Since moneys are fungible and higher education institutions have authority to roll-forward revenues and then spend from reserves without specific appropriation, this would make a limit by the legislature on tuition spending authority meaningless and unenforceable. If a higher education institution was bold enough to adopt this interpretation, the General Assembly could take corrective action by reducing General Fund appropriations or passing a clarifying statute. The possibility that a higher education institution could adopt this interpretation exists in the current statutory environment with or without Section 23-1-103.5, C.R.S. for the institutions that are not subject to Section 23-1-103.5, C.R.S. because they qualify for enterprise status.

Staff recommends that the JBC sponsor legislation to eliminate Section 23-1-103.5, C.R.S.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HIGHER EDUCATION

ISSUE:

Support for the academic mission of higher education institutions from non-appropriated auxiliary programs

SUMMARY:

- The degree of support from non-appropriated programs for the higher education institutions is a frequent question from legislators.
- There is no good measure currently available to examine that level of support in a consistent way across all higher education institutions.
- Non-appropriated auxiliary programs frequently do provide support to the academic mission of the institution in direct and indirect ways.

RECOMMENDATION:

Although there are many ways in which non-appropriated auxiliary programs can help subsidize the academic activities of the higher education institutions, in most cases it would discourage entrepreneurship to take these into consideration in a funding formula, and therefore staff recommends that the General Assembly focus its attention on the level of General Fund and tuition for the institutions.

DISCUSSION:

Nearly every year the JBC staff fields questions about the total level of resources available to the higher education institutions in excess of those moneys that are appropriated in the Long Bill. The issue seems to be that even during the economic downturn of the early 2000s the net assets of several higher education institutions increased, and sometimes at double-digit percentage rates, as illustrated in the table below. The conclusion by some policy makers is that the higher education institutions are healthy and concerns about the adequacy of the state support are exaggerated. Within the higher education community, some people use the financial statements and the level of non-appropriated activity to argue that certain institutions are at a competitive advantage to other institutions.

Statement of Net Assets (in Millions)

		FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
Colorado State University System	Institution	$ 527.5	$ 545.5	$ 550.0	$ 575.0	$ 590.8
			3.42%	0.83%	4.54%	2.75%
	Component Units		$ 156.7	$ 178.7	$ 183.6	$ 217.4
				13.99%	2.75%	18.42%
University of Colorado	Institution	$ 1,205.1	$ 1,309.1	$ 1,502.9	$ 1,647.4	$ 1,780.3
			8.63%	14.80%	9.62%	8.06%
	Component Units		$ 586.7	$ 511.0	$ 585.2	$ 655.3
				-12.89%	14.50%	11.99%
Colorado School of Mines	Institution	$ 117.7	$ 113.2	$ 113.6	$ 113.9	$ 120.3
			-3.86%	0.37%	0.31%	5.56%
	Component Units		$ 111.3	$ 129.3	$ 141.8	$ 158.7
				16.15%	9.65%	11.94%
University of Northern Colorado	Institution	$ 142.5	$ 156.4	$ 157.9	$ 158.2	$ 154.8
			9.76%	0.97%	0.14%	-2.15%
	Component Units		$ 80.1	$ 84.6	$ 89.3	$ 93.8
				5.62%	5.53%	5.12%
Community Colleges	Institution	$ 313.4	$ 309.0	$ 310.3	$ 336.7	$ 358.7
			-1.40%	0.41%	8.52%	6.54%
	Component Units		$ 23.0	$ 25.2	$ 27.8	$ 29.7
				9.29%	10.33%	7.06%
Adams State College	Institution	$ 54.0	$ 56.1	$ 54.6	$ 51.6	$ 51.9
			3.87%	-2.69%	-5.45%	0.47%
	Component Units		$ 7.3	$ 7.9	$ 7.5	$ 8.2
				8.46%	-4.90%	9.40%
Western State College	Institution	$ 38.4	$ 38.8	$ 37.6	$ 36.6	$ 37.9
			1.18%	-3.12%	-2.74%	3.63%
	Component Units		$ 7.5	$ 9.6	$ 11.6	$ 15.1
				27.04%	20.74%	30.24%
Mesa State College	Institution	$ 51.9	$ 54.6	$ 59.3	$ 63.5	$ 69.9
			5.11%	8.61%	7.06%	10.18%
	Component Units		$ 9.6	$ 7.1	$ 9.0	$ 10.0
				-26.02%	26.85%	11.07%
Metropolitan State College of Denver	Institution	$ 20.2	$ 21.5	$ 23.2	$ 25.5	$ 28.8
			6.11%	8.19%	9.90%	12.85%
	Component Units		$ 7.6	$ 7.4	$ 7.3	$ 7.4
				-2.47%	-1.23%	1.56%
Fort Lewis College	Institution	$ 87.7	$ 91.1	$ 92.2	$ 90.6	$ 91.3
			3.87%	1.14%	-1.66%	0.67%
	Component Units		$ 13.8	$ 15.3	$ 16.2	$ 17.2
				11.02%	5.80%	6.28%

It's important to understand that the statement of net assets is not an analysis of the ability of the higher education institutions to pay the salaries of professors. For one thing, it is skewed by factors such as the valuation and depreciation of physical plant, and by when an institution recognizes gains and losses from investments. Another consideration is that the statement of net assets does not distinguish between the different categories of revenues and expenditures, and restrictions on the transferability of resources from one category to another. For example, on the statement of net assets a higher education institution may appear to make money from room charges, but it may be that the "profit" is being set aside in a fund to address projected maintenance and it would be irresponsible to transfer the money to pay professor salaries.

What would be more useful than the financial statements is a tool to measure the degree to which auxiliary activities supplement General Fund and tuition to support the academic mission of the institution. Unfortunately, such a tool does not currently exist and staff is unsure how one could be developed that would apply consist standards to all higher education institutions. Instead, this issue brief settles for an anecdotal discussion of the ways in which auxiliary activities can subsidize the academic mission of an institution, and a philosophical discussion of whether the General Assembly should take this into consideration in designing distribution formulas for General Fund and tuition.

Indirect cost recoveries for auxiliaries

Generally auxiliary programs are designed to operate at cost. It would be unusual for a higher education institution to consciously overcharge students for books at the bookstore in order to pay professor salaries. However, auxiliary programs do support the academic mission through indirect cost recoveries. If an institution has a human resources division and allocates 20 percent of the costs to the housing auxiliary based on FTE, that doesn't mean that if the housing program went away the human resources division would be 20 percent smaller. In fact, the institution might not be able to reduce the human resources division at all, but the share of costs born by the General Fund and tuition would increase because of the absence of the auxiliary program, and consequently the amount of resources available to pay the salaries of professors would decrease. A similar thing occurs when an institution allocates the costs for other centralized services and expenditures such as accounting, physical plant, utilities, management, roads, landscaping, and information technology systems. Determining the degree to which indirect cost recoveries from auxiliaries subsidize the academic activities of an institution would require a subjective analysis on a case-by-case basis. Auxiliaries often incrementally increase the administrative costs of an institution, but not always in proportion to the indirect costs collected from the auxiliary.

Financial aid

A frequent significant subsidy from auxiliary programs occurs in the area of financial aid. Financial aid packages typically address living expenses as well as tuition, regardless of whether those living expenses occur on-campus or off. If a higher education institution has a housing, food, or parking program, a portion of the financial aid expenses may be assessed against those revenues with the result of a more robust institutional financial aid program than would otherwise be offered.

Some institutions offer significant continuing education programs that are classified as auxiliaries, but blur the line between an auxiliary and the core academic functions of the institution. Continuing education classes are offered on a cash basis, unless CCHE specifically allows state funding. Often the program is offered off-campus and a General Fund subsidy is prohibited by CCHE because it would allow an institution to provide courses at a price that would poach students from another school in the region, or create under-enrollment in duplicate degree programs that are authorized to receive General Fund. Another reason a continuing education program might be prevented from receiving General Fund is because it does not award credit toward a degree.

Continuing education

Adams has successfully marketed on-line and satellite courses that help teachers meet on-going education requirements for licensure, or obtain a masters degree. Because teachers have to take the continuing education classes, and want to take the masters degree courses to improve their compensation, and because Adams has made the classes so convenient for working students, the courses are very popular, even at the unsubsidized tuition rate. Adams' continuing education program generates approximately $750,000 in indirect cost recoveries each year. At the CU-Boulder campus, part of the recruiting pitch to faculty is an agreement by the administration that regular courses will not be scheduled in the evenings. However, there is still demand from students for evening classes, and unsubsidized courses are offered at night through the continuing education program. Professors that agree to teach classes at night, in addition to their normal workload during the day, are compensated at a higher level than for classes taught during the day. This is similar to an over-time payment. In both the CU and Adams examples professors are getting paid through an auxiliary, but the payment relates to the time they spend working for that auxiliary. It would be hard to argue that continuing education provides a subsidy for the regular education program that is direct rather than the typical indirect cost benefit common to all types of auxiliary programs. On the other hand, the auxiliary teaching in these examples is largely indistinguishable from the regular academic courses taught by the institution.

An argument could be made that Adams and CU-Boulder shouldn't be offering these programs on a cash basis, but rather on a subsidized basis. The student is getting charged an unsubsidized tuition rate for an education course that is indistinguishable from a non-continuing education course. It's unknown whether CCHE would authorize state support for these programs if requested. Staff for both institutions indicated that the schools might choose to offer these programs as auxiliaries rather than subsidized programs even if offered state funding. This is because tuition for continuing education programs is not regulated, the institution doesn't have to go through a beauracratic process with CCHE for program approval, and there is a lack of confidence that General Fund and tuition increases authorized by the legislature will keep pace with program costs.

Research

Another auxiliary that generates significant indirect cost recoveries for institutions is research. The University of Colorado, Colorado State University, and the Colorado School of Mines are all among the top institutions in the country in terms of research dollars earned. The research dollars earned generally relate to the amount of time that faculty spend doing research. However, there are sometimes disparities in the rate of compensation for time spent doing research versus time spent teaching so that a professor that spends 40 percent of his time conducting research may earn 55 percent of his salary from that research. Unfortunately, it can also go the other way. In recent years the federal government has been cutting back on allowable indirect cost charges for research grants. The University of Colorado Health Sciences Center recently concluded that the effort required to justify a higher indirect cost recovery under new federal rules exceeded the value of the additional indirect costs and voluntarily accepted a lower rate in exchange for less reporting.

In addition to indirect cost recoveries, research activities can have a significant impact on the physical plant and scientific equipment available to an institution. Research funds have paid for buildings at CU and CSU that were later used to provide faculty or administrative office space and even classrooms, in addition to providing space for research activities. A grant for a new research building might also pay for needed road and utility improvements and landscaping that benefit non-research programs. As for scientific equipment, if a researcher can purchase the latest dissociation-enhanced lanthanide fluorescent immunoassay fluorometer (actually exists) technology through a grant, the equipment then becomes available to the institution and can be used in classes or by graduate students.

Then there are the benefits to the institution's reputation and to faculty and student recruitment that a robust research program can offer. An institution with a strong research program would appear to have some competitive advantages over institutions without such a research program. Should the General Assembly take this into account in developing a funding distribution formula? If the General Fund for research institutions was reduced to account for the benefits to that institution of research funds, it might have a chilling effect on the amount of research conducted.

Clinical practice

There are a few auxiliary programs that provide direct and obvious subsidies to the academic program. One example is the clinical practice of faculty at the University of Colorado Health Sciences Center and the Colorado State University Veterinary Medicine Program. At UCHSC it is commonplace for the state contribution to cover only a small fraction of the time that professors spend teaching, and for clinical revenues to make up the difference. Some programs allow professors to keep a large portion of their clinical earnings while other programs are more socialistic in the way that they allocate the clinical revenues among the faculty. The institution routinely grapples with situations where a professor wants to be compensated more based on clinical revenues, or be allowed to work a few more hours in clinic so that the department can buy some new piece of medical equipment. Should the state's distribution formula say that if professors earn more clinical revenues the General Fund will be reduced? The institution is concerned that it is already too dependent on clinical revenues. One professor at UCHSC recently quit so that he could retain a larger portion of his clinical earnings. After giving up his academic pay he makes more money from less hours of clinical work and volunteers his time to teach.

Foundations

The foundations operated by institutions provide another form of direct auxiliary support. The largest foundation relative to the size of the institution is at the Colorado School of Mines. Staff can imagine the legislature asking institutions to be more aggressive in seeking private donations because General Fund is tight, but staff can't imagine a funding formula that would reduce General Fund based on the level of foundation support. Some states have experimented with matches to private giving.

Housing

Housing can be an auxiliary program that governing boards use to subsidize academic programs. The institutions can frequently finance housing projects at lower rates than the private sector and they are exempt from property taxes on the facility. However, a portion of the value of rental properties is in the appreciation, and higher education institutions rarely sell the property to realize the appreciation. Also, higher education institutions face greater challenges than the private sector in maintaining occupancy levels, because they restrict access to students. Occupancy levels may be a particular problem if the institution is saddled with an old-fashioned dormitory-style facility with shared rooms and toilets. These facilities are often less desirable to students than off-campus housing. As a result, higher education institutions are not necessarily making a profit from housing, but it may occur, particularly in areas where rental rates are inflated. A recent capital construction request from Mesa State College (where rental rates are high due to energy development) proposed using housing and other auxiliary revenues to construct a building that would be used by the admissions department.

Many schools, particularly private institutions, have created so-called living-learning communities that co-locate academics and housing. The motivation for living-learning communities is often to improve retention and achievement rather than economics, but in some cases housing funds may be used to help pay for things like professors teaching seminars in campus housing, the construction of classrooms or academic office space in the dormitories, or lodging provided to professors as part of the compensation package. Staff is aware of at least two living-learning programs at Colorado institutions. Colorado State University has some living-learning communities on its Fort Collins campus where the housing program pays for the space but General Fund and tuition pay for the credit courses offered. At the University of Colorado there are some living learning communities where students pay a higher housing rate for an enhanced residential life experience.

Staff has concerns about higher education institutions using housing funds to support academic activities. An institution that uses housing funds to support academics may not be setting aside enough for controlled maintenance and a future president may wish that the housing funds were still there to replace the furnace or carpet when these items wear out. If an institution is setting aside enough for maintenance and still making a profit, why wouldn't it just reduce the rental rates for students? Housing is one of the largest costs of attendance and an economic barrier for many students.

Athletics

Similar to the way housing supports academics, athletics can subsidize academics by paying for study halls and for facilities that end up being used by for-credit physical education and health science courses. Unlike housing programs, the amounts students and the community pay to participate in athletics are not a necessary expenditure, but rather a recreational expenditure. Much of the revenue earned by the big athletic programs comes from the community and media rather than the students. Like research programs, athletics may help with student and faculty recruitment. There is a large gap between the revenues earned by athletic programs at CU-Boulder and CSU versus all other institutions in the state.