COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2007-08 STAFF BUDGET BRIEFING:
DEPARTMENT OF HIGHER EDUCATION

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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FY 2007-08 Budget Briefing

Staff Presentation to the Joint Budget Committee:

Department of Higher Education

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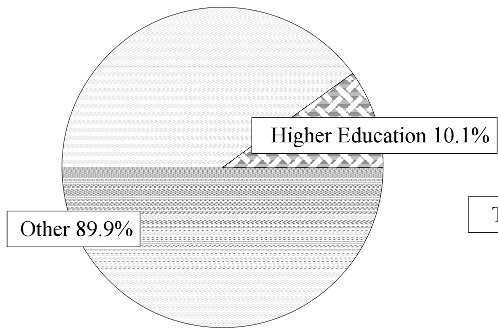

Funding Source Split
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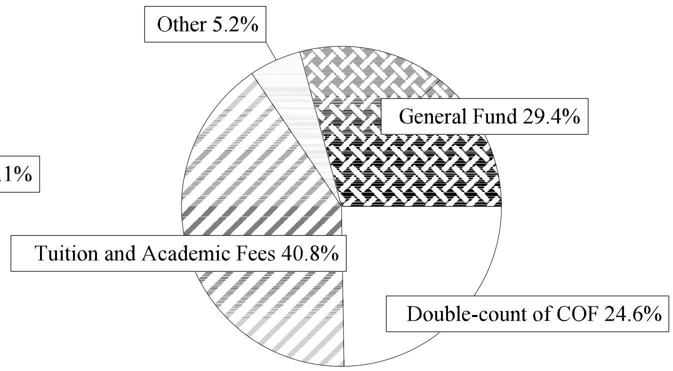

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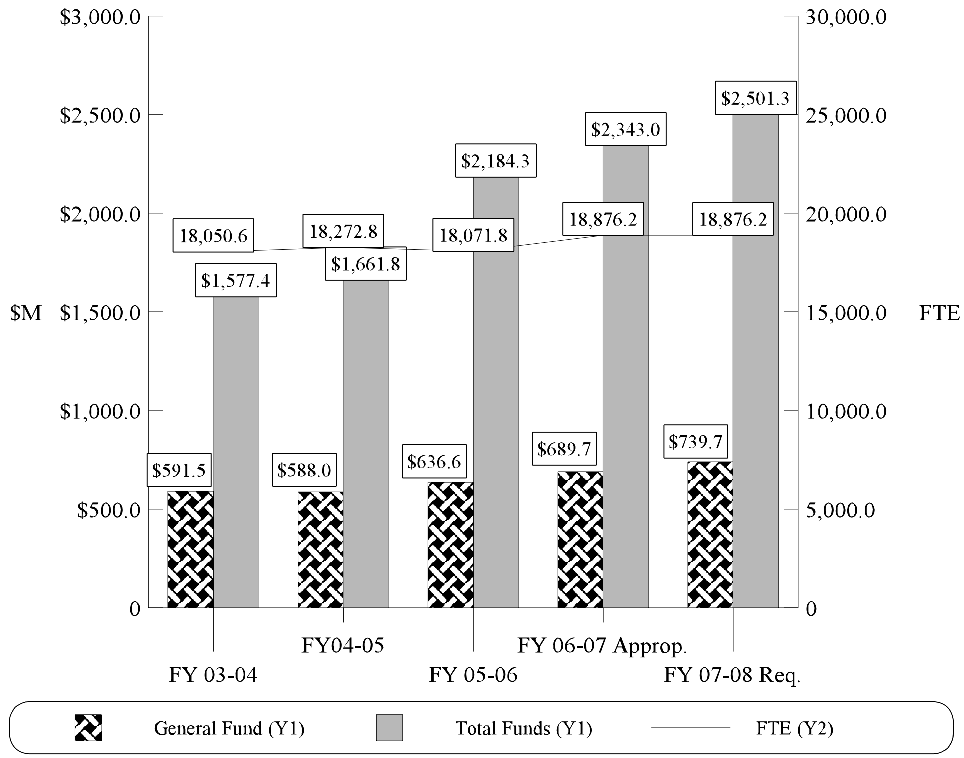


Department of Higher Education
Overview

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 funding mechanism for higher education changed dramatically. 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 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. In FY 2005-06 the General Assembly set the stipend amount for students attending state-operated institutions at $80 per credit hour, or $2,400 annually for a full-time student. For FY 2006-07 the General Assembly increased the stipend to $86 per credit hour, or $2,580 annually for a full-time student. 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.

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 last two years when the Commission has requested funding for fee-for-service contracts the Commission has submitted a formula that compares projected stipend and tuition revenues to "mandated cost" inflationary increases for salaries, benefits, and utilities. In addition to covering mandated costs, the Commission has requested fee-for-service contract increases for new initiatives in areas such as student access and physical plant maintenance.

The amount that schools rely on revenue earned from stipends versus fee-for-service contracts varies widely.

FY 2006-07	Projected Stipend Revenue		Fee-for-service Contracts	
	Dollars	**Percent**	**Dollars**	**Percent**
Adams State College	$3,898,380	31.0%	$8,664,032	69.0%
Mesa State College	11,586,780	56.2%	9,045,856	43.8%
Metropolitan State College of Denver	37,002,360	89.9%	4,163,555	10.1%
Western State College	3,893,220	37.2%	6,577,560	62.8%
Colorado State University System	49,577,280	40.2%	73,786,913	59.8%
Fort Lewis College	6,651,240	61.9%	4,094,553	38.1%
University of Colorado	72,879,840	40.9%	105,515,552	59.1%
Colorado School of Mines	6,976,320	34.8%	13,067,037	65.2%
University of Northern Colorado	23,078,100	60.8%	14,870,911	39.2%
Community Colleges	103,148,400	84.5%	18,850,155	15.5%
TOTAL	318,691,920	55.2%	258,636,124	44.8%

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.

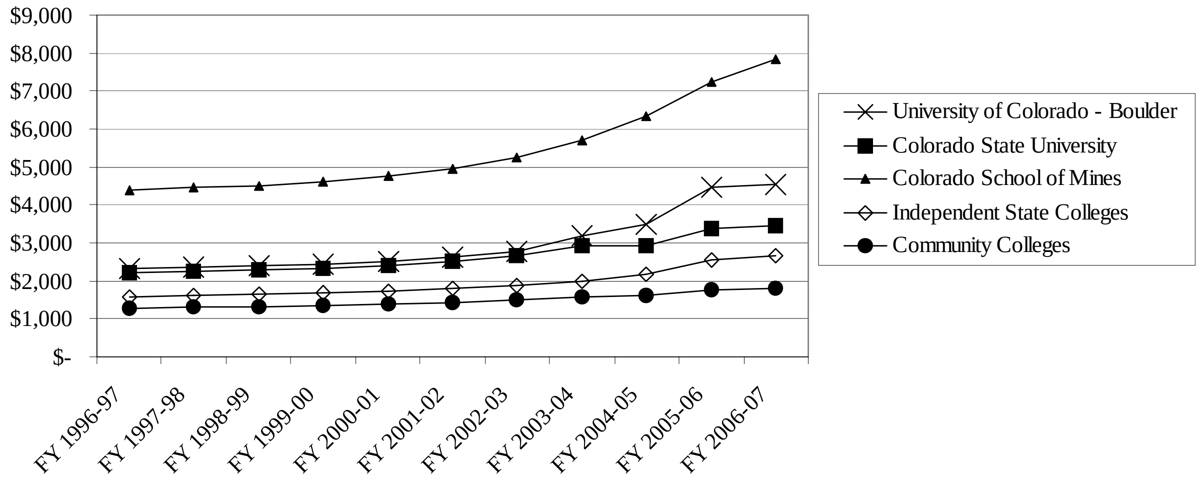
Enterprise Status: Senate Bill 04-189 also provided a mechanism for designating qualifying institutions as enterprises, so that tuition and other cash fund revenue used by the institutions is exempt from limitations imposed by TABOR. To achieve enterprise status under TABOR a program must: 1) be a government-owned 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. All of the state-operated higher education institutions have been designated as enterprises. The final determination will be made at the end of each fiscal year when actual revenues from state grants are compared to the 10 percent threshold.

Tuition

Statutes delegate the authority to make decisions about tuition rates to the higher education governing boards. However, since the implementation of TABOR the General Assembly has expressed its intent with regard to tuition increases in a footnote to the Long Bill. Senate Bill 04-189 codified this practice by requiring that the General Assembly annually note the tuition increases it uses to derive the total spending authority for each governing board in a footnote to the Long Bill (Section 23-18-202 (3) (b), C.R.S.). Senate Bill 04-189 also stated that despite the change to enterprise status for the higher education institutions, the General Assembly retained the ability to approve tuition spending authority for the governing boards (Section 23-5-129, C.R.S.).

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

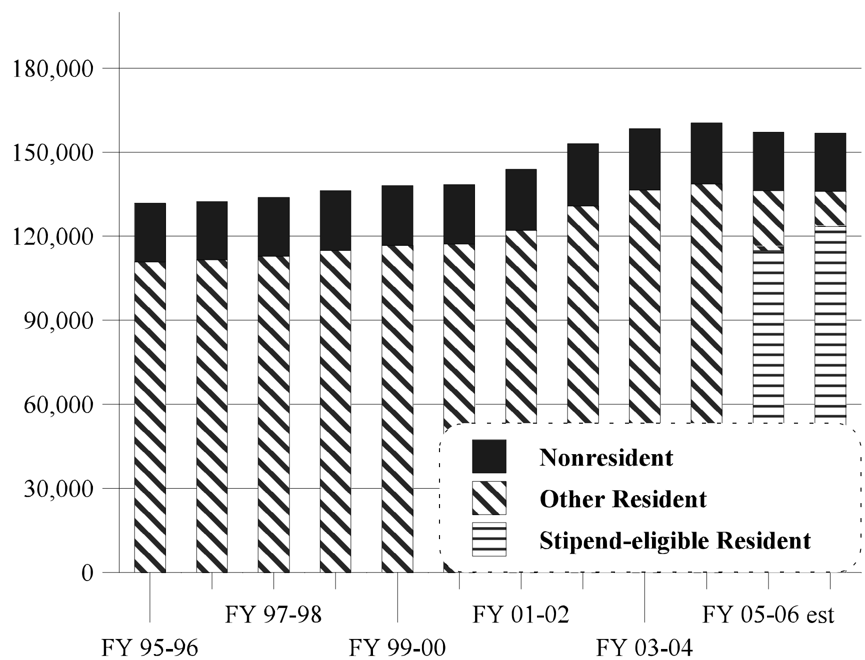
Resident, Undergraduate, Full-time Tuition Rates



Enrollment

Enrollment is both a workload and performance measure for the campuses, and it affects tuition 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 the last 10 years and shows a significant increase in recent years.

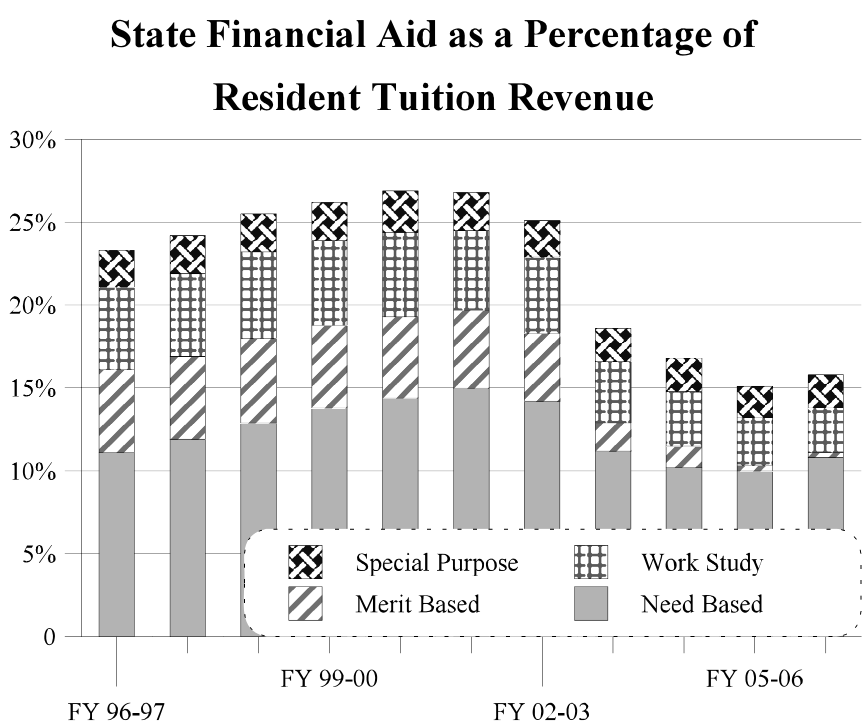
Enrollment



Financial Aid

Of the General Fund appropriation for higher education in FY 2006-07, $87.8 million (12.7 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.

From FY 1992-93 to FY 2002-03 the compound average annual rate of increase in funding for financial aid was 9.4 percent, consistently outpacing the growth in the overall state budget. Most of these increases were for need based aid. In FY 2003-04 the General Assembly reduced financial aid by $14.9 million ($8.0 million of this came from merit based aid). In FY 2004-05 and FY 2005-06 there were minimal increases in financial aid, but enrollment and tuition rates continued to increase. As a result, state-funded financial aid reached a decade low relative to tuition charges.



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 $151.6 million in FY 2004-05. Federal guaranteed loan programs provided another $817.6 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 2004-05 was $194.3 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. 06-49 (Bacon/Lindstrom):** 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. 06-1201 (Plant/Taylor):** Beginning in FY 2005-06, from the end-of-year allocation of moneys in the limited gaming fund that would otherwise be transferred to the General Fund, the bill transfers:

- $19.0 million to the Colorado Travel and Tourism Promotion Fund;
- $1.5 million to the State Council on the Arts Cash Fund;
- $0.5 million to the Film Incentives Cash Fund; and
- $3.0 million to the New Jobs Incentives Cash Fund.

Requires that these distributions be adjusted annually by the rate of inflation for the calendar year ending in the preceding fiscal year.

✓ **H.B. 06-1322 (Buescher/Tapia):** Creates the Colorado Renewable Energy Authority to promote renewable energy technologies. Requires cash fund appropriations from the Operational Account of the Severance Tax Trust Fund for three years, beginning July 1, 2006, subject to certain limitations, of $2.0 million per year to the Colorado Renewable Energy Authority for the activities of the Authority. Requires cash fund transfers from the Operational Account of the Severance Tax Trust Fund for three years, beginning July 1, 2006, subject to certain limitations, of $500,000 per year to the Agriculture Value-added Cash Fund to promote agricultural energy-related projects and research. Creates the Climate Change Markets Grant Program, administered by the Department of Public Health and Environment, to provide grants of $50,000 to Colorado State University, $50,000 to the Colorado School of Mines, and $35,000 to the University of Colorado. Transfers $135,000 in FY 2006-07 from the Operational Account of the Severance Tax Trust Fund to the Department of Public Health and Environment for the Climate Change Markets Grant Program, subject to certain limitations. Makes the following appropriations in FY 2006-07:

- $2,000,000 cash funds from the Operational Account of the Severance Tax Trust Fund to the Colorado Renewable Energy Authority;
- $500,000 cash funds exempt from the Agriculture Value-added Cash Fund to the Department of Agriculture; and,
- $135,000 cash funds exempt from moneys transferred from the Operational Account of the Severance Tax Trust Fund to the Department of Public Health and Environment.

- ✓ **H.B. 06-1399 (Hall/Tapia):** 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. 04-252 (McElhany/King) Revenue for Higher Education Enterprises:** Allows governing boards of state institutions designated as enterprises to pledge up to 10 percent of tuition revenues and revenues from a facilities construction fee toward the advancement of funds on behalf of capital projects at an institution. In the event of a civil action or court order staying the implementation of S.B. 04-189, the bill authorizes governing boards to designate schools that receive less than 10 percent of their revenue from state and local grants as enterprises under TABOR. If the University of Colorado is designated as an enterprise pursuant to S.B. 04-252, reduces General Fund appropriations and increases tuition appropriations for the school by $4.5 million. Either the changes to the University of Colorado's appropriation in S.B. 04-189 will take effect, or the changes in S.B. 04-252 will take effect, but not both.

- ✓ **H.B.04-1009 (King/Reeves) Exempt Higher Education from State Restrictions:** Authorizes higher education institutions and the Colorado Commission on Higher Education to exempt themselves from the state motor vehicle fleet system, the Division of Risk Management, and the state procurement code as administered by the Department of Personnel and Administration. The fiscal impact will depend on which institutions exempt themselves from which programs.

- ✓ **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.

- ✓ **S.B. 03-308 (May R./Witwer) Advanced Technology Funds:** Changes the allowable uses of the Advanced Technology Fund to include biotechnology and other advanced technology projects or environmental research, research and development, and technology transfer. Specifies that no less than 20 percent of moneys in the Advanced Technology Fund must be used for the original purpose of waste diversion and recycling strategies, including projects involving waste tires.

- ✓ **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 2005-06 to FY 2006-07

❑ Provided $24.6 million General Fund for increases in the stipend-eligible population, including increases due to expanding the eligibility criteria to include basic skills students, Post Secondary Enrollment Options Act students, and Fast Tracks students, and increases due to students authorizing payments for summer courses.

- ❑ Increased the stipend reimbursement rate for full-time resident students attending state institutions by $180 dollars at a projected cost of $22.2 million General Fund, and provided corresponding cash funds exempt spending authority for the governing boards.

- ❑ Adjusted fee-for-service contracts with consideration for the combined stipend and fee-for-service contract increase relative to the "mandated costs" identified by CCHE at each higher education institution, an increase in students paid for through stipends instead of fee-for-service contracts due to changes in the stipend-eligibility requirements, and discontinuation of one-time funding provided in FY 2005-06. The net change in fee-for-service contracts was a $3.6 million General Fund decrease and a corresponding decrease in cash funds exempt spending authority for the governing boards. Included in the net fee-for-service change was $1.15 million for base funding for Fort Lewis College.

- ❑ Provided an additional $34.3 million cash funds exempt tuition spending authority for enrollment changes and rate increases, with an expression of the intent of the General Assembly that no governing board increase the rate per credit hour for resident undergraduate students by more than 2.5 percent.

- ❑ Provided an additional $9.0 million General Fund, or an 11.4 percent increase, for financial aid programs.

- ❑ Transfered administration of the Council on the Arts to the Governor's Office, including 2.0 FTE.

- ❑ Added $350,000 federal funds and 3.6 FTE for CCHE to reflect projected costs associated with administering the GEAR UP program.

- ❑ Eliminated $5,000 General Fund and 0.1 FTE for CCHE for financial aid research.

- ❑ Added a net 794.3 FTE to reflect updated employee estimates by the governing boards, the Auraria Higher Education Center, and the Historical Society.

FY 2007-08 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 funding for a 3.5 percent increase in the stipend rate from $2,580 to $2,670 per year for a full-time student taking 30 credit hours. The ***Governor*** requests an increase in fee-for-service contracts so that when combined with projected stipend revenue, the General Fund earned by the institutions will cover approximately 70 percent of "mandated costs" identified by CCHE for salaries, benefits, utilities, etc. In the Governor's proposal, tuition increases would be sufficient to cover the remaining mandated costs. ***CCHE*** requests General Fund for the full mandated costs plus $25 million for the second year of a three-year proposal to address "unfunded enrollment" that occurred between FY 2000-01 and FY 2004-05. Finally, ***CCHE*** requests $11.5 million for unfunded enrollment at the University of Colorado Health Sciences Center.	TOTAL	$50,000,000	$107,646,860
	Adjustment to stipends for changes in enrollment	GF	(8,895)	(8,895)
	Increase stipend rate by $90 for students at state-operated institutions and $45 for students at private instituions	GF	11,143,850	11,143,850
	Fee-for-service contracts for mandated costs	GF	38,865,045	60,039,836
	Fee-for-service contracts for the 2nd year of "unfunded enrollment" proposal	GF	0	25,000,000
	Fee-for-service contracts to add UCHSC to "unfunded enrollment" proposal	GF	0	11,472,069
1a	**Cash Funds Exempt Spending Authority for Stipends and Fee-for-service Contracts:** 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. The total increase in cash funds exempt spending authority does not equal the total increase in General Fund, because some of the requested change in General Fund is for stipends for students attending private schools, where stipend-eligible enrollment has not been as great as expected.	CFE	48,909,005	106,555,865
2	**Need Based Financial Aid:** The ***CCHE*** request includes $5.3 million for a 6.0 percent increase in General Fund for financial aid, with all of the increase allocated to need based grants. Statutes require that the percentage increase in General Fund for financial aid be at least as great as the percentage increase in General Fund for the higher education institutions. So, if the full request for the higher education institutions was approved, the minimum increase required by statue for finacial aid programs would be $5.4 milion under the Governor's request and $13.8 million under the CCHE request. Neither the Govenor nor CCHE requested General Fund for Native American Tuition Assistance at Fort Lewis required by statue and treaty. Fort Lewis indicates that the additional cost to reimburse the institution for tuition waivers granted is $495,328 General Fund.	GF	0	5,300,000
3	**Tuition:** The ***Governor and CCHE*** propose a 7.0 percent increase in tuition spending authority for CU, CSU, Mines, and UNC, a 5.0% increase in tuition spending authority for the other four-year institutions, and a 3.5 percent increase in tuition spending authority for the community colleges. This would be on top of any adjustments for enrollment. The request did not include a projection of the enrollment adjustment to tuition.	CFE	58,574,120	58,574,120
4	**Local District Junior Colleges and Area Vocational Schools:** ***CCHE*** requested a 3.5 percent inflationary increase for grants to the Local District Junior Colleges and Area Vocational Schools.	TOTAL	0	815,639
	Local District Junior College grants	GF	0	478,382
	Area Vocational School Support	GF	0	337,257

Priority	Description of Decision Item / Base Reduction	Source of Funds	Governor	CCHE
Hist 1	**Increased Spending Authority for Security Services:** The Historical Society requests additional spending authority from gaming revenues deposited in the State Historical Fund to contract with a private firm for after-hours security needs. The facilities for the Society and the Judicial Department are connected, and in the past the two agencies have shared after-hours security costs. The Judicial Department recently changed security arrangements and the two entities are no longer sharing after-hours security costs.	CFE	50,000	50,000
Hist 2	**Increased Spending Authority for Utilities:** The Historical Society requests additional spending authority from gaming revenues deposited in the State Historical Fund for increased utility costs. The Society reports that it has worked with State Buildings to reduce consumption, but increases in per unit costs of various fuels used by its facilities throughout the state have exceeded conservation efforts.	CFE	90,000	90,000
	DEPARTMENT TOTAL	TOTAL	**$157,623,125**	**$279,032,484**
		GF	**50,000,000**	**113,762,499**
		CFE	**107,623,125**	**165,269,985**

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes

DEPARTMENT OF HIGHER EDUCATION
Executive Director: Jenna Langer

(1) Department Administrative Office

(Primary Functions: Centrally appropriated items for CCHE, DPOS, Arts, and Historical. Cash funds reflect the share of costs borne by various cash programs within the Department and indirect costrecoveries from enterprises. Cash funds exempt are from gaming revenues.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
Health, Life, and Dental	413,773	458,152	565,992	683,911	683,911	
General Fund	0	0	0	0	0	
Cash Funds	58,887	155,572	189,588	243,085	243,085	
Cash Funds Exempt	352,648	302,580	376,404	426,498	426,498	
Federal Funds	2,238	0	0	14,328	14,328	
Short-term Disability	11,625	9,543	7,086	10,307	10,307	
General Fund	0	0	0	0	0	
Cash Funds	1,679	4,766	3,246	3,197	3,197	
Cash Funds Exempt	9,849	4,006	3,359	5,589	5,589	
Federal Funds	97	771	481	1,521	1,521	
Amoritization Equalization Payments	0	16,185	47,033	120,262	120,262	
General Fund		0	0	0	0	
Cash Funds		8,060	21,542	42,003	42,003	
Cash Funds Exempt		6,814	22,295	65,418	65,418	
Federal Funds		1,311	3,196	12,841	12,841	
Salary Suvey and Senior Executive Service	161,462	251,030	217,561	325,251	325,251	
General Fund	0	0	0	0	0	
Cash Funds	23,543	101,792	71,323	91,197	91,197	
Cash Funds Exempt	136,568	133,115	126,579	190,675	190,675	
Federal Funds	1,351	16,123	19,659	43,379	43,379	
Performance-based Pay Awards	96,844	0	0	75,171	75,171	
General Fund	0			0	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
Cash Funds	13,503			24,176	24,176	
Cash Funds Exempt	82,570			41,128	41,128	
Federal Funds	771			9,867	9,867	
Worker's Compensation	21,678	16,717	16,988	15,597	15,597	
General Fund	0	0	0	0	0	
Cash Funds	769	6,870	13,884	4,445	4,445	
Cash Funds Exempt	20,909	9,847	3,104	11,152	11,152	
Legal Services	36,102	100,124	41,318	42,067	42,067	
# of Hours (non-add)	*586*	*448*	*448*	*448*	*448*	
General Fund	0	71,250	0	0	0	
Cash Funds	0	21,656	33,728	34,477	34,477	
Cash Funds Exempt	36,102	7,218	7,590	7,590	7,590	
Purchase of Services from Computer Center	4,864	6,312	6,392	21,508	21,508	
General Fund	0	0	0	0	0	
Cash Funds	0	3,080	3,190	18,306	18,306	
Cash Funds Exempt	4,864	3,232	3,202	3,202	3,202	
Payment to Risk Management/ Property Funds	17,983	18,999	25,347	23,588	23,588	
General Fund	0	0	0	0	0	
Cash Funds	1,024	926	2,568	1,287	1,287	
Cash Funds Exempt	16,959	18,073	22,779	22,301	22,301	
Leased Space	380,747	382,352	353,073	370,956	370,956	
General Fund	0	0	0	0	0	
Cash Funds	87,572	382,352	353,073	370,956	370,956	
Cash Funds Exempt	293,175	0	0	0	0	

Approp vs. Request	
Governor	CCHE

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
TOTAL - (1) Administrative Office	1,145,078	1,259,414	1,280,790	1,688,618	1,688,618	31.8%	31.8%
General Fund	0	71,250	0	0	0		
Cash Funds	186,977	685,074	692,142	833,129	833,129	20.4%	20.4%
Cash Funds Exempt	953,644	484,885	565,312	773,553	773,553	36.8%	36.8%
Federal Funds	4,457	18,205	23,336	81,936	81,936	251.1%	251.1%

(2) Colorado Commission on Higher Education

(Primary Functions:Serves as the central policy and coordingating board for higher education. Cash fund sources include indirect cost recoveries from enterprises, fees

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
(A) Administration	2,342,016	1,898,445	2,478,586	2,541,434	2,541,434	
FTE	26.6	25.9	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	125,443	1,839,650	1,944,338	1,992,071	1,992,071	
FTE	0.0	25.9	26.5	26.5	26.5	
Cash Funds Exempt	1,911,906	58,795	184,248	184,248	184,248	
FTE	23.0	0.0	0.0	0.0	0.0	
Federal Funds	304,667	0	350,000	365,115	365,115	
FTE	3.6	0.0	3.6	3.6	3.6	
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	0	0	0	
Cash Funds Exempt	5,000	0	0	0	0	
(B) Div. of Private Occupational Schools	501,494	507,519	526,780	535,695	535,695	
FTE	6.7	7.8	7.8	7.8	7.8	
Cash Funds	501,494	507,519	526,780	535,695	535,695	
FTE	6.7	7.8	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	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
(C) Special Purpose							
WICHE (Annual Dues)	105,000	108,000	112,000	108,000	108,000		
General Fund	0	0	0	0	0		
Cash Funds	0	108,000	112,000	108,000	108,000		
Cash Funds Exempt	105,000	0	0	0	0		
WICHE Optometry	266,400	399,000	399,000	399,000	399,000		
General Fund	0	0	0	0	0		
Cash Funds	0	399,000	399,000	399,000	399,000		
Cash Funds Exempt	266,400	0	0	0	0		
Advanced Technology Grants - CFE	532,661	825,000	825,000	825,000	825,000		
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		
Rural Education Access Program - CFE	0	0	0	0	0		
Enrollment/Cash Fund Contingency	4,309,090	0	20,000,000	20,000,000	20,000,000		
Cash Funds	4,309,090		0	0	0		
Cash Funds Exempt	0		20,000,000	20,000,000	20,000,000		
Subtotal - (C) Special Purpose	5,498,151	1,617,000	21,621,000	21,617,000	21,617,000		
						Approp vs. Request	
						Governor	CCHE
TOTAL - (2) CCHE	8,346,661	4,027,964	24,626,366	24,694,129	24,694,129	0.3%	0.3%
FTE	33.4	33.8	37.9	37.9	37.9		
General Fund	0	0	0	0	0		
Cash Funds	5,058,627	3,144,169	3,267,118	3,319,766	3,319,766	1.6%	1.6%
Cash Funds Exempt	2,983,367	883,795	21,009,248	21,009,248	21,009,248	0.0%	0.0%
Federal Funds	304,667	0	350,000	365,115	365,115	4.3%	4.3%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes

(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.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
(A) Need Based Grants						
General Need Based Grants	37,756,459	44,285,061	52,136,963	52,136,963	57,436,963	
General Fund	37,756,459	44,285,061	52,136,963	52,136,963	57,436,963	#2
Federal Funds	0	0	0	0	0	
Governor's Opportunity Scholarships - GF	7,936,087	8,000,000	8,000,000	8,000,000	8,000,000	
Subtotal - (A) Need Based Grants (GF)	45,692,546	52,285,061	60,136,963	60,136,963	65,436,963	
(B) Merit Based Grants	6,458,308	1,497,959	1,500,000	1,500,000	1,500,000	
General Fund	6,458,308	1,497,959	1,500,000	1,500,000	1,500,000	
Cash Funds Exempt	0	0	0	0	0	
(C) Work Study - GF	14,780,158	15,111,267	15,003,374	15,003,374	15,003,374	
(D) Special Purpose						
Precollegiate Programs - GF	0	0	800,000	800,000	800,000	
Required Federal Match	3,376,350	3,225,829	3,026,350	3,026,350	3,026,350	
General Fund	2,076,350	1,925,829	1,726,350	1,726,350	1,726,350	
Federal Funds	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	
Veterans'/Law Enforcement/POW Tuition Assistance						
General Fund	316,844	364,922	364,922	364,922	364,922	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
National Guard Tuition Assistance - GF	410,207	410,207	430,197	430,197	430,197		
Native American Students/Fort Lewis College							
General Fund	6,477,140	7,299,164	7,634,353	7,634,353	7,634,353		
Grant Program for Nurses Training - GF	0	0	0	0	0		
Early Childhood Professional Loan Repayment							
Cash Funds Exempt	3,500	5,000	5,000	5,000	5,000		
Teacher Loan Forgiveness Pilot Program - GI	0	0	161,600	161,600	161,600		
Subtotal - (D) Special Purpose	10,584,041	11,305,122	11,622,422	11,622,422	11,622,422		
						Approp vs. Request	
						Governor	CCHE
TOTAL - (3) Financial Aid	77,515,053	80,199,409	89,062,759	89,062,759	94,362,759	0.0%	6.0%
General Fund	76,211,553	78,894,409	87,757,759	87,757,759	93,057,759	0.0%	6.0%
Cash Funds Exempt	3,500	5,000	5,000	5,000	5,000	0.0%	0.0%
Federal Funds	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	0.0%	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 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
Stipends - State						
Eligible Students (non-add)		*113,251.3*	*123,524.0*	*123,122.1*	*123,122.1*	
Rate per 30 Credit Hours (non-add)		*2,400*	*2,580*	*2,670*	*2,670*	
General Fund	0	271,803,110	318,691,920	328,735,880	328,735,880	#1
Stipends - Private						
Eligible Students (non-add)		*600.0*	*600.0*	*1,397.0*	*1,397.0*	
Rate per 30 Credit Hours (non-add)		*1,200*	*1,290*	*1,335*	*1,335*	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
General Fund	0	720,000	774,000	1,864,995	1,864,995	#1
Subtotal - Stipends	0	272,523,110	319,465,920	330,600,875	330,600,875	
Fee-for-service Contracts - GF	0	262,378,433	258,636,124	297,501,169	355,148,029	#1

						Approp vs. Request Governor	Approp vs. Request CCHE
TOTAL - (4) College Opportunity Fund Program							
General Fund	0	534,901,543	578,102,044	628,102,044	685,748,904	8.6%	18.6%

(5) Governing Boards

(Primary Functions: Provides spending authority for revenue earned by higher education institutions from student stipend payments, fee-for-service contracts, tuition, a

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
(A) Trustees of Adams State College	17,278,847	18,356,360	19,022,617	19,944,652	20,369,300	
FTE	276.1	286.9	286.1	286.1	286.1	
College Opportunity Fund/GF pre 05-06	10,316,691	12,149,322	12,562,412	13,166,042	13,590,690	#1
Student Stipend Payments - CFE		3,375,990	3,898,380	3,773,230	3,773,230	
Fee-for-service Contracts - CFE		8,773,332	8,664,032	9,392,812	9,817,460	
Tuition - CFE/CF pre 05-06	5,504,470	6,136,638	6,368,109	6,686,514	6,686,514	#3
Resident	4,123,172	4,748,660	4,900,765			
Nonresident	1,381,298	1,387,978	1,467,344			
Academic Fees - CFE		70,400	92,096	92,096	92,096	
Other than Tuition - CF	609,830	0	0	0	0	
Auxiliary - CF	847,856	0	0	0	0	
(B) Trustees of Mesa State College	29,250,004	35,897,158	40,740,708	42,727,278	43,958,075	
FTE	408.4	405.5	426.6	426.6	426.6	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
College Opportunity Fund/GF pre 05-06	15,775,165	19,888,392	20,632,636	21,621,302	22,852,099	#1
Student Stipend Payments - CFE		9,733,520	11,586,780	11,668,786	11,668,786	
Fee-for-service Contracts - CFE		10,154,872	9,045,856	9,952,516	11,183,313	
Tuition - CFE/CF pre 05-06	11,845,586	15,858,766	19,958,072	20,955,976	20,955,976	#3
Resident	9,156,197	12,550,210	15,574,199			
Nonresident	2,689,389	3,308,556	4,383,873			
Academic Fees - CFE		150,000	150,000	150,000	150,000	
Other than Tuition - CF	280,154	0				
Auxiliary - CF	1,349,099	0				
(C) Trustees of Metropolitan State College	81,822,528	82,587,092	85,940,425	91,146,866	95,349,055	
FTE	964.2	964.9	1,023.1	1,023.1	1,023.1	
College Opportunity Fund/GF pre 05-06	33,951,845	39,778,568	41,165,915	44,161,613	48,363,802	#1
Student Stipend Payments - CFE		33,883,200	37,002,360	39,958,379	39,958,379	
Fee-for-service Contracts - CFE		5,895,368	4,163,555	4,203,234	8,405,423	
Tuition - CFE/CF pre 05-06	40,276,015	42,262,524	44,214,860	46,425,603	46,425,603	#3
Resident	36,292,722	38,385,745	40,155,812			
Nonresident	3,983,293	3,876,779	4,059,048			
Academic Fees - CFE		546,000	559,650	559,650	559,650	
Other than Tuition - CF	2,221,311	0	0	0	0	
Auxiliary - CF	5,373,357	0	0	0	0	
(D) Trustees of Western State College	16,109,395	18,877,762	19,751,596	20,672,737	21,058,855	
FTE	201.3	200.8	205.1	205.1	205.1	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
College Opportunity Fund/GF pre 05-06	6,896,788	9,892,147	10,470,780	10,942,880	11,328,998	#1
Student Stipend Payments - CFE		3,592,800	3,893,220	3,849,251	3,849,251	
Fee-for-service Contracts - CFE		6,299,347	6,577,560	7,093,629	7,479,747	
Tuition - CFE/CF pre 05-06	8,027,876	8,780,615	8,980,816	9,429,857	9,429,857	#3
Resident	3,310,570	3,780,705	3,948,072			
Nonresident	4,717,306	4,999,910	5,032,744			
Academic Fees - CFE		205,000	300,000	300,000	300,000	
Other than Tuition - CF	473,447	0	0	0	0	
Auxiliary - CF	711,284	0	0	0	0	
(E) Colorado State University System	307,317,583	275,133,595	293,691,717	315,337,341	322,729,091	**A**
FTE	3,636.5	3,417.9	3,750.1	3,750.1	3,750.1	
College Opportunity Fund/GF pre 05-06	109,183,992	113,620,028	123,364,193	133,569,470	140,961,220	#1
Student Stipend Payments - CFE		45,405,600	49,577,280	50,929,466	50,929,466	
Fee-for-service Contracts - CFE		68,214,428	73,786,913	82,640,004	90,031,754	
Tuition - CFE/CF pre 05-06	140,879,254	155,161,777	163,433,524	174,873,871	174,873,871	#3
Resident	72,804,846	82,968,862	86,829,481			
Nonresident	68,074,408	72,192,915	76,604,043			
Academic Fees - CFE		6,181,790	6,224,000	6,224,000	6,224,000	
Appropriated Grants - CFE	170,000	170,000	670,000	670,000	670,000	
Other than Tuition - CF	32,954,345	0	0	0	0	
Auxiliary - CF	24,129,992	0	0	0	0	
(F) Trustees of Fort Lewis College	32,418,765	31,725,616	34,349,658	36,301,923	36,737,233	
FTE	389.3	413.3	425.2	425.2	425.2	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.		Notes
College Opportunity Fund/GF pre 05-06	7,435,161	8,757,822	10,745,793	11,577,665	12,012,975	#1	
Student Stipend Payments - CFE		5,971,200	6,651,240	6,634,741	6,634,741		
Fee-for-service Contracts - CFE		2,786,622	4,094,553	4,942,924	5,378,234		
Tuition - CFE/CF pre 05-06	20,904,991	21,771,794	22,407,865	23,528,258	23,528,258	#3	
Resident	6,615,618	7,536,978	7,412,004				
Nonresident	14,289,373	14,234,816	14,995,861				
Academic Fees - CFE		1,150,000	1,150,000	1,150,000	1,150,000		
Appropriated Grants - CFE	46,090	46,000	46,000	46,000	46,000		
Other than Tuition - CF	1,515,499	0	0	0	0		
Auxiliary - CF	2,517,024	0	0	0	0		
(G) Regents of the University of Colorado	617,835,880	604,237,031	649,674,913	702,018,671	728,960,866	**A**	
FTE	6,140.3	5,971.2	6,169.8	6,169.8	6,169.8		
College Opportunity Fund/GF pre 05-06	150,672,841	159,103,983	178,395,392	199,010,638	225,952,833	#1	
Student Stipend Payments - CFE		63,396,000	72,879,840	74,455,016	74,455,016		
Fee-for-service Contracts - CFE		95,707,983	105,515,552	124,555,622	151,497,817		
Tuition - CFE/CF pre 05-06	387,814,767	427,775,517	453,264,459	484,992,971	484,992,971	#3	
Resident	176,137,836	215,144,987	241,541,197				
Nonresident	211,676,931	212,630,530	211,723,262				
Academic Fees - CFE		16,700,000	17,357,531	17,357,531	17,357,531		
Appropriated Grants - CFE	0	657,531	657,531	657,531	657,531		
Other than Tuition - CF	50,746,381	0	0	0	0		
Auxiliary - CF	28,601,891	0	0	0	0		
(H) Colorado School of Mines	52,012,465	58,254,323	64,145,318	69,169,358	71,424,445		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
FTE	563.7	465.9	591.2	591.2	591.2	
College Opportunity Fund/GF pre 05-06	17,187,980	18,793,625	20,043,357	22,214,233	24,469,320	#1
Student Stipend Payments - CFE		6,103,200	6,976,320	7,287,964	7,287,964	
Fee-for-service Contracts - CFE		12,690,425	13,067,037	14,926,269	17,181,356	
Tuition - CFE/CF pre 05-06	32,883,706	37,646,698	40,759,486	43,612,650	43,612,650	#3
Resident	17,271,521	21,489,369	23,057,979			
Nonresident	15,612,185	16,157,329	17,701,507			
Academic Fees - CFE		139,000	142,475	142,475	142,475	
Appropriated Grants - CFE	250,000	1,675,000	3,200,000	3,200,000	3,200,000	
Other than Tuition - CF	728,058	0	0	0	0	
Auxiliary - CF	962,721	0	0	0	0	
(I) University of Northern Colorado	78,935,332	83,794,920	89,730,758	95,874,344	97,990,394	
FTE	986.8	1,000.0	1,006.9	1,006.9	1,006.9	
College Opportunity Fund/GF pre 05-06	33,590,909	35,176,878	37,949,011	40,519,536	42,635,586	#1
Student Stipend Payments - CFE		21,160,800	23,078,100	23,429,358	23,429,358	
Fee-for-service Contracts - CFE		14,016,078	14,870,911	17,090,178	19,206,228	
Tuition - CFE/CF pre 05-06	41,927,778	47,906,042	51,043,730	54,616,791	54,616,791	#3
Resident	31,279,584	35,909,033	38,262,476			
Nonresident	10,648,194	11,997,009	12,781,254			
Academic Fees - CFE		712,000	738,017	738,017	738,017	
Other than Tuition - CF	1,805,795	0	0	0	0	
Auxiliary - CF	1,610,850	0	0	0	0	
(J) State Board for the Community						

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
Colleges and Occupational Education						
State System Community Colleges	230,145,050	242,081,899	240,004,864	251,342,529	263,605,245	
FTE	4,386.1	4,627.7	4,669.5	4,669.5	4,669.5	
College Opportunity Fund/GF pre 05-06	106,279,979	117,020,778	121,998,555	129,453,670	141,716,386	#1
Student Stipend Payments - CFE		79,180,800	103,148,400	106,749,689	106,749,689	
Fee-for-service Contracts - CFE		37,839,978	18,850,155	22,703,981	34,966,697	
Tuition - CFE/CF pre 05-06	109,678,829	118,157,415	110,930,010	114,812,560	114,812,560	#3
Resident	95,100,171	102,348,575	95,738,130			
Nonresident	14,578,658	15,808,840	15,191,880			
Academic Fees - CFE		6,903,706	7,076,299	7,076,299	7,076,299	
Appropriated Grants - CFE	2,000,000	0	0	0	0	
Other than Tuition - CF	11,457,795	0	0	0	0	
Auxiliary - CF	728,447	0	0	0	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Approp vs. Request Governor	Approp vs. Request CCHE
TOTAL - (5) Governing Boards	1,463,125,849	1,450,945,756	1,537,052,574	1,644,535,699	1,702,182,559	7.0%	10.7%
FTE	17,952.7	17,754.1	18,553.6	18,553.6	18,553.6		
College Opportunity Fund/GF pre 05-06	491,291,351	534,181,543	577,328,044	626,237,049	683,883,909	8.5%	18.5%
Student Stipend Payments - CFE		271,803,110	318,691,920	328,735,880	328,735,880	3.2%	3.2%
Fee-for-service Contracts - CFE		262,378,433	258,636,124	297,501,169	355,148,029	15.0%	37.3%
Tuition - CFE/CF pre 05-06	799,743,272	881,457,786	921,360,931	979,935,051	979,935,051	6.4%	6.4%
Resident	452,092,237	524,863,124	557,420,115	0	0		
Nonresident	347,651,035	356,594,662	363,940,816	0	0		
Academic Fees - CFE	0	32,757,896	33,790,068	33,790,068	33,790,068	0.0%	0.0%
Appropriated Grants - CFE	2,466,090	2,548,531	4,573,531	4,573,531	4,573,531	0.0%	0.0%

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
Other than Tuition - CF	102,792,615	0	0	0	0		
Auxiliary - CF	66,832,521	0	0	0	0		

							Approp vs. Request	
							Governor	CCHE
TOTAL - (6) Local District Junior College Grants								
General Fund	11,038,334	12,601,934	13,668,051	13,668,051	14,146,433	#4	0.0%	3.5%

							Approp vs. Request	
							Governor	CCHE
TOTAL - (7) Advisory Commission on Family								
Medicine	1,576,501	1,576,502	1,703,558	1,903,558	1,903,558		11.7%	11.7%
FTE	0.0	0.0	0.0	0.0	0.0			
General Fund	0	0	0	0	0			
Cash Funds Exempt	1,576,501	1,576,502	1,703,558	1,903,558	1,903,558	ACF #1		

(6) 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 develo

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
(A) Administrative Costs	562,036	900,000	900,000	900,000	900,000	
FTE	9.0	9.0	9.0	9.0	9.0	
General Fund	486,805	656,370	0	0	0	
Cash Funds	0	243,630	900,000	900,000	900,000	
Cash Funds Exempt	75,231	0	0	0	0	
(B) Colorado Vocational Act Distributions						
Cash Funds Exempt	19,959,556	19,996,048	20,635,922	20,635,922	20,635,922	
(C) Area Vocational School Support						
General Fund	8,505,528	8,505,528	9,635,902	9,635,902	9,973,159	#4

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
(D) Sponsored Programs							
(1) Administration							
Federal Funds	2,134,459	2,217,012	2,217,012	2,217,012	2,217,012		
FTE	25.2	25.2	25.2	25.2	25.2		
(2) Sponsored Programs							
Federal Funds	14,817,697	15,321,254	15,321,254	15,321,254	15,321,254		
Subtotal - (D) Sponsored Programs	16,952,156	17,538,266	17,538,266	17,538,266	17,538,266		
(E) Colorado First Customized Job Training							
Cash Funds Exempt	22	2,725,022	2,725,022	2,725,022	2,725,022		
(F) Existing Industry Training							
Cash Funds Exempt	2,725,000	0	0	0	0		
						Approp vs. Request	
						Governor	CCHE
TOTAL - (6) Occupational Education	48,704,298	49,664,864	51,435,112	51,435,112	51,772,369	0.0%	0.7%
FTE	34.2	34.2	34.2	34.2	34.2		
General Fund	8,992,333	9,161,898	9,635,902	9,635,902	9,973,159	0.0%	3.5%
Cash Funds	0	243,630	900,000	900,000	900,000	0.0%	0.0%
Cash Funds Exempt	22,759,809	22,721,070	23,360,944	23,360,944	23,360,944	0.0%	0.0%
Federal Funds	16,952,156	17,538,266	17,538,266	17,538,266	17,538,266	0.0%	0.0%

(7) Auraria Higher Education Center

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

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
Administration	13,473,601	14,305,316	14,814,761	14,814,761	14,814,761	
FTE	124.3	124.7	123.6	123.6	123.6	
Cash Funds	4,678,133	14,305,316	14,814,761	14,814,761	14,814,761	
Cash Funds Exempt	8,795,468	0	0	0	0	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
Auxilary Enterprises - CF	42,100	2,264,486	50,000	50,000	50,000		
						Approp vs. Request	
						Governor	CCHE
TOTAL - (7) AHEC	13,515,701	16,569,802	14,864,761	14,864,761	14,864,761	0.0%	0.0%
FTE	124.3	124.7	123.6	123.6	123.6		
Cash Funds	4,720,233	16,569,802	14,864,761	14,864,761	14,864,761	0.0%	0.0%
Cash Funds Exempt	8,795,468	0	0	0	0		
TOTAL - (8) Council on the Arts							
Program Costs	1,172,167	1,416,000	0	0	0		
FTE	2.0	2.0	0.0	0.0	0.0		
General Fund	500,000	700,000	0	0	0		
Cash Funds Exempt	16,000	16,000	0	0	0		
Federal Funds	656,167	700,000	0	0	0		

(9) 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.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes
(A) Cumbres and Toltec Railroad Commission						
General Fund	10,000	260,000	510,000	510,000	510,000	
(B) Sponsored Programs	205,310	259,126	250,000	250,000	250,000	
FTE	3.0	2.9	3.5	3.5	3.5	
Cash Funds	0	1,100	0	0	0	
Cash Funds Exempt	51,745	15,182	20,000	20,000	20,000	
Federal Funds	153,565	242,844	230,000	230,000	230,000	
(C) Auxiliary Programs	1,446,400	1,137,484	1,535,699	1,535,699	1,535,699	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
FTE	16.0	12.7	14.5	14.5	14.5		
Cash Funds	934,190	586,243	1,035,699	1,035,699	1,035,699		
Cash Funds Exempt	512,210	551,241	500,000	500,000	500,000		
(D) Gaming Revenue							
Gaming Cities Distribution							
Cash Funds Exempt - SHF	5,174,483	5,204,091	5,668,939	5,668,939	5,668,939		
Statewide Preservation Grant Program							
Cash Funds Exempt - SHF	23,336,997	18,432,859	17,270,244	17,270,244	17,270,244		
FTE	17.3	16.5	18.0	18.0	18.0		
Society Museum and Preservation							
Operations	5,508,538	5,801,705	5,969,330	6,109,330	6,109,330		
FTE	89.9	90.9	90.9	90.9	90.9		
Cash Funds	699,442	696,740	695,347	695,347	695,347		
Cash Funds Exempt - SHF	4,169,081	4,464,965	4,635,263	4,775,263	4,775,263	Hist #1, Hist #2	
Federal Funds	640,015	640,000	638,720	638,720	638,720		
Subtotal - (D) Gaming Revenue	34,020,018	29,438,655	28,908,513	29,048,513	29,048,513		
						Approp vs. Request	
						Governor	CCHE
TOTAL - (9) Historical Society	35,681,728	31,095,265	31,204,212	31,344,212	31,344,212	0.4%	0.4%
FTE	126.2	123.0	126.9	126.9	126.9		
General Fund	10,000	260,000	510,000	510,000	510,000	0.0%	0.0%
Cash Funds	1,633,632	1,284,083	1,731,046	1,731,046	1,731,046	0.0%	0.0%
Cash Funds Exempt	33,244,516	28,668,338	28,094,446	28,234,446	28,234,446	0.5%	0.5%
Federal Funds	793,580	882,844	868,720	868,720	868,720	0.0%	0.0%
						Approp vs. Request	
						Governor	CCHE
TOTAL - Dept. of Higher Education	1,661,821,370	2,184,258,453	2,343,000,227	2,501,298,943	2,622,708,302	6.8%	11.9%
FTE	18,272.8	18,071.8	18,876.2	18,876.2	18,876.2		

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Approp	FY 2007-08 Gov. Req.	FY 2007-08 CCHE Req.	Notes	
General Fund	588,043,571	636,591,034	689,673,756	739,673,756	803,436,255	7.2%	16.5%
Cash Funds	513,804,838	21,926,758	21,455,067	21,648,702	21,648,702	0.9%	0.9%
Cash Funds Exempt	539,961,934	1,505,301,346	1,611,791,082	1,719,822,448	1,777,469,308	6.7%	10.3%
Federal Funds	20,011,027	20,439,315	20,080,322	20,154,037	20,154,037	0.4%	0.4%

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

2 **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. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

Comment: The Department has made an effort to comply with the footnote. The rules can be found at the following web address:

http://www.state.co.us/gov_dir/leg_dir/olls/HTML/rules.htm

However, in some cases the user must dig deep through minutes from board meetings, or follow links to different divisions, in order to find the rules. The Department could do more to improve the accessibility of the information to the public.

3 **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 2006-07. 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.

Comment: *The Governor vetoed this footnote* 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. 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.

8 **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 English language proficiency programs, public school transportation, Colorado Vocational Act distributions, and small attendance center aid is requested to include the following for FY 2005-06: (a) The total amount distributed to each entity; and (b) the total amount that each entity would be eligible to receive pursuant to state law and/or State Board of Education rule. The information for special education services -- children with disabilities and special education services - gifted and talented children is requested to include the following information for the most recent fiscal year for which data is available: (a) The total amount distributed to each entity; and (b) the total expenditures incurred by each entity.

Comment: This footnote will be discussed during the briefing for the Department of Education.

18 **Governor - Lieutenant Governor - State Planning and Budgeting, Economic Development Programs, Colorado First Customized Job Training; and Department of Higher Education, Division of Occupational Education, Colorado First Customized Job Training --** This program is requested to submit to the Joint Budget Committee by November 1, 2006, a detailed plan for accountability, including the following: Review criteria for selection of companies to participate; the number of new jobs created by the programs; the number of unemployed and underemployed individuals who were trained and employed by this program; the amount of new personal income, state personal, and corporate income tax generated by this program; the time period for repayment of state investment in this program; and the number of persons taken off state support programs and the money saved thereby.

Comment: This footnote will be discussed during the briefing for the Governor - Lieutenant Governor - State Planning and Budgeting.

36 **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.

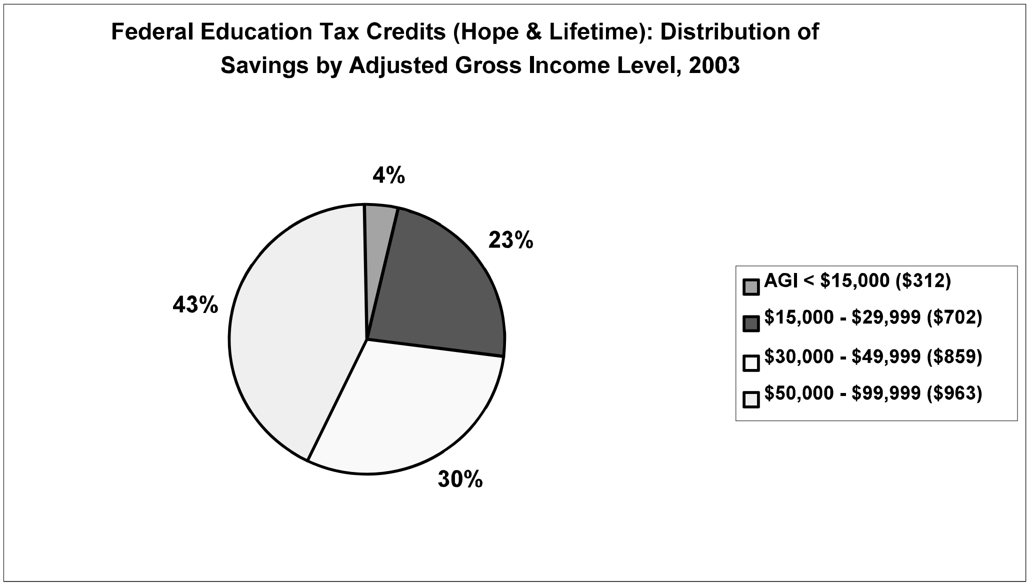
Comment: *The Governor vetoed this footnote* on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. The Governor also indicated that all of the data for the most recent fiscal year is not available to the Department in time to meet the November 1 reporting date. The Governor's veto message indicates that the Department will comply with the intent of the footnote to the extent possible.

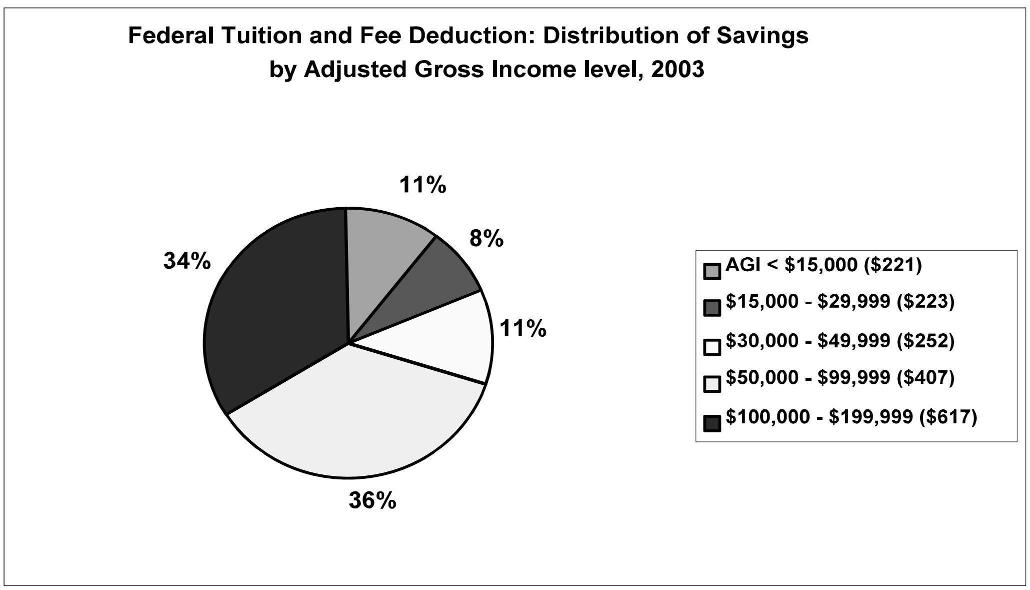
In previous years the Department has either not submitted a report in response to this footnote, or submitted a report that was late and incomplete. This year was a significant improvement. The Department submitted a report that was a little late, but prior to the JBC briefing. The report includes the core information requested in the footnote and some limited demographic information, although no demographic information by ethnicity. The full 18 page report is accessible from CCHE's web site:

http://www.state.co.us/cche/aboutus/index.html

The report includes some enhanced data not included in previous reports on federal tax benefits that can assist with higher education and on average debt burdens.

There are three types of federal education tax benefits: Hope credits, Lifetime Learning credits, and tuition and fee deductions. These benefits are not coded by institution, and so it is not possible to identify the dollar value to families attending Colorado schools. The Department included the following graphs showing the national distribution of these benefits by income category.





Staff would like to see the Department work with the IRS to try and get data specifically for Colorado. Also, staff is unsure if the values of the benefits cited for each income category are average values or median values, and if the values should be added together or treated separately. For example, is this chart saying that a typical family with an adjusted gross income of $50,000 - $99,999 claims $963 in education credits plus deductions worth $407, for a total tax benefit of $1,370? Staff believes that the Department needs to provide more guidance on how to interpret these charts.

It should be noted that there are several tax benefits potentially available to students and families that are not included in these charts, such as benefits from employers, interest on education savings bonds, returns on Coverdell education savings accounts, 529 savings plans, and prepaid tuition programs, and work-related education expenses.

The Department correctly points out that the federal tax benefits are not geared to the most needy students. However, staff believes that they can be a significant benefit to middle-income students and families. States that adopt low tuition policies, as opposed to high tuition and high financial aid policies, typically have concerns about access for middle-income students. This and sticker-shock for low-income students are the typical reasons cited for not adopting a high-tuition, high-aid policy. **Staff recommends discussing with the Department at the hearing how education tax benefits should affect tuition policies in Colorado.**

With regard to student debt loads, the Department included the following summary tables:

Average Student Debt Loan at Graduation-Associates Degree			
Institution	**2004**	**2005**	**2006**
Adams State College	12,035	6,244	8,488
Aims Community College	9,498	8,305	8,784
Arapahoe Community College	9,785	9,149	9,955
Colorado Mountain College	9,287	8,613	8,573
Colorado Northwestern Community College	9,214	9,950	11,482
Community College of Aurora	10,974	9,194	10,254
Community College of Denver	10,271	9,385	11,260
Front Range Community College	9,572	9,863	10,408
Lamar Community College	6,936	6,194	7,582
Mesa State College	12,240	8,651	9,681
Morgan Community College	6,400	7,873	7,549
Northeastern Junior College	6,453	5,135	6,077
Otero Junior College	7,723	7,805	8,191
Pikes Peak Community College	9,768	8,241	7,847
Pueblo Community College	11,630	10,538	10,984
Red Rocks Community College	11,505	8,591	8,706
Trinidad State Junior College	6,790	6,387	8,293
LOANS INCLUDED: Federal Stafford Loans Unsubsidized; Federal Perkins Loan; Federal Stafford Loans Subsidized; Federal Health Profession Loans; Other Loans			

Average Student Debt Loan at Graduation-Baccalaureate Degree			
Institution	**2004**	**2005**	**2006**
Adams State College	16,580	15,646	16,699
Colorado School of Mines	16,714	15,591	16,103
Colorado State University	16,997	16,570	17,623
Colorado State University - Pueblo	18,702	18,746	20,485
Fort Lewis College	16,272	15,963	15,925
Mesa State College	16,927	17,047	17,763
Metropolitan State College of Denver	19,906	19,502	19,636

Average Student Debt Loan at Graduation-Baccalaureate Degree			
Institution	**2004**	**2005**	**2006**
University of Colorado - Boulder	19,126	19,607	18,105
University of Colorado - Colorado Springs	17,518	17,793	16,525
University of Colorado at Denver	17,468	21,719	21,552
University of Colorado Health Sciences Center*	35,553		
University of Northern Colorado	16,628	15,905	16,744
Western State College	16,620	18,872	15,956

LOANS INCLUDED: Federal Stafford Loans Unsubsidized; Federal Perkins Loan; Federal Stafford Loans Subsidized; Federal Health Profession Loans; Other Loans
* Combined with UCD for 2005 and 2006

These tables do not include information on private loans used to finance higher education, such as 2nd mortgages, 401k borrowing, and credit cards. The College Board estimates that nationally private loans now account for 22 percent of higher education loan volume.

Staff believes that information on the percentage of students graduating with debt would be a useful addition to CCHE's report. Also, it may be better to look at median debt burdens rather than average debt burdens as an indicator for what the "typical" student faces.

The Department could make the debt burden information far more meaningful if it projected monthly payments and compared these to starting salaries for a few well-recognized professions. The Department's CollegeInColorado web site uses something called SLOPE (Student Loans Over Projected Earnings) to help students and families plan for college. The web site recommends that monthly loan payments should not exceed 8 percent of a student's first year salary. Staff used the web site to estimate these loans as a percentage of a starting elementary education teacher's salary. Through trial and error, staff got fairly close, although not exactly, to the average total loan amount for CSU - Pueblo. The mix of loans (Stafford subsidized, Stafford unsubsidized, PLUS, etc.) and the assumptions about interest rates make a difference in the required monthly payment. Staff is concerned that based on current interest rates the average debt burden for graduates from CSU - Pueblo would exceed the recommended 8.0 percent of the average starting elementary education teacher's salary.

The JBC may want to discuss with the Department the factors influencing the regional variation in average student debt burdens and whether a more equitable distribution could be achieved. Why, for example, are some of the highest student debt burdens for both associates degrees and baccalaureate degrees in Pueblo? The highest debt burden for students graduating with associates degrees is recorded at Colorado Northwestern Community College in one of the more economical depressed regions of the state.

37 **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, 2006, 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.

Comment: *The Governor vetoed this footnote* on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. However, in the veto message the Governor instructed the Department to comply with the intent of the footnote to the extent feasible.

The Department did not submit a report by November 1. **Staff recommends that the Committee ask the Department to discuss the performance of the Governor's Opportunity Scholarship program at the hearing.**

38 **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.

Comment: *The Governor vetoed this footnote* on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. However, in the veto message the Governor instructed the Department and the governing boards to comply with the intent of the footnote to the extent feasible.

The Department did not submit the requested report. Staff has concerns that because moneys are fungible it is difficult to prove compliance with this statutory requirement. Staff has heard from several higher education fiscal officers that their institutions do not bother to measure compliance when making policies about tuition and financial aid. The institutions assume that the increases in institutional aid will far exceed the requirement, and that no one could prove it if they didn't. Staff believes that CCHE needs to set administrative policy in this area for how compliance with the statutory requirement will be measured, and that CCHE needs to prepare an annual report for the General Assembly demonstrating compliance, to ensure that institutions take this statutory requirement into account when setting their budgets.

38a **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, 2006, 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: *The Governor vetoed this footnote* on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. However, in the veto message the Governor instructed the Department to comply with the intent of the footnote to the extent feasible.

The Department did not submit the requested report. **Staff recommends asking the department to analyze the impact of financial aid on recruitment, retention, and academic performance for the hearing, and to explain why the Department did not provide this key/core performance data when specifically requested by the General Assembly.**

38b **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. The Department has not authorized transfers in FY 2006-07 to support tuition or fee increases not approved by the General Assembly.

39 **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.

39a **Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, Scholarships for Pre-collegiate Programs --** It is the intent of the General Assembly that to receive a grant from the Scholarships for Pre-collegiate Programs a student must be a Colorado high school graduate eligible for resident tuition and have been accepted into an institution of higher education in Colorado. Further, the student must have been enrolled in and successfully completed an eligible pre-collegiate program of at least one year offered during the high school academic year. It is the intent of the General Assembly that the Colorado Commission on Higher Education or their designee will determine which pre-collegiate programs are eligible.

Comment: *The Governor vetoed this footnote* on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. However, the Governor instructed the Department to comply with the intent regarding eligibility for pre-collegiate scholarships. **Staff recommends asking the**

Department to describe the implementation of the pre-collegiate scholarship program for the hearing.

40 **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.

41 **Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, Early Childhood Professional Loan Repayment Program; and Department of Human Services, Division of Child Care, Early Childhood Professional Loan Repayment Program --** It is the intent of the General Assembly that no more than 10 percent of all expenditures from this line item shall be for program administration.

Comment: This footnote will be discussed during the briefing for the Department of Human Services.

41b **Department of Higher Education, College Opportunity Fund Program, Stipends --** It is the intent of the General Assembly that no stipends from the College Opportunity Fund shall be disbursed on behalf of non-legal residents of the United States.

Comment: **Staff recommends asking the department to describe what it has done to ensure compliance with this footnote at the hearing.**

42 **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.

43 **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 --** 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.

Comment: This footnote expresses legislative intent with regard to tuition increases. The Department is in compliance. No governing board raised the per-credit hour rate for resident undergraduates by more than 2.5 percent. Some institutions increased the threshold to qualify for full-time tuition status, after which additional credit hours do not cost the student additional tuition. As a result, some students taking a full-time course load experienced tuition rate increases in excess of 2.5 percent.

Resident, Undergraduate, Full-time (30 credit hours per year) Liberal Arts Tuition Rates

Institution	FY 2005-06	FY 2006-07	Percent Increase
Colorado School of Mines	$ 7,248	$ 7,852	8.3%
University of Colorado - Boulder	$ 4,446	$ 4,554	2.4%
University of Colorado - Denver	$ 4,224	$ 4,330	2.5%
University of Colorado - Colorado Springs	$ 3,966	$ 4,066	2.5%
Colorado State University	$ 3,381	$ 3,466	2.5%
Mesa State College	$ 3,100	$ 3,442	11.0%
University of Northern Colorado	$ 3,192	$ 3,276	2.6%
Colorado State University - Pueblo	$ 2,903	$ 2,975	2.5%
Western State College	$ 2,352	$ 2,554	8.6%
Fort Lewis College	$ 2,462	$ 2,522	2.4%
Metropolitan State College of Denver	$ 2,387	$ 2,447	2.5%
Community Colleges	$ 2,183	$ 2,237	2.5%
Adams State College	$ 1,980	$ 2,030	2.5%

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HIGHER EDUCATION

ISSUE:

Department of Higher Education Performance Measures

DISCUSSION:

Department Mission

Mission Statement:

> The Department of Higher Education implements its statutory responsibilities in the most effective, cost-efficient way possible by providing the highest quality service to its customers.
>
> The Colorado Commission on Higher Education strives to provide access to high-quality, affordable education for all Colorado residents that is student centered, quality driven and performance-based. CCHE is committed to providing the best quality education at the best price with the best possible service for its customers.
>
> The sufficiency of a high-school diploma has declined and the necessity of some type of postsecondary education for all citizens is clear. Increasing access for low-income students, participation for all students and providing greater tuition flexibility for some institutions will help to ensure that Colorado remains a competitive state.

Goals and Performance Measures

The Department of Higher Education did not submit a strategic plan in exactly the same format as other state departments[1], but the budget request does include an 18 page overview of the Department that includes a mission statement, a vision statement, and a summary of accountability measures found in the performance contracts between CCHE and the higher education institutions.

What is a performance contract? CCHE and the higher education institutions are required to

[1] Pursuant to Section 24-37-302, C.R.S. OSPB designs the forms for all budget requests except those pertaining to higher education, which are prepared by CCHE and approved by OSPB. There are frequently variances in format between the higher education budget request and the budget requests from other departments.

enter into performance contracts by Section 23-5-129, C.R.S. A performance contract is **NOT** the same thing as a fee-for-service contract. The performance contracts are supposed to specify measurable goals that the higher education institutions will achieve during the period of the contract in the following statewide priority areas:

- Improving Colorado residents' access to higher education;
- Improving quality and success in higher education;
- Improving the efficiency of operations; and
- Addressing the needs of the state.

In contrast, fee-for-service contracts are a mechanism for distributing funding and specify a dollar amount that will be paid in exchange for a defined service.

Statutory guidance on how to measure performance. In measuring progress toward the goals of the performance contracts Section 23-5-129, C.R.S. indicates the following issues may be addressed:

- Appropriate levels of student enrollment, transfer, retention, and graduation rates and institutional programs specifically designed to assist students in these areas;
- Student satisfaction;
- Student performance after graduation measured by indicators such as
  - ➜ Employment and
  - ➜ Enrollment in graduate programs;
- Cost in relation to peer institutions;
- Productivity in relation to peer institutions;
- Assessment of the quality of the institution’s academic and vocational programs by external reviewers such as
  - ➜ Accreditation boards
  - ➜ Employers and
  - ➜ National exams;
- Financial support to sustain and enhance essential functions that may be partially state funded such as
  - ➜ Financial aid
  - ➜ Capital construction
  - ➜ Research and
  - ➜ General campus support;
- Enrollment of underserved students including
  - ➜ Low-income students
  - ➜ Minority groups and
  - ➜ Males, where they are underserved.

Compliance with the goals in the performance contract may be in lieu of meeting the requirements of the Higher Education Quality Assurance Act (Title 23, Article 13).

In assessing the adequacy of the performance measures used by the Department, it may be useful to review the statewide expectations and goals of the Higher Education Quality Assurance Act. The requirements of the Higher Education Quality Assurance Act have been replaced by the performance contracts, but the provisions of the Higher Education Quality Assurance Act are still in statute, and they are a good indicator of the performance issues the General Assembly has historically been most concerned about.

- Deliver a degree program in the number of credit hours specified in the course catalogue by
  - ➜ Providing frequent and convenient scheduling of required and core courses
  - ➜ Ensuring that no student's graduation is delayed due to lack of access or availability of required and core courses
  - ➜ Scheduling courses to accommodate working students
  - ➜ Minimizing any loss of credit hours toward graduation requirements when students change degree programs;
- Improve student achievement levels through
  - ➜ Curriculum review
  - ➜ Development of new programs
  - ➜ Solicitation and consideration of employer and student input
  - ➜ Increased availability of small classes
  - ➜ Clinical learning experiences;
- Implement a student advising system that includes
  - ➜ An advising record for each student
  - ➜ Freshman and transfer student orientation programs
  - ➜ Advising on potential employment opportunities relevant to degree choices
  - ➜ Matching with a professor or faculty member who can provide advice;
- Reward high quality faculty instruction and student learning through
  - ➜ Ensuring that faculty spend a specified, appropriate percentage of time teaching and advising
  - ➜ Basing a high percentage of faculty ratings on the amount of time teaching and advising
  - ➜ Developing a system of instructional supervision and evaluation to ensure quality of instruction;
- Promote faculty and staff development with programs for
  - ➜ Advising and counseling skills
  - ➜ Teaching skills and methods;
- Assist elementary and secondary schools in preparing students for higher education by
  - ➜ Aligning higher education admission requirements with K-12 standards
  - ➜ Providing outreach to economically disadvantaged and underrepresented students through pre-college programs
  - ➜ Encouraging 12th grade students to take postsecondary courses; and
- Integrate technology to lower capital administrative costs and improve quality.

To measure achievement of the statewide expectations and goals articulated in the Higher Education Quality Assurance Act, the statutes required CCHE and the governing boards to develop a quality indicator system. The quality indicator system has been replaced by reporting on the performance contracts. The statutory description of the quality indicator system is very similar to the guidance on how to measure achievement toward the performance contracts. However, the guidance on the quality indicator system has a requirement to measure affordability of the institution as part of student satisfaction, and it has a somewhat greater emphasis on measuring faculty and administrative productivity and efficiency. The statutory authorization for the quality indicator system also includes language allowing the general assembly to make appropriations for enhancing the system, and to distribute funds to the higher education institutions based on performance.

Issues raised by the available performance information. In the 18-page overview of the performance contracts provided by the Department, performance data is presented for two main objectives, improving graduation rates and improving retention rates. Specific data is provided for several subsets of the general population. For example, graduation rates are measured at four years, five years, and six years after entry, for males and females, and for ethnic minorities. The following table provides a sampling of the data presented.

Institution	% graduates SIX years after entry	% retained one year after entry	Example of a data subset: % graduates FOUR years after entry by gender	
			Female	Male
Mines	75.9%	82.1%	50.0%	37.6%
CU - Boulder	69.5%	82.4%	45.2%	31.7%
CSU - Fort Collins	67.2%	83.3%	41.8%	27.5%
UNC	54.3%	70.6%	35.1%	15.5%
CU - Denver/HSC	49.4%	71.1%	20.2%	15.5%
CU - CO Springs	47.7%	66.9%	21.1%	13.6%
Western	43.6%	57.9%	23.0%	10.7%
Adams	42.4%	55.5%	23.9%	8.7%
CSU - Pueblo	38.3%	59.2%	16.6%	10.5%
Mesa	37.2%	56.3%	10.8%	9.2%
Fort Lewis	36.0%	58.0%	16.5%	7.1%
Metro	24.3%	60.0%	7.0%	5.6%
Statewide	55.6%	66.9%	Not reported	Not reported

Issues raised by the available performance information that the JBC may want to pursue further with the Department include:

1. **With all of the statutory guidance on measuring performance, why is the Department only reporting data on graduation and retention rates?** The statute governing the performance contracts lists several issues that may be addressed in

measuring progress, but the data submitted by the Department covers only a sliver of the items mentioned in statute. Even without the statutory direction one would expect a performance report to include more than just graduation and retention rates. No performance information was reported for the community colleges.

2. **The January statutory deadline for reporting on the performance contracts does not mesh with the Joint Budget Committee's budget process.** The performance information submitted with the budget request is not adequate, but to be fair the statutes do not require a report on the performance contracts until January. It is possible that the performance report submitted by the Department in January will be more robust than what was submitted with the budget. Although, the report submitted last January was almost identical to the report submitted with the budget request this year.

   Significantly more performance data is collected by the Department than what is being reported with the budget. Some of the data is reported in other formats or on an as-needed basis. Staff believes that the Department's November 1 budget request should include a compilation of key performance data similar to the strategic plans required by OSPB from other departments. If the Department is waiting until January because that is the statutory deadline, then the Joint Budget Committee will not have an opportunity for a staff briefing and departmental hearing on the measures.

3. **How do these graduation and retention rates compare to peer benchmarks, historic rates, and performance goals?** The performance contracts indicate that schools will improve performance from certain figures to certain figures. However, since the Department reports the performance data in so many different ways (graduation rates after 4, 5, and 6 years, for students that remain at the original institution, for students that transfer to another Colorado institution, for students at the original institution plus transfers in Colorado, for males, for females, for minorities) it is not obvious to which data point the goals apply. More context about historic achievement rates, national or peer benchmarks, and why the particular performance levels were selected as goals would help in assessing whether the performance goals are reasonable and sufficiently challenging.

   The old quality indicator system used to report several years of data. At first it reported national benchmarks, and then it reported benchmarks based on past performance of the institution. A quick perusal of previous quality indicator reports suggests that there can be significant percentage variations from one year to the next in graduation and retention rates. It may be that using a rolling average to demonstrate sustained achievement on these measures would be better than using one-year figures. Historic information would also help determine if achievement on these measures is correlated with funding. The state just went through a period of historic decreases in General Fund for higher education. Many institutions, out of necessity, reduced budgets for academic support programs. Did these reductions translate into lower retention and graduation rates?

4. **What's happening to the men?** Variations in graduation and retention rates by minority populations are often explained in terms of socio-economic conditions and the educational attainment level of parents. Presumably, families across economic, ethnic, and educational attainment levels have male and female children at similar rates. So, why are graduation and retention rates for males so much below the rates for females? Staff has heard speculation that the economic opportunities for males without a higher education are more attractive than the economic opportunities for females without a higher education. Most higher education officials would argue that forgoing a higher education, or delaying the achievement of a higher education credential, has significant and long-term negative life consequences for all but a few Bill Gatess. However, it appears that they are not successfully convincing young men, or at least not at the same rate as they are convincing young women.

Staff Analysis

Joint Budget Committee staff reviewed the department's performance measures submitted in the budget. Staff assessed these performance measures using the following common checklist:

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

1. *Do the goals and performance measures correspond to the program's directives provided in statute?*

The two objectives where the Department reports performance data correspond to the statutory directives for the performance contracts, which include establishing appropriate levels of student enrollment, transfer, retention, and graduation rates. There is no problem with the measures not corresponding with the statutory directives. As discussed in reference to question number four, there are not performance measures for all key areas of the budget, including key areas specifically referenced in statute.

2. *Are the performance measures meaningful to stakeholders, policymakers and managers?*

Graduation and retention rates are useful to policymakers, but the Department does not provide enough context to understand the results. As noted previously, historic and benchmark information would be helpful. Also, part of ensuring that the performance measures are meaningful to policy makers is adequately explaining the measures. The old quality indicator system included caveats about "factors to keep in mind when interpreting indicator [fill in the blank]." With regard to graduation and retention rates, it explained that according to national conventions the data was limited to first-time, degree-seeking undergraduates that entered the institution in the summer or fall, and enrolled full-time for the first fall term. For some institutions, a large percentage of new undergraduates are non-degree seeking, transfers, or part-time, and so the cohort being measured can be small. Once the entry cohort is formed, students are not removed if they change to part-time status or interrupt their studies in subsequent terms.

3. *Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?*

No. Graduation and retention rates measure output and efficiency. They may measure the quality of academic support programs, but not the overall quality of the education. They don't tell policy makers about student outcomes with regard to things like employment, income, or quality of life. Clearly the Department needs to track a wider variety of performance measures.

Even just in the area of graduation and retention rates, the Department may want more supporting data that can confirm the core performance measures, and/or help to explain trends and anomalies. Performance measuring systems seem to be most effective when they have a small, digestible number of key performance measures tracking the goals, with more detailed layers of supporting measures for objectives that advance the goals. If a positive, negative, or erratic trend emerges in progress toward the core goal, the measures of supporting objectives can explain why. For many state departments, the problem is having too many measures of supporting objectives without prioritizing the key performance measures that track the goals. The Department of Higher Education does not suffer from providing too much information. The Department presents performance data for only two objectives.

4. *Do the performance measures cover all key areas of the budget?*

The statutory guidance on statewide expectations and goals is described above. The number of items not addressed in the performance data submitted by the Department is lengthy and obvious from a quick perusal of the summary of those statutes.

5. *Are the data collected for the performance measures valid, accurate, and reliable?*

Staff has no reason to question the data submitted by the Department.

6. *Are the performance measures linked to the proposed budget base?*

As noted, the Department has not provided enough information to establish how strong the correlation is between graduation and retention rates and funding. The Department has not used graduation or retention rates as a justification for the budget request.

7. *Is there a change or consequence if the Department's performance targets are not met?*

Neither the statutes nor the performance contracts identify specific sanctions if the targets are not met. Since the dates for achieving most of the goals are in the future, it remains to be seen how the Department will react if the targets are not achieved. During the early 2000s CCHE used a distribution formula for new General Fund appropriations that was affected by performance on graduation and retention rates. The design of the Governor's Opportunity Scholarship program was influenced by the goal of improving graduation and retention rates. Some of the institutions report that this data is regularly reported to the institution's governing board and that it influences budget allocations, particularly for student support services. Staff did not solicit any examples of the types of reporting to the governing boards, or evidence that graduation and retention rates have a bearing on institution-level budget decisions.

Questions for Department

Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?

2. To what extent do the performance outcomes reflect appropriation levels?

3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?

4. As a department director, how do you judge your department's performance? What key measures and targets do you used?

ISSUE:

Colorado funding distribution models

SUMMARY:

- Over the last few years, staff has heard discontent about Colorado's distribution of funding among higher education institutions.
- This issue brief provides background on distribution models historically used by Colorado including:
  - Line item detail
  - Memorandum of Understanding
  - Reexamination of the base
  - Inflation + Enrollment + Special Items
  - Performance
  - Mandated Costs and Unfunded Enrollment

RECOMMENDATION:

Staff recommends discussing with the outgoing administration what issues they think are at the heart of the current dissatisfaction with the distribution funding model, and what lessons they have learned over the last several years about things that work and don't work when trying to prepare a distribution formula. Also, staff recommends seeking advice on a realistic time-frame for how long it would take to develop a new distribution formula.

DISCUSSION:

Over the last few years staff has heard a lot of dissatisfaction with the distribution of funding among the higher education institutions from members of the higher education community and the legislature. Below are some typical criticisms of the higher education distribution system, and paraphrases of the types of comments heard by staff.

- Too complicated
  - Legislators and lobbyists complain that they can't easily explain the funding decisions.
  - Everything is interconnected and if one variable is changed it has unintended consequences elsewhere.
- Too political

  - The distribution formulas are not based on promoting policy objectives, but on satisfying political demands, and as such they tend to maintain the status quo.
  - The influence of lobbying on the distribution of higher education funding and the governance of higher education is at an all time high.
  - There isn't consensus among the higher education institutions about the funding request.
  - CCHE is forcing formulas on the institutions and the legislature.
  - There has been an unfair shift in the balance of who gets funding.
- Too bureaucratic and regulatory
  - CCHE and the legislature are meddling in things like tuition rates, fees, capital construction, and financial aid.
  - CCHE and the legislature need to stop micro-managing and let the governing boards govern.
- Not accountable enough
  - What services are we getting for these fee-for-service contracts?
  - What are the performance measures for higher education?
  - What is the cause of the so-called Colorado paradox?
- Not responsive to business sector needs
  - Where are the engineering and science graduates?
  - Where are the nursing graduates?
- Not enough money to go around
  - Where is the money for graduate education and research?
  - Access is fine, but what about quality?
  - Funding is a fraction of peers.
  - Schools are losing faculty.
- College isn't affordable
  - Financial aid isn't keeping pace with tuition.
  - Forget financial aid, middle class families that make too much to qualify are getting hammered by rising tuition rates.
  - The debt burden of recent graduates is too high.

The next couple of issue briefs examine a few of these criticisms in more depth to help the Committee decide whether the negative perceptions are warranted, and what improvements might be made.

This issue brief provides some background on how Colorado has historically distributed higher education funding to provide the Committee with some context about whether these are new or perennial problems with higher education, how Colorado has attempted to address these issues in the past, and what has and hasn't worked, and why.

<u>Line item detail</u>

From at least 1970 to approximately 1981 higher education institutions were appropriated at a detailed line item level similar to other state departments. The Long Bill included separate subsections for each campus of a governing board. There were line items for expenditures such as Professional Staff, Support Staff, Travel, Utilities, Library Operations, Rentals, etc. Statewide common policies and ratios of staff to students were used to inflate each line item. The appropriations governed all expenditures except the expenditure of revenues from auxiliary activities (e.g. book store, parking, food service, housing). The higher education institutions submitted supplementals to change these expenditures. A footnote described the exact tuition rates each institution would charge. If tuition revenues were more than expected, a supplemental reduced General Fund appropriations. Unencumbered General Fund and tuition revenues reverted to the General Fund at the end of the fiscal year.

Memorandum of Understanding

From 1982 - 1985 an annual memorandum of understanding (MOU) between the governing boards and the Joint Budget Committee delegated significant budget authority to the governing boards. In most cases spending authority was combined into a single line item, although there were still separate line items for things like the Veterinary Medicine program at CSU, CU's Health Sciences Center, and the CSU land grant agencies. The higher education institutions were allowed to retain and roll-forward revenues from one year to the next. The General Assembly still attempted to control the number of FTE hired by each governing board through the Long Bill.

Although spending authority was combined into a single line item, it appears that total funding was initially determined much as it was prior to 1981, when inflationary factors were applied to components of institutional spending, such as faculty compensation, learning materials, utilities, etc. There were ratios of faculty to students and support staff to faculty that were used to determine the appropriation. Over time the JBC migrated to using a fixed General Fund base per institution plus a variable amount based on student FTE.

Footnotes detailing tuition rates were eliminated, except in a few cases, such as for the CSU Veterinary Medicine program. The MOU required CCHE to determine that tuition rates were consistent with the level of appropriations and other directives set by the General Assembly. Examples of the "other directives set by the General Assembly" include the ratio of resident tuition rates to nonresident tuition rates, and the ratio of these rates to actual costs per student.

The MOU indicated that supplemental funding adjustments would not be made except in extaordinary circumstances, such as a variance from the projected student FTE that exceeded certain percentage thresholds. Funding was adjusted for variances in student FTE the following year.

Reexamination of the Base

The main features of the MOU were codified in statue by H.B. 85-1187. CCHE was assigned responsibility for developing a formula to distribute the total higher education funding to the governing boards, and the statutes indicated that the General Assembly was to make appropriations consistent with the CCHE funding formula. The base funding levels for each governing board were reexamined by CCHE and base adjustments were made. According to the Appropriations Report, it was thought that the reexamination of the base model would be less dependent on student FTE to determine funding levels for each governing board.

The reexamination of the base differentiated funding by type and level of instruction (e.g. engineering versus liberal arts, graduate versus undergraduate) and used peer comparisons to determine appropriate funding levels. The formula took into account tuition revenue generated from resident students, and a portion of the tuition revenue generated from nonresident students in excess of nonresident student instructional costs. The governing boards continued to set tuition rates. CCHE established broad parameters about the appropriate proportion of tuition to total expenditures. The General Assembly began to re-exert some control over tuition through footnotes to the Long Bill. For example, one footnote described the General Fund increase and requested that the governing boards restrain tuition rates. Another footnote required governing boards to submit justification for tuition increases greater than a certain percentage threshold.

Higher education fiscal officers interviewed by staff indicated that the reexamination of the base distribution model was abandoned in 1991 primarily due to concerns that it was not transparent, and that it was not responding quickly enough to changes in enrollment patterns, particularly at the community colleges. A committee established by CCHE to identify the peers for each institution was the target of strenuous lobbying to change the peers. Institutions complained that when they succeeded in getting a change approved to the established peers, the institutions didn't see the results they expected in terms of increased funding through the distribution formula, which was probably because other institutions were changing peers at the same time. The reexamination of the base was perceived as a black box. The formula rewarded enrollment growth, but on a lag basis, and there were other factors that influenced the final outcome. A combination of low General Fund appropriations, large enrollment increases at the community colleges, and a perception that the "black box" didn't respond to the enrollment growth led to the dissolution of the model.

<u>Inflation + Enrollment + Special Items</u>

When the reexamination of the base formula was abandoned, the relative funding for each governing board was "frozen" and future increases were provided based on inflation and enrollment growth. Inflation was an across-the-board base increase in the rate of funding per student FTE, usually indexed to the Denver/Boulder CPI, but frequently adjusted based on the total available funds under the six percent statutory limit for the Department.

Following the passage of TABOR, the General Assembly adopted legislation declaring that the cash funds spending authority appropriated by the General Assembly acted as a cap on the revenue governing boards could raise. Auxiliaries were designated as enterprises exempt from TABOR. A footnote described the tuition assumptions used to calculate the cash funds spending authority.

From 1995-1997 the legislature added a twist to the inflation + enrollment formula and allocated a portion of the total funding for policy areas. These were intended to direct funding into priorities of the General Assembly, and make the institutions more accountable. A committee that included representatives from the legislature, higher education, and the governor developed a separate distribution formula for each policy area intended to promote achievement of the goals in that policy area.

According to higher education fiscal officers interviewed by staff, the process of developing the distribution formulas for each of the policy areas was time-intensive and controversial and eventually the policy areas were abandoned because these two factors outweighed the amount of money that was being allocated by the General Assembly for the policy areas. One higher education fiscal officer said that in the first year there was a little money and each institution submitted a box of data. In the second year there was a little less money, and each institution submitted two boxes of data, and so on until the paper in the boxes cost more than the funding provided through the policy areas.

While the policy areas were no longer used, the General Assembly continued to take a portion of the funds that would otherwise be awarded on the basis of inflation + enrollment for special items, such as technology infrastructure and linkages to K-12.

Throughout the period of inflation + enrollment + special items there were frequent concerns about the accuracy of enrollment counts and negotiations between the institutions and CCHE about what student credit hours could and could not be included. Increases in enrollment funding were generally provided on a one-year lag after the actual increase in campus enrollment. Adjustments were often made to reduce the impact on schools of declining enrollment. There were discussions about whether the incremental cost of additional enrollment equaled the average cost per SFTE of current enrollment.

During the period of inflation + enrollment + special items the base assumption was generally that tuition rates would grow at the rate of inflation. The General Assembly used General Fund to "buy down" tuition rates so that increases were less than inflation. The footnote describing tuition assumptions frequently included special exceptions for specific high-cost programs, primarily in the CU system.

Performance Funding

For FY 2000-01 CCHE changed the formula it used for determining how the total General Fund appropriation should be allocated to the governing boards to a performance-based calculation. Each governing board was evaluated according to a quality indicator system. Institutions were awarded points based on their achievement relative to peer benchmarks or past performance, and each quality indicator had a different number of possible points. The points were adjusted based on a size and mission weighting factor, and the final product was used to determine the share of increases in funding each governing board received. Performance funding took the place of inflationary base increases. CCHE still requested a portion of funding for enrollment.

There were several components of the performance funding formula -- such as the size and mission weighting factor and measures that were "give-aways" where every institution scored the maximum points -- that caused the formula to give results that were very similar to inflation + enrollment. An argument could be made that performance funding was a form of inflation + enrollment + special items, and one could also argue that the policy areas were a form of performance funding.

The performance funding period overlapped with the General Assembly making large reductions in General Fund appropriations. For FY 2002-03 the General Assembly initially provided $26.1 million General Fund for performance funding, but later that year passed a supplemental to reduce the General Fund for the governing boards by $83.4 million. The formulas used to allocate reductions for the governing boards took into account each governing board's share of the total General Fund, and each governing board's share of total General Fund and tuition.

During the economic downturn the General Assembly included footnotes in the Long Bill restricting tuition increases, because of the impact that raising more tuition revenue would have on the amount of General Fund refunded under TABOR. However, there was some non-compliance with the intent of the Long Bill footnotes.

<u>Mandated Costs and Unfunded Enrollment</u>

Beginning in FY 2005-06 the state replaced General Fund appropriations to the governing boards with student stipends and fee-for-service contracts. The institutions were designated as enterprises, and delegated the ability to opt out of selected centralized state services. The passage of Referendum C also changed the outlook for higher education funding.

The statutes require CCHE to request at least inflation and enrollment for the stipends. The state is supposed to get specific products in return for the fee-for-service contracts, and so one would assume that the appropriations for fee-for-service contracts would clearly mirror the costs associated with the services being provided. In reality, stipends cover varying degrees of the costs associated with basic undergraduate education at different institutions, due to different cost structures and tuition revenues, and so a portion of stipend revenues is used for high-cost and graduate programs. The fee-for-service contracts cover the difference. The statutes do not limit stipends to paying only for educational services associated with the students that authorize them. Nor are the stipends limited to the institution that earned them. The Community Colleges reallocate stipend revenue from one campus to another.

Since stipends and fee-for-service contracts are so interrelated, CCHE has not submitted a separate request and justification for each, as one might envision would happen based on the statutes. Instead, CCHE is using a mandated cost model to determine the total funding request for higher education. The mandated cost model sums up the amount needed for things like salaries, benefits, insurance, and utilities, assuming continuation of the status quo. It is similar to, although less detailed than, the type of analysis done during the period of line item funding for higher education, and the analysis currently done for other state departments. Throughout the history of higher education funding, variations of the mandated cost calculation have been performed as a reasonableness test of the overall level of funding provided. In addition to the mandated cost model, the Department has a calculation of "unfunded enrollment" that occurred in prior years that it is using to justify base restorations. The Department has also allowed the institutions to submit decision items justifying specific increases in excess of the mandated cost model. CCHE has requested General Fund to pay for the mandated cost model and tuition flexibility to cover the program enhancements requested by the governing boards.

The legislation authorizing the College Opportunity Fund program stated that the General Assembly retains the power to set tuition spending authority, and requires that the General Assembly annually describe the assumptions used to set tuition spending authority in a footnote to the Long Bill.

<u>Staff Comments</u>

Colorado has at times successfully used detailed models to distribute funding. The models were driven by costs, peer comparisons, or performance, or a mixture of these. Some of the models differentiated costs by type and level of instruction and others by roll and mission of the institution. Each of these detailed models provided, for a period of time, a rational basis for the distribution of higher education funding. It does not appear that the distribution formulas reduced lobbying by the institutions or produced universal satisfaction. Rather, they were the product of many meetings and compromises. A significant number of the models were changed during or immediately following periods of stress on the higher education budget. It is, therefore, not surprising that as Colorado emerges from the recent economic downturn and the passage of Referendum C that many of the higher education institutions are demanding a new paradigm. These models took a long time to develop and were data intensive.

Colorado has also experienced periods of time with relatively simple distribution formulas intended to maintain the status quo. However, even the inflation + enrollment + special items formula had complexities with things like which credit hours could and could not be counted toward enrollment. While the detailed distribution formulas were often criticized as overly complex and lacking in transparency, the relatively simple inflation + enrollment + special items formula was criticized as overly dependent on enrollment, lacking in accountability, and not conducive to policy direction by the General Assembly or CCHE.

Staff recommends discussing with the outgoing administration what issues they think are at the heart of the current dissatisfaction with the distribution funding model, and what lessons they have learned over the last several years about things that work and don't work when trying to prepare a distribution formula. Also, staff recommends seeking advice on a realistic time-frame for how long it would take to develop a new distribution formula.

ISSUE:

Distribution of higher education funds in Texas, Delaware, Virginia and other states

SUMMARY:

- This issue brief reviews General Fund distribution systems used in other states, including:
  - the Texas "matrix"
  - the University of Delaware cost study
  - the Virginia base adequacy model and
  - the Virginia charter institution concept

RECOMMENDATION:

Staff recommends discussing with CCHE what the Commission thinks the pros and cons of these different models are, and whether there are other state systems that Colorado should explore as possible models for a new distribution formula.

DISCUSSION:

Texas

Last year, and to a lesser extent this year, the research institutions advocated for a new distribution formula using the principles of the Texas allocation model. The main appeal of the Texas allocation model appears to be that it distinguishes costs by type and level of instruction.

In the Texas model there is a base rate per credit hour for liberal arts, lower-division classes. Then a ratio is determined between the costs of those classes and other courses such as upper division liberal arts, graduate, and specialized classes. So, for example, the base rate for liberal arts might have a value of 1.0 in the Texas model and a Graduate II course might have a value of 12.5, meaning that the Graduate II class costs 12.5 times as much to teach. All of these ratios are put into something called "the matrix". The legislature determines the base figure, and then the matrix determines the funding for all of the schools using the ratios for each class type. The Texas model determines how total funding should be distributed, but it is not a tool for justifying a particular total level of funding.

Last year some Colorado higher education fiscal officers imported the weights from the Texas matrix and applied them to the mix of courses taught by the four-year institutions in Colorado to see what would happen. They were looking to see if the Texas model could be used to justify the fee-for-service contract amount, but also to see the results if Colorado distributed funds in the same way as Texas. They were able to collect the necessary data about the mix of courses from every four-year institution except Metro. They determined that in FY 2004-05 the Colorado 4-year institutions that participated in the exercise taught 5,092,319 weighted credit hours using the Texas weights for each course. The average General Fund provided per weighted student credit hour was $50.72. If the General Fund had been spread to the higher education institutions using the Texas matrix and $50.72 per weighted student credit hour, the CU system and CSU-Fort Collins would have received $21.1 million more General Fund than they actually did.

	Res. wsch	Actual GF	Avg GF/wsch	Texas GF at $50.72/wsch	Difference
CU-D	630,279	$23,037,290	$36.55	$31,968,692	$8,931,402
CU-B	1,233,887	$56,539,162	$45.82	$62,584,591	$6,045,429
CSU	1,260,876	$60,273,987	$47.80	$63,953,513	$3,679,526
CU-CS	356,365	$15,636,327	$43.88	$18,075,365	$2,439,038
FLC	131,958	$7,435,158	$56.34	$6,693,107	($742,051)
UNC	644,997	$33,590,906	$52.08	$32,715,211	($875,695)
CSU-P	177,923	$11,600,568	$65.20	$9,024,520	($2,576,048)
Western	73,757	$6,896,788	$93.51	$3,741,065	($3,155,723)
Adams ST	124,744	$10,316,691	$82.70	$6,327,202	($3,989,489)
CSM	249,849	$17,187,980	$68.79	$12,672,714	($4,515,266)
Mesa	207,684	$15,775,165	$75.96	$10,534,043	($5,241,122)
TOTAL/AVG	5,092,319	$258,290,022	$50.72	$258,290,022	$0

Staff did not ask the higher education fiscal officers to update the analysis for this year, assuming that this was sufficient to illustrate how the model works and that more analysis could be done if the JBC wants to pursue the Texas model. If the data were updated for current funding levels, it would likely show an even larger transfer needed to CU and CSU, primarily due to the minimum floor funding provided to Adams, Mesa, Western, Fort Lewis, and CSU-Pueblo.

When this exercise was described to a representative from the Texas Higher Education Coordinating Board, the response was, "Well, I'm not sure what all they consider the Texas formula." The staff member went on to describe several layers of funding that occur on top of the 4-year matrix.

There is a separate small-campus subsidy that takes into account the higher cost of providing education in a rural setting. Then there is another separate formula that predicts the space needs of each campus based on the mix of programs at the campus and provides funding for infrastructure based on the predicted space needs (not on the actual space occupied by the institution).

Funding for the community colleges in Texas is determined using a formula separate from the 4-year institutions. The community college formula uses different terminology, such as contact hours instead of credit hours, but the calculation is really very similar to the calculation for the 4-year schools. The thing to note is that Texas considers the cost structure of the community colleges to be sufficiently different from the 4-year schools that they run a separate formula with different weights for the courses, rather than having one weighting system for community college courses and 4-year courses. Unlike the formula for the 4-year colleges, the community college formula includes funding for continuing education. Community colleges in Texas receive local property taxes.

Similar to the separate formula for the community colleges, there is a different formula used to fund health-related instruction.

On top of the 4-year matrix, the small-campus subsidy, the infrastructure allocation, the community college matrix, and the health-related matrix, Texas appropriates funds for special items like research enhancement and museums operated by the institutions. One example of a special item cited by the staff member from the Texas Higher Education Coordinating Board was a ship operated by Texas A&M for marine research. The legislature provides funding for the dock, maintenance, etc. associated with the ship. The most debated special items are tuition revenue bonds (TRBs). The TRBs are backed by tuition, but historically the legislature has paid the debt service with General Fund for TRBs that they approve.

As shown above, it is possible to import the weighted course values from the Texas model and apply them to Colorado institutions. The result would be an allocation of General Fund according to Texas' priorities. Texas historically has chosen to fund research, while Colorado has distributed funds based on instruction, and primarily undergraduate instruction at that. It would not be possible to import all of the layers of the Texas model to get the full force and effect of the Texas funding distribution, due to the policy decisions about things like special items that would need to be made. It is important to remember that Texas provides considerably more General Fund relative to the student population than Colorado does, and the tuition structure for Texas higher education institutions is different. For these reasons, staff believes that Colorado would be better off developing its own distribution formula, rather than importing a matrix from Texas. For this it may be useful to understand how Texas developed the matrix.

Texas has used weighted values for different courses to determine funding for a long time (in the reexamination of the base that was used in Colorado during the late 1980s Colorado borrowed many elements from Texas), but there used to be more separate formulas for different systems. The current Texas matrix that applies to all 4-year institutions dates to 1998. The weighted values for each course in the 1998 matrix were determined by a legislative education committee, led by a particularly forceful and charismatic senator after whom the formula is now named. In recent years Texas has migrated to using a rolling 3-year average of actual expenditures to determine the values for each course in the matrix. A portion of the funding is allocated according to the old Senator Ratliff formula and a portion according to the new actual cost formula. There is a "hold harmless" provision that prevents the results from varying more than three percent during the phase-in.

The new actual cost allocation model was developed within existing resources by a committee with expertise in higher education. The process took approximately a year and a half. A representative from the Texas Higher Education Coordinating Board described the process of developing the formula as controversial, but indicated that the application of the formula for the budget request this year was not contentious. The representative from the Texas Higher Education Coordinating Board indicated that at the legislative level most debate has focused on the special items rather than the matrix, and in particular the special items for tuition revenue bonds.

One of the shortcomings of the Texas distribution formula, staff believes, is that it does not take into account varying levels of tuition revenue raised by different schools. The new actual cost allocation model is reset every two years based on average actual expenditures over the prior three years, and so it has the potential to make the rich schools richer as institutions with significant tuition revenue spend more per program and raise the weighted values for the mix of programs that they operate. This would lead to more General Fund in an escalating cycle. So, staff was curious how Texas handled tuition increases.

From 1995 to 2004 tuition rate increases were limited by statute in Texas to $2 per credit hour. However, Texas higher education institutions were provided more flexibility to increase fees, and in some cases fees rose to equal tuition (they could not exceed tuition). During budget shortfalls in 2004, Texas deregulated tuition. The governing boards for the higher education institutions were granted the authority to set their own tuition rates. Several institutions did away with fees and rolled them into tuition. According to Texas legislative staff, there are ongoing discussions among legislative leaders about the level of tuition increases implemented by the governing boards, and whether tuition caps need to be reinstated. Rather than a fixed cap of $2 per credit hour, legislators are exploring a variable index, such as inflation, that would serve as the tuition cap.

Delaware

There are two other states that Colorado higher education fiscal officers have expressed some interest in emulating. The University of Delaware conducts an annual survey on teaching workloads, instructional costs, and productivity. It isn't really an allocation model, but rather a tool to compare experiences at one institution to those of other institutions participating in the study. It is primarily used by schools as a reference when setting budgets at the campus level, but the data could be used as the basis for a statewide allocation formula. The data is only reported for undergraduate instruction, and so some different data source would be required in addition. The strength of the Delaware Study is that it breaks costs down by academic program, reducing the typical problem of peer comparisons where the peers don't share the exact same mix of programs. The Delaware Study provided much of the data for the analysis by the State College system of the minimum level of floor funding for Adams, Mesa, and Western.

Virginia

Virginia's base adequacy model uses an average faculty salary multiplied by a target ratio of faculty to students for each academic program area and level of instruction to determine teaching costs. The ratios of students to faculty are summarized in the table below.

Discipline	Lower	Upper	Master's/ Professional	Doctoral
Group 1				
Area Studies	24	18	11	9
Business & Management	24	18	11	9
Interdisciplinary Studies	24	18	11	9
Library Science	24	18	11	9
Military Science	24	18	11	9
Public Affairs	24	18	11	9
Social Sciences	24	18	11	9
Study Abroad	24	18	11	9
Group 2				
Communications	20	14	10	8
Education	20	14	10	8
Home Economics	20	14	10	8
Letters	20	14	10	8
Mathematics	20	14	10	8
Psychology	20	14	10	8
Group 3a				
Agric. & Natural Resources	18	11	9	7
Arch. & Env. Design	18	11	9	7
Computer /Info. Sci.	18	11	9	7
Fine and Applied Arts	18	11	9	7
Foreign Languages	18	11	9	7
Bus. & Com. Tech.	18	-	-	-
Data Processing Tech.	18	-	-	-
Public Serv. Tech.	18	-	-	-
Remedial Education	18	-	-	-
Group 3b				
Biological Sciences	18	11	8	6
Engineering	18	11	8	6
Physical Sciences	18	11	8	6
Group 4				
Health Professions[1]	12	10	7	5
Pharmacy	-	-	6	-
Health & Paramed. Tech.	10	-	-	-
Other				
Mech. & Engr. Tech.	13	-	-	-
Natural Science Tech	14	-	-	-
Law	-	-	17	-

Non-faculty instructional costs such as support staff, classroom equipment, and office supplies are funded at 40 percent of faculty salaries. Support programs like academic counseling and student services are funded based on national norms relative to the student population and physical plant is funded based on historical actual expenditures. The funding guidelines are updated periodically, rather than annually. In between formula updates, changes in enrollment are funded at 90 percent of current appropriations per SFTE. The State Council of Higher Education for Virginia (SCHEV) set a goal of 67 percent of costs funded from General Fund and 33 percent from tuition. Due to recent General Fund reductions and commensurate increases in tuition rates during a temporary deregulation of tuition, SCHEV estimated last year that the state was $175 million General Fund out of alignment with the percentage cost allocation goal. That amount would not fully fund the base-adequacy model, but rather just align the proportion of General Fund to tuition with the SCHEV goals.

Virginia is also getting a lot of national attention for deregulating higher education institutions. In 1996 the University of Virginia's medical school was granted "codified autonomy" and exemption from many state regulations. In 2002 General Fund no longer supported the University's law school and business school. These programs achieved "self-sufficiency" and were granted exemptions from state regulations. In 2004 the University of Virginia, William and Mary, and Virginia Tech promoted a charter institution proposal. Under the charter institution proposal, these three schools would become political subdivisions of the state with autonomy similar to cities and towns. They would be allowed to set their own tuition and fees and retain and invest their funds separately from the state treasury (the University of Colorado already has a separate treasury). The institutions would also be exempted from the state's personnel, purchasing, and capital review requirements. In exchange, the institutions would receive 10 percent less state funding, and accept 2,500 more in-state students across the three institutions.

The legislation that actually passed in 2005 defines three levels of autonomy that all state higher education institutions can achieve if they meet certain performance goals and demonstrate advanced financial and administrative strength. Much of the new autonomy granted to the Virginia institutions is already enjoyed by Colorado institutions. For example, under the new legislation the Virginia institutions can keep interest earned on General Fund and tuition revenues deposited with the state treasury, they can roll-forward appropriations from one year to the next, and they are exempt from the state's centralized information technology review process. The legislation reaffirmed the authority of Virginia's governing boards to set tuition and fee rates. However, similar to Colorado, Virginia's institutions already had this authority in the constitution. The Virginia legislature regularly overrode the constitutional authority of Virginia's governing boards over tuition and fees. Since the new legislation largely restates the constitutional language, it is not yet clear how much additional autonomy Virginia's institutions will have over tuition and fees in practice. At the highest level of autonomy Virginia's higher education institutions may negotiate exemptions from state personnel and purchasing requirements. The institutions are still in the process of establishing policies and it remains to be seen how different the final policies will be from current practice. The issue of a 10 percent reduction in funding in exchange for increased autonomy, or any reduction in state funding, was not addressed in the legislation and at least some of the institutions that qualify for the highest level of autonomy are lobbying for full funding through SCHEV's base adequacy model.

Other States

Dennis Jones, the author of the recent NCHEMS study commissioned by CCHE, argues that there isn’t much variety in the way states choose to distribute funding. The majority of states use a base plus model that provides for enrollment and salary increases. A few states use a cost-based model to determine needs, exemplified by Texas and the Delaware Study. A few states use performance to allocate funding. A few states use a revenue-based model heavy on peer comparisons, along the lines of the NCHEMS study commissioned by CCHE. And, a few states use an idiosyncratic mix of all of the above. This sentiment about the ways states distribute funding was echoed by other national higher education experts consulted by staff.

Mr. Jones prefers distribution formulas that include a revenue analysis, because they focus debate on the appropriate share of state versus student support, rather than the inner workings and management decisions of higher education institutions that Mr. Jones believes should be delegated to governing boards. Cost models have the potential of creating incentives that reward greater costs.

Interestingly, Mr. Jones indicated that NCHEMS was recently hired by a group associated with the Governor's office in Texas to come up with an alternative to the Texas distribution formula using a revenue-based model. It is not clear to staff whether this is a publicly funded committee or how much support there is in the Texas legislature for changing the distribution formula.

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HIGHER EDUCATION

ISSUE:

Realignment of state funding

SUMMARY:

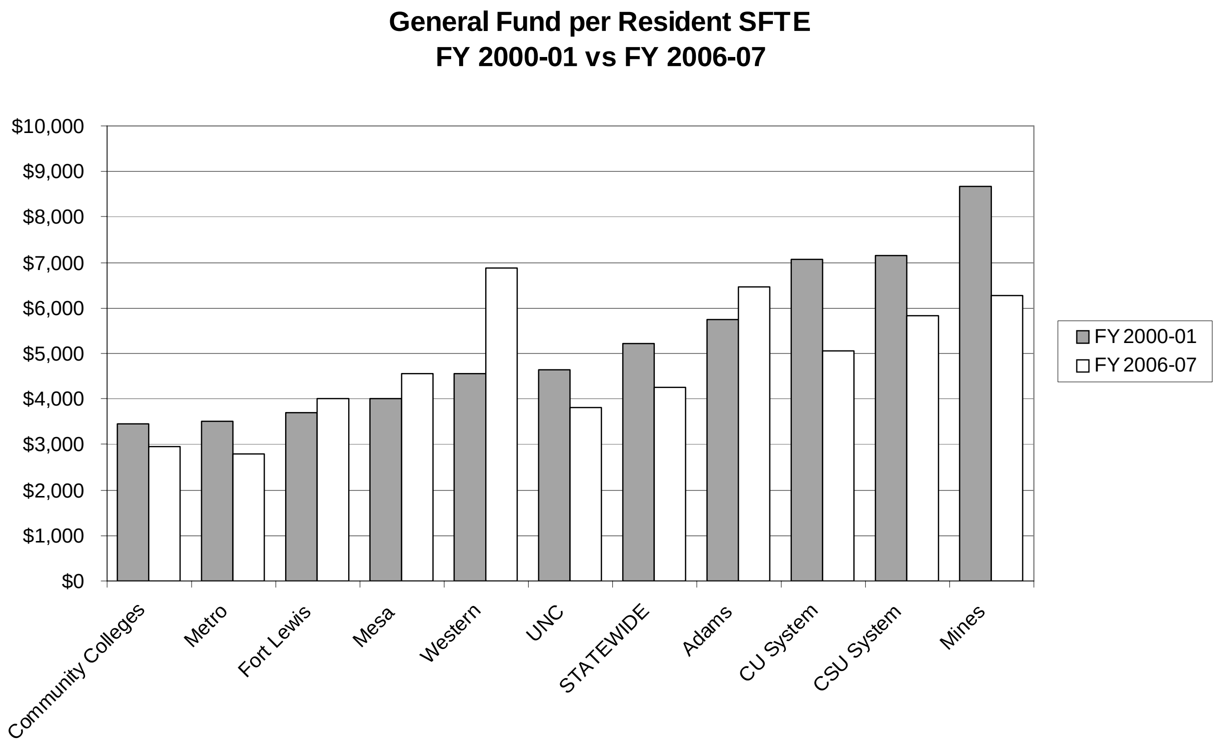
This issue provides evidence that the relative positions of the various higher education institutions in Colorado has changed with respect to General Fund per student FTE and General Fund + Tuition per SFTE.

RECOMMENDATION:

Staff recommends asking CCHE to discus:
- Why have these changes occurred?
- Does CCHE view these changes as problematic, or something that needs to be reversed?
- Should the trends continue going forward?

DISCUSSION:

Part of the dissatisfaction with the current distribution formula appears to be fueled by a perception that funding has been redistributed between the institutions without a clearly articulated statewide strategy. The following table compares actual General Fund per resident student FTE in FY 2000-01 (the year before General Fund operating budget reductions began) to the appropriation for FY 2006-07. The FY 2006-07 General Fund per resident SFTE uses the same projection of enrollment as was used for the appropriation. Actual enrollment may differ.

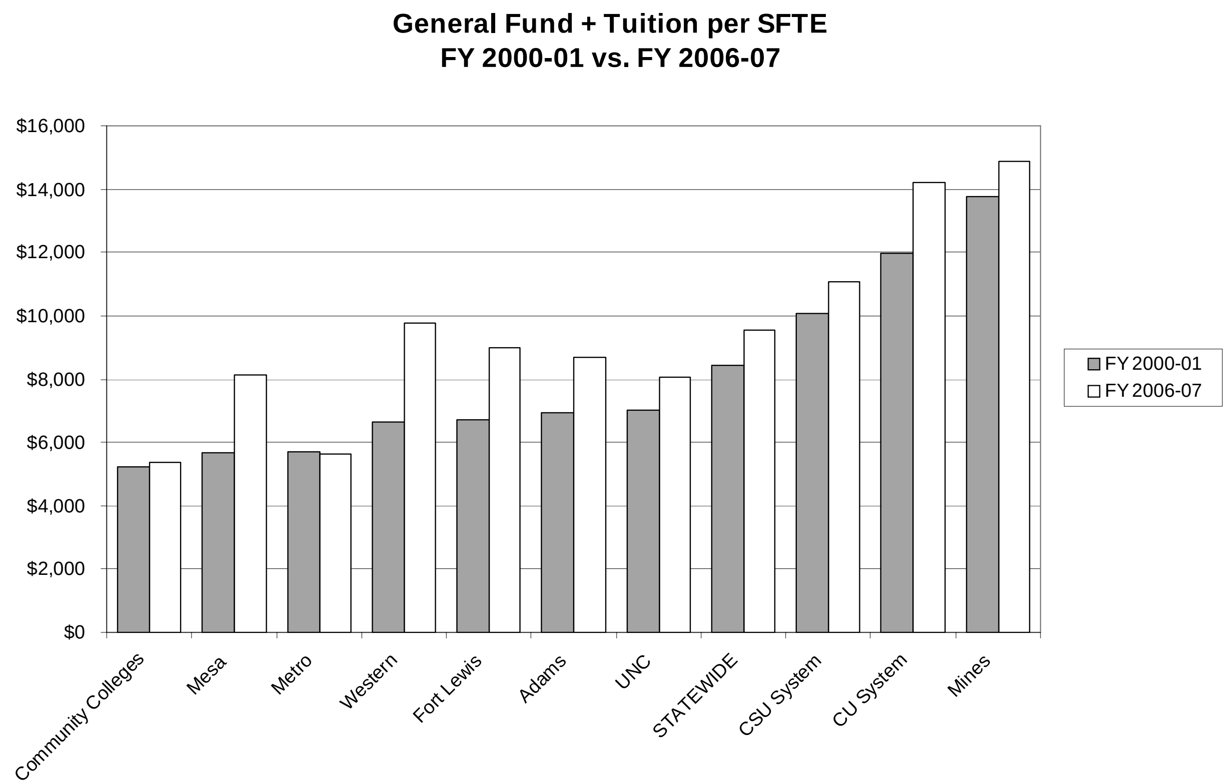


It is clear from this table that the pecking order has changed. Fort Lewis, Mesa, Western, and Adams actually have more General Fund per SFTE than in FY 2000-01. Where the CU and CSU systems were nearly equal in terms of General Fund per SFTE in FY 2000-01, there is now greater separation between the two. There is less separation between Mines and CSU. Metro now receives less General Fund per resident SFTE than the community college system.

The dramatic change for Fort Lewis, Mesa, Western, and Adams can be traced back to the minimum base funding for the state colleges. House Bill 02-1165 separated Metro from the state college system and, to address concerns that the remaining state colleges would suffer without Metro in the system, the bill required a study of the minimum level of funding necessary to support the other campuses. That study estimated the additional cost for the minimum base funding at $7.4 million, and Section 23-1-104 (6) (c), C.R.S. required that the General Assembly fund the result of the study, but there was an exception if the overall General Fund for the higher education institutions declined. During the years of General Fund budget reductions, CCHE's distribution formulas partially protected the state colleges. To a lesser extent, the distribution formulas also protected Fort Lewis, because it shared characteristics with the state colleges covered by the minimum base funding. In FY 2005-06, the General Assembly finally appropriated the $7.4 million for the minimum base funding. Half was appropriated before the passage of Referendum C, and the other half was appropriated after Referendum C passed. In addition to the $7.4 million for the state colleges, the General Assembly added $2,250,000 for Fort Lewis and $500,000 for CSU-Pueblo for base funding.

The other changes are due to the accumulation of many smaller decisions. One of those key decisions was CCHE's distribution formula for allocating General Fund reductions that took into account resident and nonresident tuition revenues as well as General Fund. Another factor was CCHE's distribution formula for unfunded enrollment that used a blended rate of historic General Fund per SFTE and the stipend.

The next table shows General Fund + tuition revenue per SFTE in FY 2000-01 versus the estimated revenues pre SFTE used for the FY 2006-07 appropriation.[1] The table includes resident and nonresident tuition and SFTE.



[1] This table may be a little bit skewed because it uses forecasts of both tuition revenue and enrollment. Also, during debate on the Long Bill last year the General Assembly changed the footnote regarding allowable tuition increases, but did not change the tuition spending authority authorized. Staff used the appropriation year instead of an actual year to be consistent with the table on General Fund per SFTE, and to capture the full impact of the significant General Fund increases provided in FY 2006-07. If actual figures from FY 2005-06 are used instead of the appropriation for FY 2006-07, it does not appreciably change the relative positions for the higher education institutions, except that Adams has slightly more revenue per SFTE than Fort Lewis, rather than less revenue per SFTE.

This table shows a similar change in circumstances for Mesa, Western, Fort Lewis, and Adams to the previous table. In addition to receiving minimum base funding, these institutions increased the number of credit hours required to qualify for full-time tuition status. This change resulted in more tuition revenues from students taking a full-time credit load. The figures for Mesa State and UNC are somewhat skewed by those institutions folding some of their mandatory fees into tuition. While the previous table showed the CSU system pulling ahead of the CU system in terms of General Fund per resident SFTE, this table shows that the CU system maintained an edge in General Fund + tuition per SFTE.

These tables illustrate that there has been a reallocation of resources among the higher education institutions, whether part of a clearly articulated statewide strategy or a happenstance of many unrelated decisions.

ISSUE:

NCHEMS Study

SUMMARY:

This issue brief reviews the findings of the NCHEMS study and funding issues associated with responding to the study.

RECOMMENDATION:

In response to the NCHEMS study, staff recommends discussing with the Department ideas for getting more money into the pot for higher education, and reallocating existing resources between institutions, with some institutions becoming more reliant on tuition.

DISCUSSION:

CCHE commissioned the National Center for Higher Education Management Systems (NCHEMS) to conduct a study to analyze the current funding of Colorado's higher education system and review national funding models for higher education. The study concluded that Colorado higher education institutions on average operate with 63 percent of the revenue that their peer institutions receive. To close the gap would require an increase in revenues of $832 million. The study also found that Colorado higher education institutions typically rely more heavily on tuition revenue than their peers, and that there is wide variation in how close different institutions in Colorado come to their peers in terms of total available operating revenues.

The validity of peer comparisons is dependent on selecting comparable peers, and the availability of uniform data from those peers. NCHEMS selected peers for the institutions based on similarity of mission, size, and program mix. The peers were selected "blind" meaning that no financial data was collected or reviewed until the peers were already established based on mission, size, and program mix. In reviewing the mission, NCHEMS included only public institutions. For CSU, NCHEMS included only land grant institutions with imbedded veterinary medicine programs. For all schools, NCHEMS excluded institutions with embedded medical schools. The amount of research involvement and level of instructional offerings (doctorate, masters, bachelor) were key factors in determining peers. Similarly, the amount of emphasis on health, engineering, trades, and technical programs was also a consideration in selecting peers.

The NCHEMS study reported General Fund per SFTE, General Fund + tuition and fees per SFTE, and tuition and fees per SFTE for Colorado institutions relative to the average of the peers for each institution. The General Fund per SFTE includes both resident and nonresident SFTE, which is troubling, because Colorado has not historically provided any General Fund base support for nonresident students. If the selected peers have the same mix of resident students to nonresidents, then this comparison is probably valid, but staff is under the impression that the mix of residents to nonresidents was not a significant peer selection criteria. Colorado institutions may look really good or really poor on this measure just because they have a different mix of residents to nonresidents than the selected peers. According to CCHE, the ratio was calculated this way due to lack of data from the peers on the number of resident SFTE.

The information on tuition and fees per SFTE includes revenue and enrollments from both residents and nonresidents. The information is interesting in terms of the operating revenue available to Colorado institutions per SFTE, but it would be inappropriate to draw conclusions about the burden of tuition and fees on Colorado residents versus peers from this data. To do so would require limiting the data to resident tuition and resident fees per resident SFTE. Again, CCHE indicated that there was not sufficient data from the peers to make this type of comparison. Fees were included because in some cases fees can be nearly as significant a source of revenue as tuition. In the past, staff has found a lack of standardized definitions regarding fees and significant grey areas that are open for interpretation about whether a fee applies to educational or auxiliary activities. Staff is unsure how much this may have colored the results of the NCHEMS study.

The heart of the NCHEMS study is the comparison of General Fund + tuition and fees per SFTE at Colorado institutions to the average of peer institutions. The results are summarized in the following table, sorted by percentage difference from peers.

	Peers	Colorado	Percent
Adams	$10,235	$4,369	42.7%
Metro	$10,348	$4,984	48.2%
Fort Lewis	$13,600	$6,671	49.1%
Denver CC	$7,171	$3,821	53.3%
UNC	$13,296	$7,087	53.3%
Pueblo CC	$7,171	$4,095	57.1%
CSU - Fort Collins	$18,724	$10,711	57.2%
CU - Health Sciences Center	$77,715	$45,219	58.2%
CSU - Pueblo	$9,915	$5,991	60.4%
Northwestern CC	$8,596	$5,236	60.9%
Pikes Peak CC	$7,649	$4,713	61.6%
Otero JC	$8,596	$5,309	61.8%
Front Range CC	$7,649	$4,791	62.6%
Mesa	$8,772	$5,528	63.0%

	Peers	Colorado	Percent
CU - CO Springs	$12,283	$8,192	66.7%
Northeastern CC	$8,596	$5,806	67.5%
CU - Boulder	$17,298	$12,496	72.2%
Lamar CC	$8,596	$6,368	74.1%
Aurora CC	$7,171	$5,434	75.8%
Trinidad CC	$7,415	$5,674	76.5%
CU - Denver	$13,071	$10,086	77.2%
Red Rocks CC	$7,171	$5,553	77.4%
Mines	$17,210	$13,915	80.9%
Arapahoe CC	$7,171	$5,835	81.4%
Western	$10,555	$9,277	87.9%
MCC	$7,415	$6,552	88.4%

All of the data is based on FY 2004-05 actual revenues with inflation factors applied to state the figures in FY 2006-07 dollars. Because the same inflation factor is applied to revenues for the Colorado institutions and for the peers, the ratio of Colorado funding to peers is not affected by the inflation factor. The actual ratios in FY 2006-07 may be somewhat different than the ratios in FY 2004-05 because in FY 2005-06 and again in FY 2006-07 Colorado restored a significant amount of the General Fund that had been cut in prior years. However, other states were also recovering from the economic downturn and also provided large increases in General Fund for their higher education institutions.

Some Colorado institutions have speculated about whether this should form the basis for a distribution formula. The author of the NCHEMS study specifically stated to staff that it was not intended as a distribution formula and argued that Colorado needs to agree on a consensus vision for higher education before an effective distribution formula can be developed.

Staff believes that some of the frustration with Colorado's distribution of General Fund to the higher education institutions stems from there not being enough money to go around, rather than the details of the distribution formula. Colorado institutions report that they struggle to compete in the national market for faculty and administrators, and the NCHEMS study shows why. There are a few institutions, primarily in the Denver metro area, that get by using primarily adjunct (part-time) faculty that don't necessarily rely solely on teaching for their income. But, most faculty searches are national, and so the behavior of peer institutions is highly relevant to the recruiting power of Colorado institutions.

One response to the NCHEMS study would be to significantly increase General Fund appropriations for higher education. The Committee is aware of how difficult this would be to accomplish given the six percent statutory limit on General Fund appropriations and the other competing pressures on the statewide budget, particularly from K-12 education, Medicaid, and corrections.

The following table shows the General Fund appropriations for higher education and the year over year dollar and percentage changes for the last 25 years. Note that in the two decades prior to the most recent economic downturn, General Fund appropriations for higher education exceeded six percent twice. The compound average annual rate of growth for those 20 years was 4.2 percent. Last year was the first time, ever, that the year over year dollar increase for higher education exceeded $50.0 million.

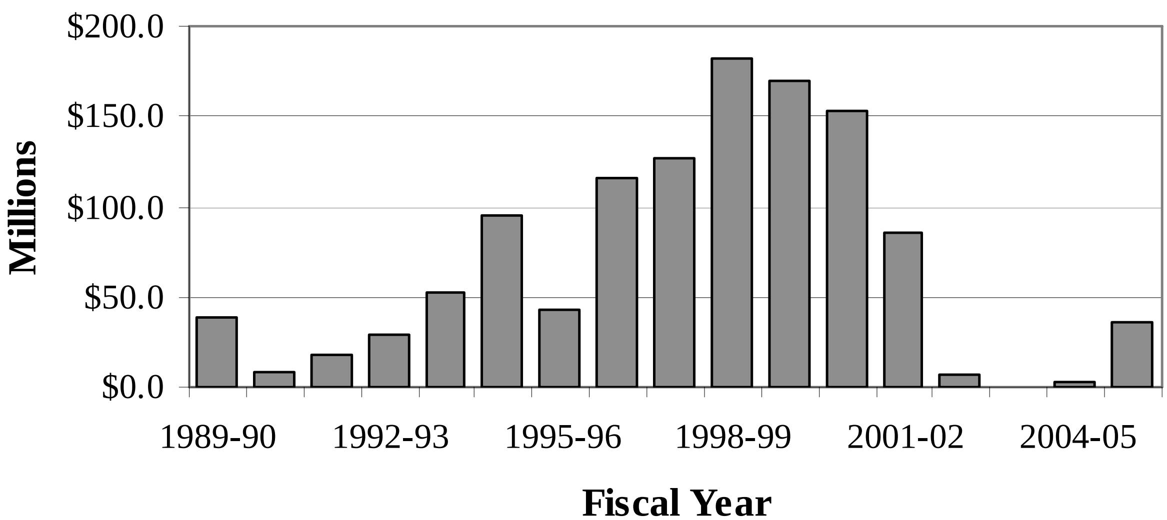
Fiscal Year	General Fund	Dollar Increase	Percent Inc
1982-83	341,619,320		
1983-84	359,365,156	17,745,836	5.2%
1984-85	380,369,772	21,004,616	5.8%
1985-86	399,076,789	18,707,017	4.9%
1986-87	415,944,442	16,867,653	4.2%
1987-88	439,909,457	23,965,015	5.8%
1988-89	475,182,070	35,272,613	8.0%
1989-90	498,108,361	22,926,291	4.8%
1990-91	502,360,547	4,252,186	0.9%
1991-92	496,888,234	(5,472,313)	-1.1%
1992-93	526,379,705	29,491,471	5.9%
1993-94	531,735,863	5,356,158	1.0%
1994-95	538,166,358	6,430,495	1.2%
1995-96	581,494,518	43,328,160	8.1%
1996-97	618,594,727	37,100,209	6.4%
1997-98	651,896,598	33,301,871	5.4%
1998-99	676,520,205	24,623,607	3.8%
1999-00	716,058,536	39,538,331	5.8%
2000-01	747,562,014	31,503,478	4.4%
2001-02	750,030,496	2,468,482	0.3%
2002-03	685,529,236	(64,501,260)	-8.6%
2003-04	591,409,402	(94,119,834)	-13.7%
2004-05	587,972,772	(3,436,630)	-0.6%
2005-06	636,485,608	48,512,836	8.3%
2006-07	689,673,756	53,188,148	8.4%

The NCHEMS study identifies a need for an additional $832 million in revenues for Colorado institutions to be competitive with peers, and even more than that if Colorado institutions were to achieve a similar proportion of funding from General Fund and tuition to peers. Clearly, Colorado would need an unprecedented investment in higher education to make progress toward this goal.

If the legislature wants to make this type of commitment to funding higher education, it may want to seek relief from the constraints of the six percent limit or identify a new revenue source for higher education. Some states devout a portion of severance taxes, gaming revenues, or lottery proceeds to higher education. Many states have local district property taxes that help to support their community colleges. Another strategy available to the legislature would be to change policies regarding Medicaid or corrections so that a greater percentage of the six percent annual growth can be devoted to higher education.

If the economy continues to improve and General Fund revenues exceed projections, the legislature may have opportunities to help higher education institutions through the capital budget. Higher education facilities represent roughly 60 percent of the total state square footage built and maintained with General Fund. The table below illustrates how the General Assembly has significantly increased capital construction support for higher education institutions in the past during good economic conditions.

Higher Education
Capital Construction and Controlled Maintenance



One challenge associated with trying to help higher education institutions through the capital construction budget is finding the right balance between higher education construction and highway construction. Another challenge is making capital investments that will help the operating budget, rather than create more demands on it. While there are campuses with severe capital construction and maintenance needs, staff believes that the more acute problem for most institutions is identifying sufficient revenue to support the operating budget.

Given the difficulties associated with trying to increase the total funds available for higher education, staff believes that part of the General Assembly's response to the NCHEMS study should be to explore reallocating General Fund among the higher education institutions and allowing selected institutions to become more reliant on tuition.

CCHE's Mandated Cost Model AND Summary of Governor's and CCHE's General Fund Request for the Higher Education Governing Boards

		Rate	Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs	AHEC
	Estimated FY 2006-07 Base Expenditures:													
1	Salaries		$ 976,907,843	$ 11,263,357	$ 20,521,080	$ 54,801,045	$ 10,653,428	$ 200,653,482	$ 19,662,574	$ 416,072,606	$ 37,225,512	$ 53,396,800	$ 146,805,514	$ 5,852,445
2	Health, Life, Dental		$ 40,254,243	$ 915,177	$ 1,842,620	$ 2,277,081	$ 897,780	$ 11,029,858	$ 1,247,179	$ 7,520,817	$ 6,313,058	$ 1,951,917	$ 5,783,485	$ 475,271
3	Utilities		$ 71,717,449	$ 942,750	$ 1,099,856	$ 424,214	$ 845,000	$ 13,942,307	$ 847,836	$ 31,813,231	$ 2,342,113	$ 4,536,600	$ 10,098,349	$ 4,825,193
	"Mandated Cost" Increases:													
4	Salary increase @	3.4%	$ 33,214,867	$ 382,954	$ 697,717	$ 1,863,236	$ 362,217	$ 6,822,218	$ 668,528	$ 14,146,469	$ 1,265,667	$ 1,815,491	$ 4,991,387	$ 198,983
5	HLD increase @	15.22%	$ 6,126,695	$ 139,290	$ 280,447	$ 346,572	$ 136,642	$ 1,678,744	$ 189,821	$ 1,144,668	$ 960,847	$ 297,082	$ 880,246	$ 72,336
6	AED increase		$ 2,279,998	$ 44,468	$ 46,469	$ 155,323	$ 26,122	$ 369,925	$ 45,337	$ 671,825	$ 172,536	$ 97,645	$ 605,692	$ 44,656
7	Utilities increase @	15.2%	$ 10,901,052	$ 143,298	$ 167,178	$ 64,481	$ 128,440	$ 2,119,231	$ 128,871	$ 4,835,611	$ 356,001	$ 689,563	$ 1,534,949	$ 733,429
8	New Building and Other Utility Issues		$ 6,141,652	$ 10,000	$ -	$ -	$ 40,515	$ 1,427,949	$ -	$ 4,628,188	$ 35,000	$ -	$ -	$ -
9	Risk management per DPA		$ 2,394,815	$ 41,917	$ (72,915)	$ 61,259	$ (120,417)	$ 892,524	$ (16,836)	$ 1,605,563	$ 135,867	$ 172,025	$ (390,877)	$ 86,704
10	Distribution of AHEC costs		$ 524,718	$ -	$ -	$ 820,448	$ -	$ -	$ -	$ 576,307	$ -	$ -	$ 264,071	$ (1,136,108)
11	**Compensation/Operating Inflation**		$ 61,583,796	$ 761,927	$ 1,118,896	$ 3,311,319	$ 573,519	$ 13,310,591	$ 1,015,721	$ 27,608,631	$ 2,925,918	$ 3,071,806	$ 7,885,468	$ -
12	Reinstate one-time funding provided in FY 2005-06		$ 8,500,000	$ 103,325	$ 298,008	$ 980,732	$ 103,188	$ 1,314,026	$ 176,288	$ 1,931,650	$ 184,905	$ 611,676	$ 2,796,202	
13	**"Mandated Costs" Identified by CCHE**		$ 70,083,796	$ 865,252	$ 1,416,904	$ 4,292,051	$ 676,707	$ 14,624,617	$ 1,192,009	$ 29,540,281	$ 3,110,823	$ 3,683,482	$ 10,681,670	
	Governor's General Fund Request:													
14	Percent of "Mandated Costs" funded with GF		69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	
15	**Governor's General Fund Request**		$ 48,909,005	$ 603,630	$ 988,666	$ 2,995,698	$ 472,100	$ 10,205,277	$ 831,872	$ 20,615,246	$ 2,170,876	$ 2,570,525	$ 7,455,115	
16	State-operated stipend increase	$90	$ 10,043,960	$ (125,150)	$ 82,006	$ 2,956,019	$ (43,969)	$ 1,352,186	$ (16,499)	$ 1,575,176	$ 311,644	$ 351,258	$ 3,601,289	
17	Fee-for-service contract adjustment		$ 38,865,045	$ 728,780	$ 906,660	$ 39,679	$ 516,069	$ 8,853,091	$ 848,371	$ 19,040,070	$ 1,859,232	$ 2,219,267	$ 3,853,826	
18			$ 48,909,005	$ 603,630	$ 988,666	$ 2,995,698	$ 472,100	$ 10,205,277	$ 831,872	$ 20,615,246	$ 2,170,876	$ 2,570,525	$ 7,455,115	
	CCHE General Fund Request:													
19	Unfunded Enrollment 2nd Year		$ 25,000,000	$ 163,026	$ 802,559	$ 2,905,836	$ 181,511	$ 2,972,410	$ 75,173	$ 6,545,091	$ 1,315,140	$ 1,003,093	$ 9,036,161	
20	Unfunded Enrollment for UCHSC		$ 11,472,069	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,472,069	$ -	$ -	$ -	
21	**CCHE General Fund Request**		$ 106,555,865	$ 1,028,278	$ 2,219,463	$ 7,197,887	$ 858,218	$ 17,597,027	$ 1,267,182	$ 47,557,441	$ 4,425,963	$ 4,686,575	$ 19,717,831	
22	State-operated stipend increase	$90	$ 10,043,960	$ (125,150)	$ 82,006	$ 2,956,019	$ (43,969)	$ 1,352,186	$ (16,499)	$ 1,575,176	$ 311,644	$ 351,258	$ 3,601,289	
23	Fee-for-service contract adjustment		$ 96,511,905	$ 1,153,428	$ 2,137,457	$ 4,241,868	$ 902,187	$ 16,244,841	$ 1,283,681	$ 45,982,265	$ 4,114,319	$ 4,335,317	$ 16,116,542	
24			$ 106,555,865	$ 1,028,278	$ 2,219,463	$ 7,197,887	$ 858,218	$ 17,597,027	$ 1,267,182	$ 47,557,441	$ 4,425,963	$ 4,686,575	$ 19,717,831	

Summary of Higher Education's FY 2007-08 Request for Stipends

		Rate	Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs	Privates
	FY 2006-07 Stipend Appropriation:													
1	*State-operated SFTE*		123,524	1,511	4,491	14,342	1,509	19,216	2,578	28,248	2,704	8,945	39,980	-
2	*Private SFTE*		600	-	-	-	-	-	-	-	-	-	-	600
			124,124											
3	State-operated stipends @	$2,580	$ 318,691,920	$ 3,898,380	$ 11,586,780	$ 37,002,360	$ 3,893,220	$ 49,577,280	$6,651,240	$ 72,879,840	$ 6,976,320	$ 23,078,100	$103,148,400	$ -
4	Private stipends @	$1,290	$ 774,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 774,000
5			$ 319,465,920											
	Requested Changes for FY 2007-08:													
6	*State-operated SFTE*		(402)	(98)	(121)	624	(67)	(141)	(93)	(362)	26	(170)	1	-
7	*Private SFTE*		797	-	-	-	-	-	-	-	-	-	-	797
8			395											
	Dollar changes attributable to population changes:													
9	Forecst adjustment state-operated		$ (1,037,025)	$ (252,338)	$ (311,324)	$ 1,609,107	$ (173,719)	$ (364,538)	$ (240,142)	$ (934,544)	$ 65,982	$ (438,496)	$ 2,985	$ -
10	Forecast adjustment private		$ 1,028,130	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,028,130
11	Subtotal - Population Changes		$ (8,895)	$ (252,338)	$ (311,324)	$ 1,609,107	$ (173,719)	$ (364,538)	$ (240,142)	$ (934,544)	$ 65,982	$ (438,496)	$ 2,985	$1,028,130
	Dollar changes attributable to rate changes:													
12	State-operated Stipend Inc	$90	$ 11,080,985	$ 127,188	$ 393,330	$ 1,346,912	$ 129,750	$ 1,716,724	$ 223,643	$ 2,509,720	$ 245,662	$ 789,754	$ 3,598,304	$ -
13	Private Stipend Inc	$45	$ 62,865	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 62,865
14	Subtotal - Rate Changes		$ 11,143,850	$ 127,188	$ 393,330	$ 1,346,912	$ 129,750	$ 1,716,724	$ 223,643	$ 2,509,720	$ 245,662	$ 789,754	$ 3,598,304	$ 62,865
	Total requested changes:													
15	State-operated Stipend Inc	$90	$ 10,043,960	$ (125,150)	$ 82,006	$ 2,956,019	$ (43,969)	$ 1,352,186	$ (16,499)	$ 1,575,176	$ 311,644	$ 351,258	$ 3,601,289	$ -
16	Private Stipend Inc	$45	$ 1,090,995	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,090,995
17			$ 11,134,955											
	FY 2006-07 Stipend Request:													
18	*State-operated SFTE*		123,122	1,413	4,370	14,966	1,442	19,075	2,485	27,886	2,730	8,775	39,981	--
19	*Private SFTE*		1,397	--	--	--	--	--	--	--	--	--	--	1,397
20			124,519											
21	State-operated Stipends @	$2,670	$ 328,735,880	$ 3,773,230	$ 11,668,786	$ 39,958,379	$ 3,849,251	$ 50,929,466	$6,634,741	$ 74,455,016	$ 7,287,964	$ 23,429,358	$106,749,689	--
22	Private Stipends @	$1,335	$ 1,864,995	--	--	--	--	--	--	--	--	--	--	$1,864,995
23			$ 330,600,875											

Summary of Higher Education's FY 2007-08 Request for Tuition

		Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
1	FY 2006-07 Tuition Appropriation	$ 921,360,931	$6,368,109	$19,958,072	$ 44,214,860	$8,980,816	$163,433,524	$ 22,407,865	$ 453,264,459	$ 40,759,486	$ 51,043,730	$ 110,930,010
2	Full-time, undergraduate, lower-division, annual tuition rate (30 credit hours per year)		$2,030	$3,442	$2,447	$2,554	$3,466 (Ft. Collins)	$2,522	$4,554 (Boulder)	$7,852	$3,276	$2,237
	Governor's Tuition Request:											
	Data points used as a reference for the request:											
3	Tuition to fully fund "mandated costs"	$ 21,174,791	$ 261,622	$ 428,238	$ 1,296,353	$ 204,607	$ 4,419,340	$ 360,137	$ 8,925,035	$ 939,947	$ 1,112,957	$ 3,226,555
4	Estimated revenue from reducing ful-time window	$ 34,056,773	$ -	$ 973,627	$ -	$ -	$ 11,575,989	$ 439,669	$ 19,926,331	$ 1,141,157	$ -	$ -
		$ 55,231,564	$ 261,622	$ 1,401,865	$ 1,296,353	$ 204,607	$ 15,995,329	$ 799,806	$ 28,851,366	$ 2,081,104	$ 1,112,957	$ 3,226,555
5	**Governor's Requested Increase**	$ 58,574,120	$ 318,405	$ 997,904	$ 2,210,743	$ 449,041	$ 11,440,347	$ 1,120,393	$ 31,728,512	$ 2,853,164	$ 3,573,061	$ 3,882,550
6	Percent change in revenues	6.4%	5.0%	5.0%	5.0%	5.0%	7.0%	5.0%	7.0%	7.0%	7.0%	3.5%
	CCHE Tuition Request:											
	Data points used as a reference for the request:											
7	Decision items submitted by institutitons	$ 104,739,448	$ 326,000	$ 3,350,000	$ 3,300,000	$1,100,000	$ 30,677,244	$ 1,400,000	$ 34,186,204	$ 2,800,000	$ 9,500,000	$ 18,100,000
	(Requests from the instituitons are primarily for General Fund, but CCHE used them as a reference for the tuition request)											
8	**CCHE Requested Increae**	$ 58,574,120	$ 318,405	$ 997,904	$ 2,210,743	$ 449,041	$ 11,440,347	$ 1,120,393	$ 31,728,512	$ 2,853,164	$ 3,573,061	$ 3,882,550
9	Percent change in revenues	6.4%	5.0%	5.0%	5.0%	5.0%	7.0%	5.0%	7.0%	7.0%	7.0%	3.5%