

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Amanda Bickel, JBC Staff (303-866-4960)
DATE March 18, 2024
SUBJECT Higher Education R1 & R2

R1 and R2: During figure setting for the Department of Higher Education (packet dated March 7, 2024; presentation on March 12, 2024), the Committee chose to wait to make decisions on **R1 (state funding for governing boards and financial aid) and R2 (tuition spending authority)** pending the March revenue forecast. Staff has attached the relevant components of the staff figure setting document.

Related R2 Decision: The Committee also indicated that it might wish to revisit its decision to specify assumptions related to nonresident tuition (essentially tuition caps) for Fort Lewis College. The Committee's vote during figure setting was to add footnote language like that below:

“...the calculation for any institution at which the state contributes a share of nonresident tuition is based on the assumption that no student with nonresident classification will pay more tuition in FY 2024-25 than **four** percent over what a student would have paid in FY 2023-24 for the same credit hours and course of study.”

Staff has included excerpts from the original figure setting document to assist the Committee.

→ REQUEST R1/BA2 INCREASE OPERATING SUPPORT FOR PUBLIC INSTITUTIONS OF HIGHER EDUCATION AND FINANCIAL AID

REQUEST: The request includes an increase of \$48,249,474 General Fund for public higher education institutions and financial aid, including amounts submitted in request R1 and request BA2. As summarized in the table below, the request provides an average increase of 3.4 percent for the public institutions of higher education, with variation by institution, and an aligned increase for financial aid and student stipends at private institutions.

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R1/BA2 <u>REQUEST</u> INCREASE FOR PUBLIC HIGHER EDUCATION AND FINANCIAL AID				
	BASE FUNDING FOR STUDENT STIPENDS, FEE-FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID BASE (FY 23-24 APPROPRIATION)	FY 24-25 REQUEST: STUDENT STIPENDS, FEE-FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID	R1/BA2 INCREASE REQUESTED	PERCENTAGE INCREASE IN FUNDING
Adams State University	\$23,503,197	\$24,191,449	\$688,252	2.9%
Colorado Mesa University	44,685,411	46,170,033	1,484,622	3.3%
Metropolitan State University	93,227,346	97,054,235	3,826,889	4.1%
Western State Colorado University	20,178,587	21,067,630	889,043	4.4%
Colorado State University System	223,796,952	231,583,165	7,786,213	3.5%
Fort Lewis College	19,004,629	19,712,402	707,773	3.7%
University of Colorado System	305,518,922	316,304,316	10,785,394	3.5%
Colorado School of Mines	33,574,131	35,095,555	1,521,424	4.5%
University of Northern Colorado	63,055,632	64,852,044	1,796,412	2.8%
Community College System	269,147,853	277,122,657	7,974,804	3.0%
Sub-total, State Governing Boards	1,095,692,660	1,133,153,486	37,460,826	3.4%
Colorado Mountain College	11,995,297	12,345,732	410,109	3.4%
Aims Community College	14,166,012	14,579,863	484,324	3.4%
Area Technical Colleges	20,455,069	21,052,651	699,342	3.4%
Total	\$1,142,309,038	\$1,181,131,732	\$39,054,601	3.4%
Financial aid programs aligned with funding for governing boards - total	267,094,931	276,226,686	9,131,755	3.4%
<u>Proposed allocation</u>				
<i>Need Based Grants</i>	<i>228,897,742</i>	<i>233,186,545</i>	<i>4,288,803</i>	<i>1.87%</i>
<i>COSI</i>	<i>10,000,000</i>	<i>13,342,952</i>	<i>3,342,952</i>	<i>33.43%</i>
<i>New leg: Homeless Youth F.A.</i>	<i>0</i>	<i>1,500,000</i>	<i>1,500,000</i>	<i>n/a</i>
Student stipends at private institutions aligned with public institutions	1,846,140	1,909,258	63,118	3.4%
Total	\$1,411,250,109	\$1,459,267,676	\$48,249,474	

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The funding request uses the funding model created in H.B. 20-1366 but is based solely on the Performance Funding section of the model (“Step 2”).

The request also includes a statutorily-required financial aid component. For this component of the request, the Department requests **\$9,131,755 in total** for aligned financial aid. After accounting for a request for a bill related to homeless youth, the request includes:

- \$4,288,803 for Need Based Grants
- \$4,000,000 for the Colorado Opportunity Scholarship Initiative (COSI)
- \$1,500,000 for a bill that the JBC is requested to sponsor for financial aid for homeless youth. If the JBC does not wish to set aside this \$1.5 million for new legislation, the request would add this amount proportionately back to the Need Based Grants and COSI request (\$842,952 and \$657,048 respectively)

Finally, the request includes an increase of \$63,118 for student stipends at private institutions.

The Executive request R2 (discussed further below) also includes limiting resident undergraduate tuition increases to 2.5 percent while assuming that nonresident tuition will increase across-the-board by 6.5 percent. Based on these assumptions, the request includes an increase of \$114.4 million in cash funds spending authority for tuition revenue. If approved, the limits on tuition increases would be incorporated in Long bill footnotes that express the General Assembly’s assumptions in setting tuition spending authority.

REQUEST FROM HIGHER EDUCATION INSTITUTIONS: In late December, the higher education institutions submitted a request for a much larger increase through a December 20, 2023 letter to the Committee. They have since updated some figures in a submission to staff. **The institutions request is for \$148.3 million General Fund, including the aligned financial aid increase, or \$100.0 million more General Fund than the Governor’s request. This would be associated with the 2.5 percent cap on resident tuition (matching the Governor’s request) and assumed increases of 3.0% to 4.0% for nonresident tuition.**

RECOMMENDATION: The staff recommendation attempts to take into account the limitations on the state General Fund, institutional needs, and the limitations on students’ financial resources—a “shared sacrifice” approach--and is based on the following components:

- 4.0 percent General Fund increase
- 4.0 percent cap on resident undergraduate tuition
- Assumed 4.0 percent increases in nonresident and graduate resident tuition

The staff recommendation includes an increase of \$56,378,139 General Fund--\$8.1 million General Fund *more* than the Governor’s request but \$91.9 million *less* than the institutions’ request.¹ The staff recommendation is also expected to generate approximately \$128.6 million in

¹ The staff recommendation also annualizes the impact of S.B. 21-213, which adds a further \$12.0 million General Fund to the overall recommendation, including an aligned financial aid increase.

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tuition revenue increases, including an increase of approximately \$54.3 million in resident tuition revenue and an increase of approximately \$74.3 million in nonresident tuition revenue. Whether institutions will generate this amount is dependent both on whether institutions choose to increase tuition to the maximum allowed/assumed and on their actual enrollment.

The institutions have indicated a need for a **5.2 percent overall base increase, using their “base core minimum” calculation.** Staff believes this figure—which aligns with Denver-Lakewood-Aurora inflation for calendar year 2023—is a reasonable funding target at a high level. **The staff recommendation generates an overall increase of 4.9 percent at the ten state governing boards, though the actual increase varies significantly by institution, depending upon enrollment trends.**

College Opportunity Fund Stipend: The request and the recommendation are based on allocating the total funding between College Opportunity Fund student stipends and fee-for-service contracts. The COF stipend amount is based on maintaining the current stipend rate at \$116 per credit hour and using the 2023 actual use of the COF stipend by students. The balance of funding is allocated through fee-for-service contracts.

The table below summarizes the staff General Fund recommendation for R1.

R1/BA2 <u>RECOMMEND</u> INCREASE FOR PUBLIC HIGHER EDUCATION AND FINANCIAL AID				
	BASE FUNDING FOR STUDENT STIPENDS, FEE- FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID BASE (FY 2023-24 APPROPRIATION)	FY 24-25 REQUEST: STUDENT STIPENDS, FEE- FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID	R1/BA2 INCREASE REQUESTED	PERCENTAGE INCREASE IN FUNDING
Adams State University	23,503,197	24,340,898	837,701	3.6%
Colorado Mesa University	44,685,411	46,493,901	1,808,490	4.0%
Metropolitan State University	93,227,346	97,278,881	4,051,535	4.3%
Western State Colorado University	20,178,587	21,169,695	991,108	4.9%
Colorado State University System	223,796,952	232,767,511	8,970,559	4.0%
Fort Lewis College	19,004,629	19,691,325	686,696	3.6%
University of Colorado System	305,518,922	318,434,787	12,915,865	4.2%
Colorado School of Mines	33,574,131	35,265,901	1,691,770	5.0%
University of Northern Colorado	63,055,632	65,611,473	2,555,841	4.1%
Community College System	<u>269,147,853</u>	<u>278,465,994</u>	<u>9,318,141</u>	3.5%
Sub-total, State Governing Boards	1,095,692,660	1,139,520,366	43,827,706	4.0%
Colorado Mountain College	11,995,297	12,475,109	477,212	4.0%
Aims Community College	14,166,012	14,732,652	566,640	4.0%
Area Technical Colleges	20,455,069	21,273,272	818,203	4.0%
Total	\$1,142,309,038	\$1,188,001,399	\$45,689,761	4.0%
Financial aid programs aligned with funding for governing boards - total	267,209,440	277,897,818	10,688,378	4.0%
<i>Proposed allocation</i>				

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R1/BA2 <u>RECOMMEND</u> INCREASE FOR PUBLIC HIGHER EDUCATION AND FINANCIAL AID				
	BASE FUNDING FOR STUDENT STIPENDS, FEE- FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID BASE (FY 2023-24 APPROPRIATION)	FY 24-25 REQUEST: STUDENT STIPENDS, FEE- FOR-SERVICE CONTRACTS UNDER 23-18-303.5, SPECIALTY EDUCATION, AND GRANTS FOR LOCAL DISTRICT AND AREA TECHNICAL COLLEGES, AND ALIGNED FINANCIAL AID	R1/BA2 INCREASE REQUESTED	PERCENTAGE INCREASE IN FUNDING
<i>Need Based Grants</i>	228,897,742	238,086,120	9,188,378	4.0%
<i>COSI</i>	10,000,000	10,000,000	0	0.0%
<i>New leg: Homeless Youth F.A.</i>	0	1,500,000	1,500,000	n/a
Student stipends at private institutions aligned with public institutions	1,846,140	1,846,140	0	0.0%
Total	\$1,411,364,618	\$1,200,535,917	\$56,378,139	4.0%

The analysis below focuses on funding for the institutions, tuition, and the total amount of aligned financial aid. The discussion of how to assign that financial aid has been moved to the financial aid section of this write-up.

ANALYSIS:

Basis for the staff recommendation:

- The public institutions emphasize that, like other sectors of state government, they must address **inflationary increases**. They typically provide a model of their “base core minimum costs” (described in more detail below) that identifies these inflationary needs. **The most recent version of this model suggests a need for a 5.2 percent increase to cover inflationary pressures. Given overall inflationary pressures on state government, including the impact of the ColoradoWINS agreement and the new “step” increase structure for classified staff, this seems a plausible number.**
- **The institutions’ model is built around assuming a stable enrollment, that all costs are fixed, and that they must provide salary and benefits commensurate with the rest of state government.** In reality: (1) Enrollment is not stable. Resident student enrollment has been declining at most institutions, though it now appears to be stabilizing at most. At the same time large research institutions have seen an increase in nonresident enrollment, which supports their bottom line. (2) Particularly at institutions that rely heavily on adjunct faculty, not all costs are fixed. (3) For most of their employees, institutions are not required to provide increases commensurate with the rest of state government. Salary and benefits for non-classified will not go up at the same level as increases for state statewide, because institutions that are relying heavily on cash funds from tuition may not have sufficient resources to provide larger salary increases. **While model does not represent reality, it does reflect the spending pressures the institutions face, particularly with respect to staff compensation and maintaining employment levels (even when student enrollment may be falling).**

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- **The tables below provide ways to look at the situation from a state government and institutional perspective.** Note that this is different from a student perspective, which legislators must also keep in mind.

The tables below are built on the following assumptions.

- 1) The staff recommendation for a 4.0 percent General Fund increase with the distribution of funds through the Performance (“step 2”) portion of the funding model, as requested by both the Governor and the institutions;
- 2) The Legislative Council Staff forecast for institutional enrollment for FY 2023-24 and FY 2024-25 combined with 4.0 percent tuition increases for all students, including Colorado resident undergraduates and graduate students and nonresident students.
 - Resident tuition increases of 4.0 percent are far higher than the 2.5 percent proposed by the Governor and definitely above a level that staff thinks is desirable. The General Assembly will need to balance competing demands from institutions for revenue and demands from students for affordable tuition with the availability of state General Fund. If the General Assembly is able to contribute more General Fund, staff hopes this tuition figure can be reduced.
 - For nonresident tuition, institutions have consistently indicated that the Governor’s request for 6.5 percent nonresident tuition increases is not realistic. They have also generally indicated that 3.0 to 4.0 percent is realistic, and, based on past history, actual increases for have often varied significantly from estimates provided by the institutions. Given this, staff is assuming 4.0 percent for modeling purposes.

The first table shows overall institutional revenue that would be reflected in the Long Bill based on the staff recommendation. These figures include various other adjustments that staff has incorporated in the budget and that are not part of this request: annualizations, fee estimates, and other state funding sources. As shown, even with a General Fund increase of 4.0 percent and assumed tuition increases of 4.0 percent, there is significant variability in the projected increase by institution due to enrollment changes, as well as the different levels of General Fund increase that they receive from the funding model, particularly for those institutions that are more dependent upon the General Fund (small institutions, community colleges, and “comprehensive” four year institutions such as Metro and Mesa).

TOTAL AMOUNT REFLECTED IN THE LONG BILL FROM STATE SUPPORT, RESIDENT & NONRESIDENT TUITION FY 2024-25: STAFF RECOMMENDATION OF 4.0% INCREASES IN ALL TUITION RATES AND GENERAL FUND OVER FY 2023-24*				
	FY 2023-24 REVENUE ESTIMATE (REVISED)	FY 2024-25 REVENUE ESTIMATE	CHANGE	PERCENTAGE CHANGE
Adams State University	\$47,484,374	49,592,310	\$2,107,936	4.4%
Colorado Mesa University	120,379,265	125,524,690	5,145,425	4.3%

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TOTAL AMOUNT REFLECTED IN THE LONG BILL FROM STATE SUPPORT, RESIDENT & NONRESIDENT TUITION FY 2024-25: STAFF RECOMMENDATION OF 4.0% INCREASES IN ALL TUITION RATES AND GENERAL FUND OVER FY 2023-24*				
	FY 2023-24 REVENUE ESTIMATE (REVISED)	FY 2024-25 REVENUE ESTIMATE	CHANGE	PERCENTAGE CHANGE
Metropolitan State University	200,037,950	205,652,584	5,614,634	2.8%
Western Colorado University	43,494,309	45,571,863	2,077,554	4.8%
Colorado State University System	744,674,536	779,721,408	35,046,872	4.7%
Fort Lewis College	62,251,833	62,757,068	505,235	0.8%
University of Colorado System	1,584,719,746	1,657,761,967	73,042,221	4.6%
Colorado School of Mines	230,692,428	249,590,646	18,898,218	8.2%
University of Northern Colorado	135,081,688	140,472,331	5,390,643	4.0%
Community College System	572,127,529	596,724,252	24,596,723	4.3%
TOTAL	\$3,740,943,658	3,913,369,118.60	\$172,425,461	4.6%

*Excludes limited purpose FFS and SB 24-213 annualization

As noted, these totals are the result of various factors, but enrollment is a key component. Legislative Council Staff forecasts for Resident and Nonresident students are shown below. As shown, at most institutions' enrollment is now projected to be stabilizing, after an extended decline. However, *Fort Lewis College is projected to continue to experience substantial declines in its nonresident population, while the Colorado School of Mines is seeing robust growth. In both cases, those explain their positions as outliers in revenue growth in the table above.*

LCS HIGHER EDUCATION ENROLLMENT FORECAST							
	FY 2023-24		FY 2024-25		FY 24 TO FY 25		
	Resident	Nonresident	Resident	Nonresident	% Change Resident	% Change Nonresident	% Change Total
Adams	1,554	858	1,572	867	1.2%	1.1%	1.1%
Mesa	6,466	1,104	6,506	1,091	0.6%	-1.2%	0.4%
Metro	11,261	455	11,272	458	0.1%	0.8%	0.1%
Western	1,763	553	1,770	559	0.4%	1.0%	0.6%
CSU System	18,558	9,535	18,320	9,807	-1.3%	2.8%	0.1%
Fort Lewis	1,337	1,555	1,325	1,475	-0.9%	-5.2%	-3.2%
CU System	39,851	19,032	39,798	19,374	-0.1%	1.8%	0.5%
Mines	4,060	3,114	4,222	3,277	4.0%	5.2%	4.5%
UNC	5,137	863	5,131	867	-0.1%	0.4%	0.0%
Community Colleges	46,277	1,808	46,692	1,846	0.9%	2.1%	0.9%
Total	136,264	38,878	136,610	39,620	0.3%	1.9%	0.6%

Staff encourages legislators to explore how modifying assumed tuition versus General Fund support, as well as the portion of the funding formula used, change institutions' projected revenue picture. The model may be accessed here, on the General Assembly's website: https://co-lcs.shinyapps.io/co_higher_ed_finance/

HOW MUCH FUNDING?

In determining funding for the institutions, the Committee must address the questions both of **how much funding** to provide and then **how to allocate it**.

- **Every 1.0 percent increase in General Fund for the higher education funding model and financial aid costs \$14.2 million.**
- **Funding for higher education has historically been driven by the revenue available to the General Assembly.** The Committee could establish the minimum General Fund it wishes to provide for higher education during the figure setting process, but staff anticipates that both the final amount and the allocation plan may not be settled immediately.
- **The Governor's Office has proposed a total increase of \$48.2 million for the institutions and financial aid,** representing a **3.4 percent** increase in state support for the institutions, based an assumption that **tuition increases for resident undergraduates will be limited to 2.5 percent.**
- **The institutions have come directly to the Committee (not through the Governor's Office) seeking an increase of \$148.3 million General Fund, including aligned financial aid, or \$100.0 million more than the Governor's request.**
- **Given a collection of challenging choices, the staff recommendation incorporates a 4.0 percent increase from all sources: General Fund, resident tuition, and nonresident tuition, driving a General Fund increase of \$56.4 million.** Staff also estimates that an increase of \$78.7 million General Fund might be sufficient to cover institutions' "base core minimum" calculations if accompanied by a 4.0 percent tuition increase.
- Apart from minor tweaking, **staff concurs with the institutions' expectations that they will experience inflationary increases in the range of 5.2 percent,** assuming no other adjustments to the size of their operations and taking into consideration the impact of the Colorado WINS negotiations.
- **It will be difficult for students to bear cost increases at the 5.2 percent level or even the 4.0 percent level.** Colorado resident students already struggle with high tuition rates compared to the rest of the nation, and increases up to 5.0 percent were allowed for FY 2023-24, and many institutions increased tuition at this rate. If rates are too high, fewer students will enroll. Institutions likewise estimate that nonresidents likely cannot accept increases greater than 4.0 percent and higher rates may reduce enrollment. At the same time, the General Assembly's ability to fill the gap between revenue from resident and nonresident tuition and total institutional inflationary needs is limited. Staff notes that the Colorado Commission on Higher Education's Strategic Plan is particularly focused on "value" and whether costs to students generate sufficient returns for all degrees. A 4.0 percent increase in tuition does not support this goal; staff simply recognizes that there are many competing issues for the General Assembly and institutions to balance.²

² https://cdhe.colorado.gov/sites/highered/files/2022_CCHE_Strategic_Plan_2.2.23.pdf

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- **If the JBC has sufficient revenue available to go higher than this amount of General Fund, and to reduce the student tuition figure, staff would support that.** There is ample evidence that the state higher education system is “underfunded” in comparison to other states, and staff is supportive of additional increases for the institutions to the extent the General Assembly has sufficient resources. However, the **JBC may want to see where it stands with the March revenue forecast before making final decisions about higher education funding.** The public higher education institutions are an industry with over \$10.0 billion in combined annual revenues and over \$7.5 billion in expendable net assets at the end of FY 2022-23. They rely far more heavily on tuition and other cash revenues than the General Fund. Thus, \$50.0 million General Fund increase spread across the institutions represents a modest increase from the perspective of many of the institutions, though it represents a large amount from a state budget perspective. The General Assembly should not over-extend its own limited resources to provide additional support that will be welcome--but will not change the fundamental dynamic that makes the largest institutions highly dependent upon tuition.

CALCULATING INSTITUTIONAL INFLATIONARY NEED – “BASE CORE MINIMUM COSTS”

The institutions have costs that they must cover to keep their organizations functioning, including annual salary and benefits increases. The ten state governing boards employ an estimated 27,027.0 state FTE in Education and General functions in FY 2023-24. This represents one-quarter to one-half of all staff employed by the institutions. In prior year requests the Department has cited data indicating that nearly 60 percent of all State of Colorado government employees work in higher education.³ Most of these are “off budget” and work for the institutions in research and auxiliary services, which are expected to be self-supporting.

Unlike other parts of state government, the General Assembly does not appropriate funds to the governing boards based on common policy salary and benefits calculations. Instead, institutions are expected to use General Fund, tuition revenue and other sources of support to cover these costs. This is true even for those institutional staff whose salary and benefits are determined by state personnel system rules (classified staff). **Salary and benefits for *classified* staff represented 8.4 percent of salaries and benefits overall in the Education and General Budget in FY 2022-23.** Other classified staff are employed in housing, dining, and other “auxiliary enterprises” but these enterprises are assumed to be self-sustaining. The table below summarizes the sources and uses of funds in FY 2022-23 that were funded from the Education and General budget.

FY 2022-23 ACTUAL EDUCATION AND GENERAL BUDGETS*		
	EXPENDITURE/REVENUE	PERCENTAGE OF TOTAL
Total Salaries and Benefits (about 50% salaries and 15% benefits)	2,523,301,280	64.8%
Other Expenditures	1,408,673,819	35.2%
Total Education & General Budget	3,931,975,099	100.0%

³ According to prior year Department requests, the U.S. Census Bureau report on State Government employment and payroll data for 2016 showed that 50,472 FTE worked in higher education in 2016, representing 59.0 percent of all State of Colorado government FTE. The Bureau of Labor Statistics reported 79,600 state employees in Colorado working in education in 2019, most of whom are presumed to be higher education staff, including student workers. The University of Colorado website notes that it alone employs 36,500 people and is the third-largest employer in the State.

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FY 2022-23 ACTUAL EDUCATION AND GENERAL BUDGETS*		
	EXPENDITURE/REVENUE	PERCENTAGE OF TOTAL
General Fund	907,491,589	22.1%
Resident tuition	1,297,358,508	35.6%
Nonresident tuition	1,169,243,798	29.7%
Other state funds sources	50,894,674	0.8%
Fees, indirect recoveries, other	506,986,530	11.8%
Classified Staff Salaries and Benefits (included above)	212,345,625	8.4% of all salaries and benefits

*Excludes special programs at CSU, such as forestry and agricultural extension, Occupational Education at CCCS, and the Auraria Higher Education Campus.

The institutions' typically provide a "base core costs" calculation as the basis for their inflationary needs calculation. The approach is highly simplified, but it provides some foundation for an inflationary needs calculation.

The calculation submitted relies on the fund source estimates included in the FY 2023-24 Long Bill for tuition and state General Fund and FY 2023-24 estimates for salaries and benefits included in the budget data book submission in November. The budget data books incorporate additional funding sources (as shown in the table above) but are used as the source of the *percentage* of costs from salaries, benefits, etc.. These figures are already out-of-date, but are certainly functional from a scale perspective. The institutions use these base figures and combine them with estimated inflationary increases as reflected in the table. The final, weighted calculation, as shown, is for an increase of 5.2 percent, which aligns with calendar year 2023 inflation for the Denver-Lakewood-Aurora metropolitan statistical area.

INSTITUTIONS' BASE CORE MINIMUM COST CALCULATION			
	FY 2023-24 BASE E&G ESTIMATED SHARE OF EXPENDITURES FOR SALARY, BENEFITS, OTHER APPLIED TO FY 2023-24 LONG BILL GENERAL FUND AND TUITION TOTAL	INFLATIONARY INCREASE REQUESTED	BASIS FOR INFLATIONARY INCREASE
Salaries (57.6% of total expenses)	\$2,137		
Salary Survey		\$64.1	3.0 Percent - State Salary Survey
COWins Step Plan Impact		16.6	E&G share of CO Wins step plan+ 31.8% for compression
HLD Benefits (17.2% of total expenses)	368.0	63.8	10.0 Percent
Other Expenses (25.2% of total expenses)	93.0	48.7	5.2 Percent - CY 2023 Inflation
Total FY 2023-24 LB GF + Tuition	\$3,711	\$193.2	
Percentage Change (Weighted)		5.2%	

- **Staff is comfortable recognizing that institutions face inflationary pressures in the range of 5.2 percent, including the impact of the ColoradoWins Step Plan.**

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- **Institutions face a complex array of factors affecting revenue and have a variety of tools for managing expenditures. Many of these components are outside of the General Assembly's control.** For example, while the tables above include nonresident and graduate tuition and make related assumptions about these tuition rates, the General Assembly has not generally chosen to control these revenue components.
- **While institutions face inflationary pressures similar to the rest of state government, they have some flexibility in how they respond to those pressures.** Even if the General Assembly adds 5.0 percent for salary increases, non-classified staff might receive no increases or 10.0 percent increases, depending upon enrollment trends and other factors. Institutions are required to comply with salary requirements for classified staff, but classified staff represent less than 10.0 percent of institutional employees.
- **Ultimately, institutions will ensure that their expenditures align with their revenue.** Staff believes it is appropriate to recognize inflationary pressures on institutional budgets but also recognizes that the General Assembly will not be able to fully compensate for some trends, like declining enrollment, and institutions may need to do some related retrenching.
- **Staff would support providing the institutions with additional funding to bring their overall revenue available closer to the 5.2 percent increase highlighted by the institutions, but the JBC will have to assess what is feasible after the March forecast.**

GENERAL FUND/TUITION TRADE OFF

In December 2023, updated in February 2024 communication to staff, institutions have proposed the following ratios between General Fund authorized and resident tuition caps. As shown, they have suggested that with a resident tuition cap of 2.5 percent, \$148.3 million General Fund is needed. With a 5.0 percent tuition rate cap, they propose an increase of \$104.6 million, which is still more than double the Governor's request.

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Institutions' Proposal: General Fund v. Tuition

Base Core Minimum Costs		\$193.2	\$193.2	\$193.2	\$193.2	\$193.2	\$193.2	\$193.2
Resident Tuition Rates <i>(Non-Resident at 3.0% to 4.0%)</i>	Rates	0.0%	1.0%	2.0%	2.5%	3.0%	4.0%	5.0%
	Dollar Amount	\$44.0	\$57.6	\$71.2	\$77.9	\$84.7	\$98.3	\$111.9
Statutorily Required Increase for SEPs		\$6.3	\$5.8	\$5.2	\$4.9	\$4.6	\$4.0	\$3.5
Step 2 State Funding	Percent	13.6%	12.4%	11.1%	10.5%	9.9%	8.7%	7.4%
	Dollar Amount	\$155.5	\$141.4	\$127.2	\$120.1	\$113.1	\$98.9	\$84.8
Step 1 State Funding		-	-	-	-	-	-	-
Total State Funding	Percent	13.6%	12.4%	11.1%	10.5%	9.9%	8.7%	7.4%
	Dollar Amount	\$155.5	\$141.4	\$127.2	\$120.1	\$113.1	\$98.9	\$84.8
Statutorily Required Financial Aid Increase		\$36.4	\$33.1	\$29.8	\$28.2	\$26.5	\$23.2	\$19.9
Total State Funding with Financial Aid		\$192.0	\$174.5	\$157.0	\$148.3	\$139.6	\$122.1	\$104.6

- In this version of the model, the institutions assume that nonresident tuition is available at \$44.0 million (representing 3-4% on flat enrollment), and that any balance must be covered by the General Fund or resident tuition.
- Staff's calculations indicate that **if the JBC wishes to use the institutions' proposed "base core minimum" funding model but assume that resident and nonresident tuition will increase by 4.0 percent *plus projected enrollment changes*, only approximately \$83.1 million General Fund would be required to "fully fund" base core minimum costs at a 4.0 percent resident tuition cap**, instead of the \$122.1 million included in the institutions' model. This would represent a General Fund increase of 5.9 percent. The key difference between this calculation and the institutions' is the nonresident tuition assumption. This difference is driven by projected growth in nonresident enrollment, as compared to more stagnant resident enrollment. Note that at this level of funding, not all institutions would see a 5.2 percent increase, but the institutions in aggregate would have an increase at this level.

STATE FUNDS FOR A 5.2% "BASE CORE MINIMUM" INCREASE ASSUMING 4.0% TUITION INCREASES	
	MILLION \$s
"Base core minimum" using institutions' calculation	\$193.2
Nonresident tuition at 4.0% + nonres enrollment growth	<u>74.3</u>
Balance after nonresident tuition	118.9
Resident tuition at 4.0%	<u>54.3</u>
Remaining need for GF for "base core minimum" [5.9%]	64.6
Aligned GF: financial Aid & non-state institutions	18.4
Total General Fund Need	\$83.1

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ACHIEVING BASE CORE MINIMUM WITH STATE SUPPORT, RESIDENT & NONRESIDENT TUITION FY 2024-25: 5.9% INCREASES IN GENERAL FUND AND 4.0% INCREASE IN ALL TUITION RATES OVER FY 2023-24*				
	FY 2023-24 REVENUE ESTIMATE (REVISED)	FY 2024-25 REVENUE ESTIMATE	CHANGE	PERCENTAGE CHANGE
Adams State University	\$47,484,374	50,037,000	\$2,552,626	5.4%
Colorado Mesa University	120,379,265	126,374,098	5,994,833	5.0%
Metropolitan State University	200,037,950	207,429,794	7,391,844	3.7%
Western Colorado University	43,494,309	45,958,617	2,464,308	5.7%
Colorado State University System	744,674,536	783,973,892	39,299,356	5.3%
Fort Lewis College	62,251,833	63,116,813	864,980	1.4%
University of Colorado System	1,584,719,746	1,663,579,526	78,859,780	5.0%
Colorado School of Mines	230,692,428	250,234,926	19,542,498	8.5%
University of Northern Colorado	135,081,688	141,671,002	6,589,314	4.9%
Community College System	572,127,529	601,811,612	29,684,083	5.2%
TOTAL	\$3,740,943,658	3,934,187,279.17	\$193,243,621	5.2%

*Excludes limited purpose FFS and FY 24-25 SB 24-213 annualization

- Staff notes that, at present, a 1.0 percent increase in General Fund support (\$14.2 million) will provide close to the same amount of money for the state governing boards (\$11.1 million) as a 1.0 percent increase in resident tuition (\$13.6 million, including \$11.7 million for undergraduates). Further, unlike a resident tuition increase, institutions do not need to set aside institutional financial aid to accompany a General Fund increase (as they often do for a tuition increase). Thus, **at a very high level, the General Assembly can think of “buying down” 1.0 percent of resident tuition for every 1.0 percent increase in General Fund support.** At the same time, staff recognizes that the impact of a “buy down” is very different at the institutional level because of institutions’ different fund mixes, as well as the funding distribution that results from the higher education funding model: a 1.0 percent increase in General Fund may mean something very different from a 1.0 percent increase in resident tuition at an institution.
- While the “base core minimum” calculation works from the perspective of developing a high level estimate of need, it works less well once adjustments are applied at the individual governing board level.** This is because: (1) Governing boards rely on General Fund versus resident versus nonresident tuition to vastly different extents; (2) governing boards’ total revenue is also significantly affected by enrollment, both in absolute numbers and in the mix of students: resident, non-resident, particular disciplines; (3) the General Fund model provides somewhat different results by institution.

	STATEWIDE FY 2023-24 LONG BILL ESTIMATES	%	FY 2022-23 CU BOULDER ACTUAL		FY 2022-23 FRONT RANGE COM. COLLEGE ACTUAL
Total	<u>\$3,717,370,675</u>		<u>\$933,819,758</u>		<u>\$110,182,810</u>
General Fund	1,102,359,398	29.7%	101,443,146	10.9%	45,113,338 40.9%
Resident Tuition	1,357,549,112	36.5%	267,833,190	28.7%	57,472,346 52.2%
Nonresident Tuition	1,257,462,164	33.8%	564,543,422	60.5%	7,597,126 6.9%

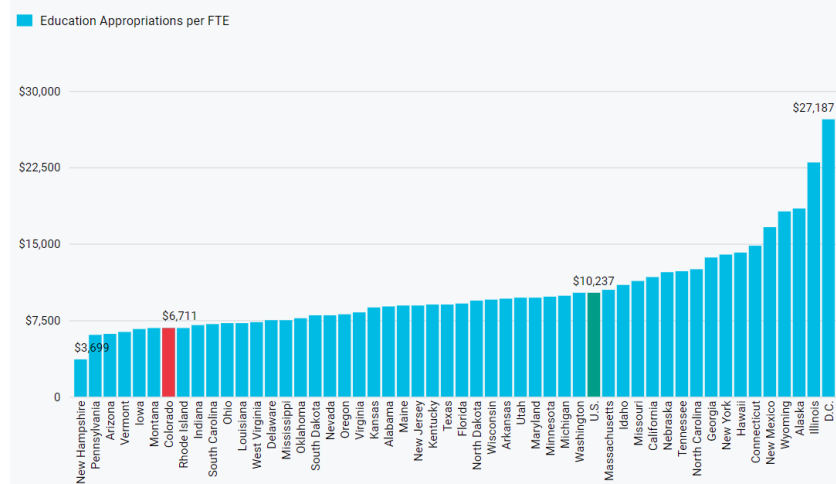
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Source: Budget Data Books; excludes indirect cost recoveries and transfers

JUSTIFICATION FOR SUPPORT: LOW LEVEL OF STATE FUNDING, BURDEN ON STUDENTS

Colorado has made significant strides in funding for higher education: between FY 2020-21 and FY 2021-22, it moved from next-to-last to 7th lowest per student FTE among states. Given further state funding increases in FY 2022-23 and FY 2023-24, it has likely made further progress. Nonetheless, Colorado is still a low-state-support state and has been for decades. As reflected in the charts below from the *State Higher Education Finance Report* (SHEF) prepared by the State Higher Education Officer's Association⁴, in FY 2021-22, Colorado provided funding of **\$6,711 per student FTE** using the SHEF methodology. To get to the U.S. average in FY 2021-22 of \$10,237 per student FTE, Colorado would have needed to increase funding by 52.5 percent.⁵ Even with increases over the last two years, staff still assumes Colorado is well below the national average.⁶

PUBLIC HIGHER EDUCATION APPROPRIATIONS PER FTE BY STATE FY 2022



Source: SHEF Report, FY 2022

To compensate for low state support, public institutions rely heavily on net tuition revenue, with **average net tuition revenue⁷ of \$11,512 per student FTE**. Some of this is derived from nonresident students.

PUBLIC HIGHER EDUCATION NET TUITION REVENUE PER FTE BY STATE FY 2022

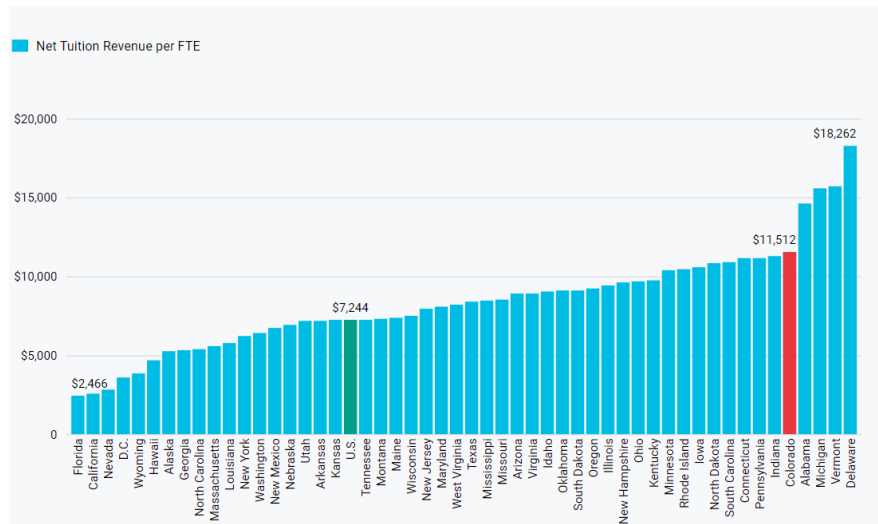
⁴ All charts and data at: <https://shef.sheeo.org/>

⁵ Colorado does, however, provide more support for financial aid than many other states.

⁶ Nationwide, state support for higher education increased by 6.6 percent in FY 2022-23, while FY 2023-24 increases have not yet been reported nationally; Colorado support increased 11.5 percent in FY 2022-23 and a further 11.4 percent in FY 2023-24.

⁷ Calculated by SHEO as gross tuition and fees less state and institutional financial aid, tuition waivers or discounts, and medical student tuition and fees.

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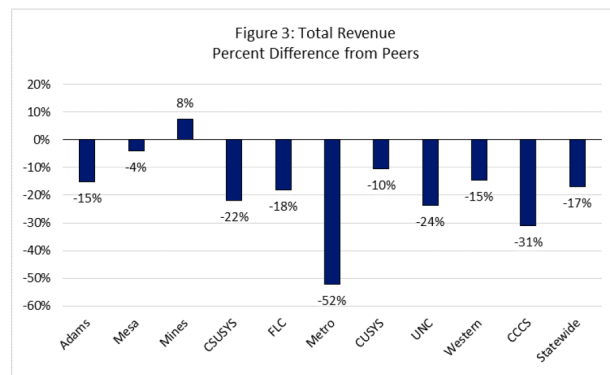
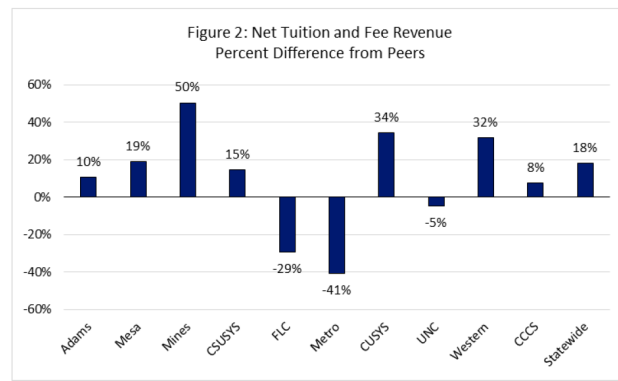
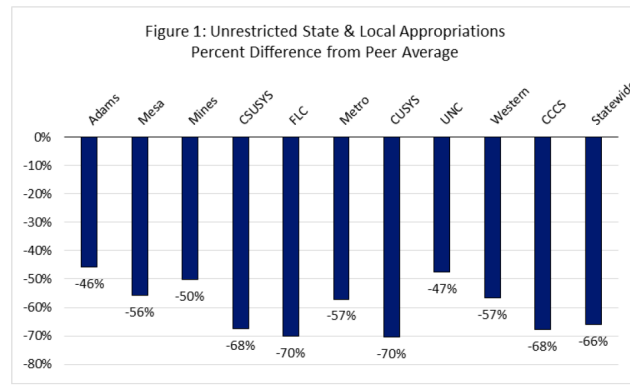


Source: SHEF Report, FY 2022

In 2020, Colorado contracted with **Hanover Research** to study the revenue and expenditures of Colorado's public institutions. Rather than using a state average perspective, the Hanover study selected peer institutions in collaboration with the state's public institutions and then compared Colorado's institutions with their peers. JBC staff has noted that the results of this study at the individual institution level are highly sensitive to which peers are selected, which reduces the usefulness of the report as a basis for comparing state institutions to each other. However, **this report further confirmed the SHEF report conclusion that Colorado state and local appropriations are lower than appropriations for peer institutions in other states and that net tuition and fees are higher than peers for most state institutions.**⁸

⁸ Dr. Angie Paccione, Executive Director, Colorado Department of Higher Education, *Memo to Higher Education Presidents and CFOs about Hanover Resource Analysis Project*, November 10, 2020.

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High costs borne by students have short and long term consequences for students. As staff has highlighted in the past:

- Studies indicate that student participation is inversely related to higher education cost.** For example, a study of tuition increases from 1980 to 1992 found that for every \$1,000 increase in tuition, participation in community colleges fell by 4.7 percent and participation in 4-year institutions fell by 1.2 percent. While low-income students, in particular, may not actually pay the sticker price, they are far more likely to be aware of the sticker price than of the amount they will actually pay. As a result, a *higher sticker price discourages participation, particularly* among low-income

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students.⁹ In addition, students likely take more time to complete their degrees than in the past in large part due to higher education costs: students often work many hours to finance their educations, and this can make it difficult for them to take a full course load. A survey of over 6,000 community college students across the country indicated that their top obstacles to success were work obligations and paying expenses.¹⁰

- In FY 2021-22, the average **student loan debt** of Colorado resident loan recipients graduating from a public institution with a baccalaureate degree ranged from \$11,679 to \$37,410. Of all resident students graduating with a baccalaureate degree, 36.6 percent graduated with loans. The average student loan debt for associates graduates ranged from \$9,410 to \$18,364. Among those resident students graduating with associates degree, 36.7 percent graduated with loans. While these figures have improved over time in Colorado, student debt is still a significant challenge. Nationally, student loan debt has now surpassed all other forms of non-mortgage consumer debt. According to the Federal Reserve Bank of New York, nationally, per-borrower higher education debt increased at a rate of about five percent per year between 2008 and 2018, student repayment is slow (2005 graduates had repaid less than 40 percent of their outstanding balances 10 years after leaving school), and more than 15 percent of borrowers in the second quarter of 2019 were 90 or more days past due or in default. In FY 2022-23, student loan debt nationwide had reached \$1.7 trillion, though this was the first year of some decline, in part due to federal loan forgiveness initiatives.¹¹ **In many cases students may simply avoid pursuing higher education to avoid taking on debt.**

HOW TO ALLOCATE AVAILABLE FUNDS AMONG INSTITUTIONS?

Allocation Method Requested

Staff has attached additional background on the higher education funding model that was presented as part of the staff budget briefing.

- This year, **the Governor's Office and the institutions requested that funding in the model passes through what is called "Step 2" or "Performance Funding". This portion of the model functions as base funding for the institutions.** It shifts with calculated performance outcomes, but only very slowly over time and in very small increments. When funding is added into the Performance Funding" model, it is largely distributed consistent with the current shares of funding for the higher education institutions. However, the impact of even small variations are quite visible this year when considering how institutions will address inflationary increase.

⁹ Kane, 1995, cited in Heller, Donald. Student Price Response in Higher Education: An update to Leslie and Brinkman. The Journal of Higher Education, Vol. 68, No 6 (Nov – Dec., 1997), pp. 624-659. See also David Deming and Susan Dynarski, *Into College, Out of Poverty? Policies to Increase the Postsecondary Attainment of the Poor*, National Bureau of Economic Research, September 2009. [w15387.pdf \(nber.org\)](https://www.nber.org/papers/w15387)

¹⁰ RISC, "What Challenges Do Community College Students Face?". January 2019. https://www.risc.college/sites/default/files/2019-01/RISC_2019_report_natl.pdf

¹¹ <https://educationdata.org/student-loan-forgiveness-statistics>

- **“Step 1” of the model, also known as “Ongoing Additional Funding” is a mechanism available to the General Assembly if it wishes to target funding toward particular types of institutions and particular state needs**, based on higher education Master Plan goals. For the last three years, the General Assembly has used five different components for allocating Step 1 funds (First-generation student FTE; First-generation student headcount as described in statute; underrepresented minority (URM) Race/ethnicity; Pell headcount; and retention of URM students. Most of these components direct larger shares of funding to community colleges and other institutions serving disadvantaged populations.) **While staff has not included use of these components this year in the staff recommendation, the Committee should note that this portion of the model provides the Committee with significant flexibility, even at the level of assisting particular institutions that appear to be struggling with additional support.**

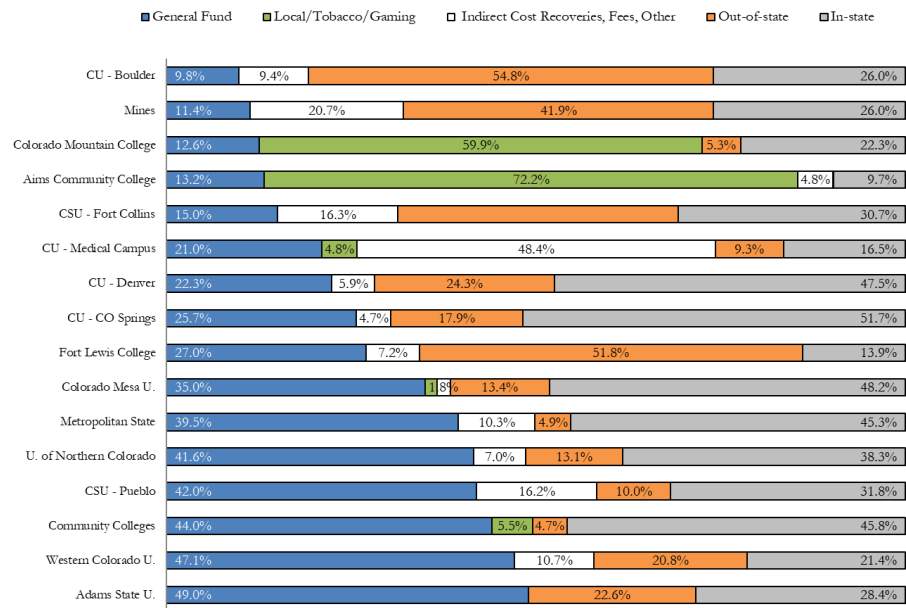
Rationale for Additional Support for Access and Small Rural Institutions as Feasible

- **Staff has been supportive over the years of efforts to direct a larger share of state support to institutions that serve the students with the greatest challenges: the “access” institutions. This is not because staff believes that other institutions are over-funded by the State but rather because, with few state resources to go around, the large research institutions have been far more effective at bringing in other resources, including through their recruitment of nonresident students.** State support per resident student is not large at the research institutions. Indeed, *state support per resident student FTE is less at most CU campuses than at Metropolitan State University of Denver.* However, the state institutions that are not “R1” research institutions simply have fewer alternatives for supporting their operations, and their primary alternative to state support is tuition from students who are often already struggling both financially and academically. The access institutions have important weaknesses, including abysmal graduation rates, but their ability to improve these rates is dependent both on the support services they can provide and the level of financial strain faced by their students.
- **Staff has also in the past supported efforts to direct additional funds to small rural institutions, including both stand-alone four year institutions (Adams, Western, Fort Lewis) and the six small rural institutions that are part of the Colorado Community College System (e.g., Lamar, Northwestern, Trinidad).** These small institutions both need and receive far larger General Fund subsidies than larger urban institutions to remain viable. The community college system cross-subsidizes its small rural institutions internally, while the General Assembly directly provides a substantial share of funding for the stand-alone four-years. The rationale for providing this additional support lies primarily in the economic role of these institutions in their communities, since the cost to the state per student is far higher than in other settings.

The following charts highlight the differences in both amount and sources of funding for the state institutions.

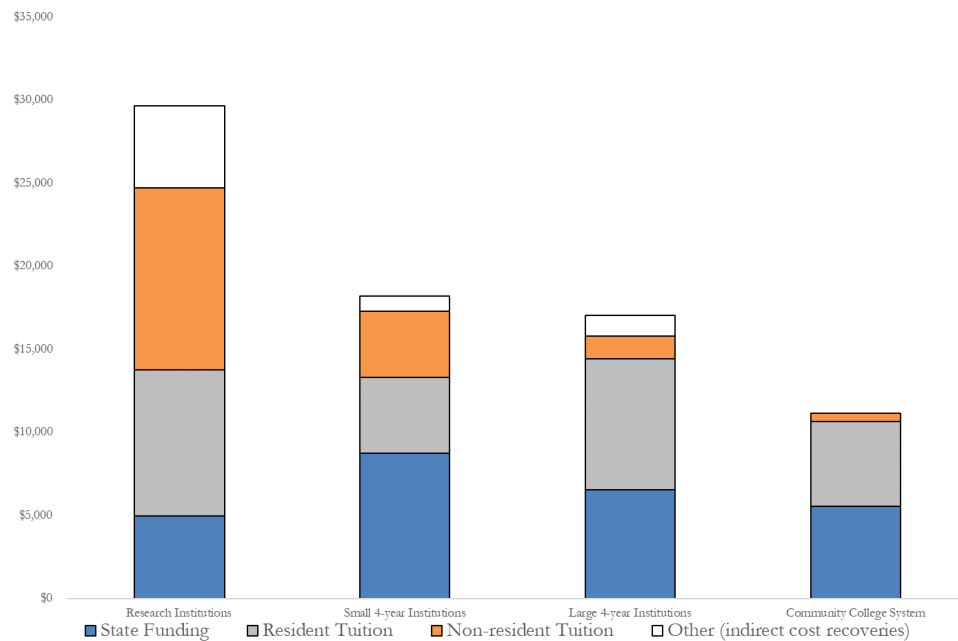
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PROPORTION OF FUNDING FROM THE STATE VERSUS STUDENTS FY 22-23



Note: The majority of Fort Lewis College out-of-state tuition revenue originates as state General Fund, due to the Native American Tuition Waiver.

REVENUE PER STUDENT FTE BY FUNDING SOURCE FY 2022-23



Notes: For purposes of chart, research institutions include the four campuses of the University of Colorado, Colorado State University at Fort Collins, the University of Northern Colorado, and the Colorado School of Mines; small 4-year institutions include Adams State University and Western Colorado University; large 4-year institutions include Metropolitan State University at Denver and Colorado Mesa University

- **Staff is happy to work with members on alternative distribution scenarios.** JBC staff and Thomas Rosa, the General Assembly's data scientist who developed the data visualization tool for higher education funding, are available to work with JBC Members to explore options, if desired.

→ R2 TUITION SPENDING AUTHORITY INCREASE

Note: Tuition spending authority only directly affects the state-operated governing boards. However, because the need for tuition spending authority is closely related to the General Fund operating request for the institutions, staff has included it directly below R1.

REQUEST: The Governor's request included cash funds spending on the institutions based on a proposed tuition cap of 2.5 percent for resident undergraduates (expressed as an assumption via Long Bill footnote) and 6.4 percent for nonresident students. Consistent with the General Assembly's usual practice, the request does not assume restrictions on non-resident or graduate tuition or mandatory fees.

RECOMMENDATION: **As described above, the staff recommendation is for a 4.0 percent increase in tuition with an increase in state support of 4.0 percent.** This does not fully fund institutions' calculated inflationary needs, but also recognizes the financial constraints on the state and students.

ANALYSIS:

Each year, the institutions submit their estimates of tuition and fee revenue for the current fiscal year and their forecast for the next year. Legislative Council Staff review actual enrollment data and discuss projections with the institutions to develop a separate tuition and enrollment forecast model. Staff has at times used the LCS model and at times the institutions' model.

For the FY 2023-24 Long Bill supplemental, staff recommends using the LCS forecast for enrollment and tuition.

For the FY 2024-25 Long Bill staff is recommending using the Legislative Council Staff forecast for enrollment, which now includes more helpful detail than in the past on resident, nonresident, graduate and undergraduate tuition. For tuition increases, staff has selected different settings from those proposed by the institutions, i.e., staff has reflected 4.0 percent tuition increases across the board. Places where 4.0 percent does not appear are based on information from institutions that are in the process of rolling out guaranteed tuition for four years (e.g., Metro) or opening a tuition "window" where students are charged the same amount within a tuition range (e.g., Anschutz).

In recent years, the institutions' projections of revenue for the current fiscal year have at times been better than Legislative Council Staff's, and at times worse (which staff finds surprising). For the current fiscal year (FY 2023-24) LCS's forecast is 0.5 percent greater than the institutions for tuition revenue.

The only significant difference for the FY 2023-24 figures is for Western Colorado University, and this is because WCU did not include graduate students and related tuition in its forecast, consistent with its historic practice, because these students are in cash-funded programs. However, WCU

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provided related data on students and revenue. To align with the data provided by other institutions, LCS included this data in its forecast. As shown, CSU is showing a significant decline from its original project, while other institutions, including CU, Mines, and the community college system are showing notable increases.

FY 2023-24 LONG BILL SUPPLEMENTAL - TUITION FORECAST REVISION				
	ORIGINAL FY 24 FORECAST	REVISED FY 24 FORECAST	CHANGE	PERCENTAGE CHANGE
Adams State University	\$21,181,570	\$23,981,178	\$2,799,608	13.2%
Colorado Mesa University	76,031,920	75,693,854	-338,066	-0.4%
Metropolitan State University of Denver	104,675,985	106,810,603	2,134,618	2.0%
Western Colorado University	23,180,549	23,315,722	135,173	0.6%
Colorado State University System	543,321,967	520,877,584	-22,444,383	-4.1%
Fort Lewis College	43,234,608	43,247,204	12,596	0.0%
University of Colorado System	1,257,503,128	1,279,200,824	21,697,696	1.7%
Colorado School of Mines	187,886,989	197,118,297	9,231,308	4.9%
University of Northern Colorado	71,143,252	72,026,056	882,804	1.2%
Community College System	286,851,309	302,979,676	16,128,367	5.6%
Total Tuition Revenue	\$2,615,011,277	\$2,645,250,998	\$30,239,722	1.2%

FY 2022-23 AND FY 2023-24 RECOMMENDED TUITION CASH FUNDS APPROPRIATION (4.0 PERCENT TUITION INCREASE FOR RESIDENT & NONRESIDENT)				
	FY 2022-23 (REVISED)*	FY 2023-24	CHANGE	PERCENTAGE CHANGE
Adams State University	\$23,981,178	25,251,412	1,270,234	5.3%
Colorado Mesa University	75,693,854	79,030,789	3,336,935	4.4%
Metropolitan State University of Denver	106,810,603	108,373,703	1,563,100	1.5%
Western State Colorado University	23,315,722	24,402,168	1,086,446	4.7%
Colorado State University System	520,877,584	546,953,897	26,076,313	5.0%
Fort Lewis College	43,247,204	43,065,743	-181,461	-0.4%
University of Colorado System	1,279,200,824	1,339,327,180	60,126,356	4.7%
Colorado School of Mines	197,118,297	214,324,745	17,206,448	8.7%
University of Northern Colorado	72,026,056	74,860,858	2,834,802	3.9%
Community College System	302,979,676	318,258,258	15,278,582	5.0%
Total Tuition Revenue	\$2,645,250,998	\$2,773,848,752	\$128,597,754	4.9%

*INCLUDES RECOMMENDED LONG BILL SUPPLEMENTAL

The tables below show two viewpoints: (1) Institution viewpoint - The total revenue from General Fund and cash fund sources included in the Long Bill and how this changes by governing board under staff's recommendation; and (2) The student viewpoint - the projected average weighted tuition and fees that will be paid per student.

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TOTAL AMOUNT REFLECTED IN THE LONG BILL FROM STATE SUPPORT, TUITION, FEES, OTHER SOURCES FY 2024-25: STAFF RECOMMENDATION OF 4.0% INCREASES IN ALL TUITION AND GENERAL FUND OVER FY 2023-24

	FY 2023-24 REVENUE ESTIMATE (REVISED)	FY 2024-25 REVENUE ESTIMATE	CHANGE	PERCENTAGE CHANGE
Adams State University	\$51,652,180	53,762,929	\$2,110,749	4.1%
Colorado Mesa University	130,705,695	135,731,352	5,025,657	3.8%
Metropolitan State University	232,724,758	239,147,437	6,422,679	2.8%
Western Colorado University	49,432,077	51,752,034	2,319,957	4.7%
Colorado State University System	831,156,129	861,561,094	30,404,965	3.7%
Fort Lewis College	68,562,079	69,067,314	505,235	0.7%
University of Colorado System	1,683,509,397	1,760,398,848	76,889,451	4.6%
Colorado School of Mines	251,632,665	271,996,699	20,364,034	8.1%
University of Northern Colorado	151,001,806	156,698,015	5,696,209	3.8%
Community College System	620,941,415	644,351,303	23,409,888	3.8%
TOTAL	\$4,071,318,201	4,244,467,024.60	\$173,148,824	4.3%

INSTITUTION VIEWPOINT: TOTAL REVENUE PER STUDENT

	FY 2022-23 LONG BILL (STAFF REC)	TOTAL STUDENT FTE	REVENUE PER SFTE
	TOTAL E&G REVENUE		
Adams State University	\$53,762,929	2,439.4	\$22,039
Colorado Mesa University	135,731,352	7,597.1	17,866
Metropolitan State University	239,147,437	11,730.0	20,388
Western State Colorado University	51,752,034	2,329.1	22,220
Colorado State University System	861,561,094	28,127.0	30,631
Ft. Lewis College	69,067,314	2,799.5	24,671
University of Colorado System	1,760,398,848	59,172.4	29,750
Colorado School of Mines	271,996,699	7,498.7	36,272
University of Northern Colorado	156,698,015	5,998.0	26,125
Community College System	644,351,303	48,538.5	13,275
Total or Weighted Avg.	\$4,244,467,025	176,230.0	\$24,085

STUDENT VIEWPOINT: FY 2024-25 PROJECTED TUITION AND MANDATORY FEE REVENUE PER STUDENT FTE AT 4.0% TUITION INCREASE

	RESIDENT TUITION	NONRESIDENT TUITION	FEES (ALL STUDENTS)
Adams State University	\$8,983	\$12,832	\$1,677
Colorado Mesa University	9,669	14,781	1,076
Metropolitan State University	8,636	24,076	2,824
Western Colorado University	7,477	19,983	2,540
Colorado State University System	13,208	31,099	2,816
Fort Lewis College	7,728	22,261	2,231

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STUDENT VIEWPOINT: FY 2024-25 PROJECTED TUITION AND MANDATORY FEE REVENUE PER STUDENT FTE AT 4.0% TUITION INCREASE			
	RESIDENT TUITION	NONRESIDENT TUITION	FEES (ALL STUDENTS)
University of Colorado System	14,577	39,185	1,185
Colorado School of Mines	19,071	40,835	2,988
University of Northern Colorado	10,873	22,001	2,694
Community College System	6,215	15,195	355.8

→ COMMUNICATION WITH FORT LEWIS COLLEGE

BACKGROUND: For at least the last ten years, the JBC has had a “handshake deal” that Fort Lewis College would not increase its **nonresident** tuition without authorization, because of the impact on the General Fund. Seventy percent of nonresident students at Fort Lewis College qualify for the Native American Tuition waiver, and the State has paid sticker price for those students. As a result, any increase in nonresident tuition rates drives General Fund costs. For FY 2024-25, the staff figure setting document stated that **“Staff assumptions continue to reflect no increase in nonresident tuition for Fort Lewis College, given that the General Fund pays the sticker price for the majority of nonresidents at the college.”** The JBC did not indicate a contrary expectation, and the Long Bill thus included tuition calculations based on a 0.0 percent increase for nonresident tuition. **Fort Lewis College nonetheless increased nonresident tuition for FY 2023-24 by 5.5 percent, to \$18,688 per student per year.** This may be because it failed to understand the state’s budget expectation, since it was not explicitly stated in a footnote. ***Based on this lack of clarity, staff has recommended being more explicit about the tuition expectation for nonresident students at Fort Lewis College in the Long Bill.***

INSTITUTION RESPONSE: In response to conversations between members of the Committee, staff, and Fort Lewis College representatives, the Chair of the Fort Lewis College Board submitted a letter (attached) proposing an approach going forward that would include:

- “At the point the Board begins seriously considering an increase to nonresident students, Fort Lewis College will share in writing with the JBC Chair, members, and analyst that these discussions are happening.”
- “The Board does commit to promptly inform the JBC should we make a decision to execute on an increase.” It notes that, due to timing issues, this is unlikely to be before the Long Bill.

The letter explains that any increase to tuition rates is a last resort and also (correctly) emphasizes that the recent tuition increase resulted in only a modest increase in total revenue (because of declining enrollment. It also expresses concern about the burden on resident students of not increasing nonresident rates.

While the letter indicates that the Board and school will *inform* the JBC about planned tuition increases, it explicitly rejects the idea that a cap on nonresident tuition would be identified for Fort Lewis College in the Long Bill on the grounds that “treating FLC differently than any

other public institution would not be appropriate” and that FLC “should have the same flexibility as all other state institutions”.

STAFF RECOMMENDATION:

- **Staff continues to recommend that legislative assumptions about *maximum* nonresident tuition increases for Fort Lewis College be explicitly stated in Long Bill footnotes.** Similar to provisions for resident students, such a provision would serve as an upper limit on Board decisions. Staff believes clarity in this arena is important. While the Fort Lewis Board is correctly concerned about its fiduciary duty to the institution, the JBC has a fiduciary duty to the State, and the state’s costs for the Native American Tuition Waiver have often increased in the millions based solely on enrollment increases.
- **It appears to staff that that Fort Lewis College is requesting *less* legislative control than the General Assembly has exerted in the past, by merely promising to “inform” the JBC.** If the JBC decides that, at Fort Lewis College’s request, it will continue not to “call out” Fort Lewis College nonresident tuition in the Long Bill, *staff would minimally ask the JBC to take a vote each year on its expectations with respect to Fort Lewis College nonresident tuition and expect that Fort Lewis College would comply with that vote.* However, as demonstrated for FY 2023-24, this kind of “understanding” leaves much room for misinterpretation.
- **Staff has also noted with concern the significant *decline* in Fort Lewis College enrollment, which is now including significant declines in the nonresident Native American population.** Given that, staff would recommend assuming in this year’s Long Bill that Fort Lewis College nonresident tuition could increase by as much as 4.0 percent for FY 2024-25, which will drive additional state budget costs next year. *Staff is not suggesting starving Fort Lewis College of revenue but is concerned about the General Assembly ceding authority to Fort Lewis College to increase nonresident tuition without consultation with the General Assembly, since the General Fund currently pays 70 percent of all nonresident tuition at the institution.*

ADDITIONAL BACKGROUND ON FORT LEWIS COLLEGE [FROM R3 DISCUSSION]

History of the Fort Lewis Native American Tuition Waiver: In 1882, the federal government set aside Fort Lewis in Hesperus for an Indian reservation school. The school remained in operation after the lands composing the reservation were released to the public domain. In 1910, the federal government included the property in a land grant to the State subject to the condition that “said lands and buildings shall be held and maintained by the State of Colorado as an institution of learning, and that Indian pupils shall at all times be admitted to such school free of charge for tuition and on terms of equality with white pupils.” The General Assembly accepted the land grant in 1911 with the condition. Fort Lewis College moved to Durango in 1956, but the State continued to uphold the terms of the original grant. In 1970, Colorado sought to limit the waiver to Colorado residents. The federal government and Indian students brought suit. In 1973, the Tenth Circuit Court of Appeals affirmed the federal district court decision in favor of the government and the Indian students (*Tahdooahnippah v. Thinnig*).

Fort Lewis College Student Population: In FY 2022-23, 44.3 percent of the school’s population was Native American, with most of these (39.5 percent of the total school population) non-resident Native American students. For these non-resident students, the State pays the full “sticker price” for non-

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resident tuition. For the last decade, the population served at Fort Lewis has declined, but the share of the population comprised of non-resident, Native American students has increased. **The State was providing more than 2/3rd of the Fort Lewis College operating budget, based on FY 2019-20 data, once all state financial aid is included.** This is substantially more than for any other school, including the other small institutions.

FORT LEWIS COLLEGE FUNDING SOURCES FY 2019-20					
	ACTUAL GOVERNING BOARD EXPENDITURE S (BUDGET DATA BOOK)	NATIVE AMERICAN TUITION WAIVER	OTHER STATE FINANCIAL AID FOR STUDENTS AT FLC	TOTAL AFTER FUND SOURCE ADJUSTMENT S	PERCENTAG E OF COLLEGE BUDGET
Resident tuition total	\$9,265,006	(\$1,048,785)	(\$1,806,224)	\$6,409,997	11.7%
Nonresident tuition	31,085,188	(20,520,324)	0	10,564,864	19.2%
IC Recoveries, fees, other	472,169		0	472,169	0.8%
State General Fund	14,136,436	21,569,109	\$1,806,224	37,511,769	68.3%
Total	54,958,799	0	0	54,958,799	100.00%

- **Currently 95.1 percent of costs for the Native American Tuition Waiver are due to costs associated with non-resident students.** For FY 2023-24 (used for the FY 2024-25 request), funding requested includes \$1.1 million for resident students and \$21.5 million for non-resident Native American students.

	FY 2022-23 Actual	FY 2023-24 Estimate*	Change
Enrollment			
Resident Native American Student FTE	135	192	57
Nonresident Native American SFTE	<u>1,100</u>	<u>1,182</u>	<u>(169)</u>
Total	1,235	1,315	(112)
Tuition Waiver Cost			
Resident Native American Student FTE	\$1,097,822	\$1,220,344	\$122,522
Nonresident Native American SFTE	<u>21,451,361</u>	<u>20,632,467</u>	<u>(818,895)</u>
Total	\$22,549,183	\$21,852,811	(\$696,372)

*Excludes adjustments for prior years that are part of the FY 2024-25 appropriation request.

- **In FY 2022-23, the college reported that of the non-resident students, 66.3 percent are from tribes with historical connections to Colorado. The percentage among resident Native American students is similar: 65.1% are from tribes with historical connections to Colorado.** Others come from throughout the United States, including from as far away as Alaska.

The table below shows the long-term trend for the waiver. As shown, after years of large increases, the waiver amount declined in FY 2017-18 (after the College temporarily tightened enrollment standards) and included a modest increase for FY 2018-19, but costs increased sharply from FY 2019-

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20 to FY 2022-23 and then began declining. The sharp FY 2023-24 reduction (based on FY 2022-23 enrollment) brought the cost of the waiver close to the level in FY 2020-21. The very slight decline for FY 2024-25 reflects tuition increases that were applied to compensate for the decline in enrollment (5.0% resident; 5.5% nonresident).

FORT LEWIS APPROPRIATIONS/RECOMMENDATION	NATIVE AMERICAN	TUITION	WAIVER
	GENERAL FUND	CHANGE OVER PRIOR YEAR	PERCENTAGE INCREASE
FY 2011-12	\$11,785,002	\$1,354,631	13.0%
FY 2012-13	\$12,773,557	\$988,555	8.4%
FY 2013-14	\$14,466,230	\$1,692,673	13.3%
FY 2014-15	\$14,841,981	\$375,751	2.6%
FY 2015-16	\$16,157,618	\$1,315,637	8.9%
FY 2016-17	\$17,364,248	\$1,206,630	7.5%
FY 2017-18	\$16,948,194	(\$416,054)	(2.4%)
FY 2018-19	\$17,024,859	\$76,665	0.5%
FY 2019-20	\$19,626,044	\$2,601,185	15.3%
FY 2020-21	\$21,790,595	\$2,164,551	11.0%
FY 2021-22	\$24,045,076	\$2,254,481	10.3%
FY 2022-23	\$25,593,945	\$1,518,889	6.3%
FY 2023-24	\$22,264,858	(\$3,329,087)	(13.0%)
FY 2024-25	\$22,028,890	(\$235,968)	(1.1%)

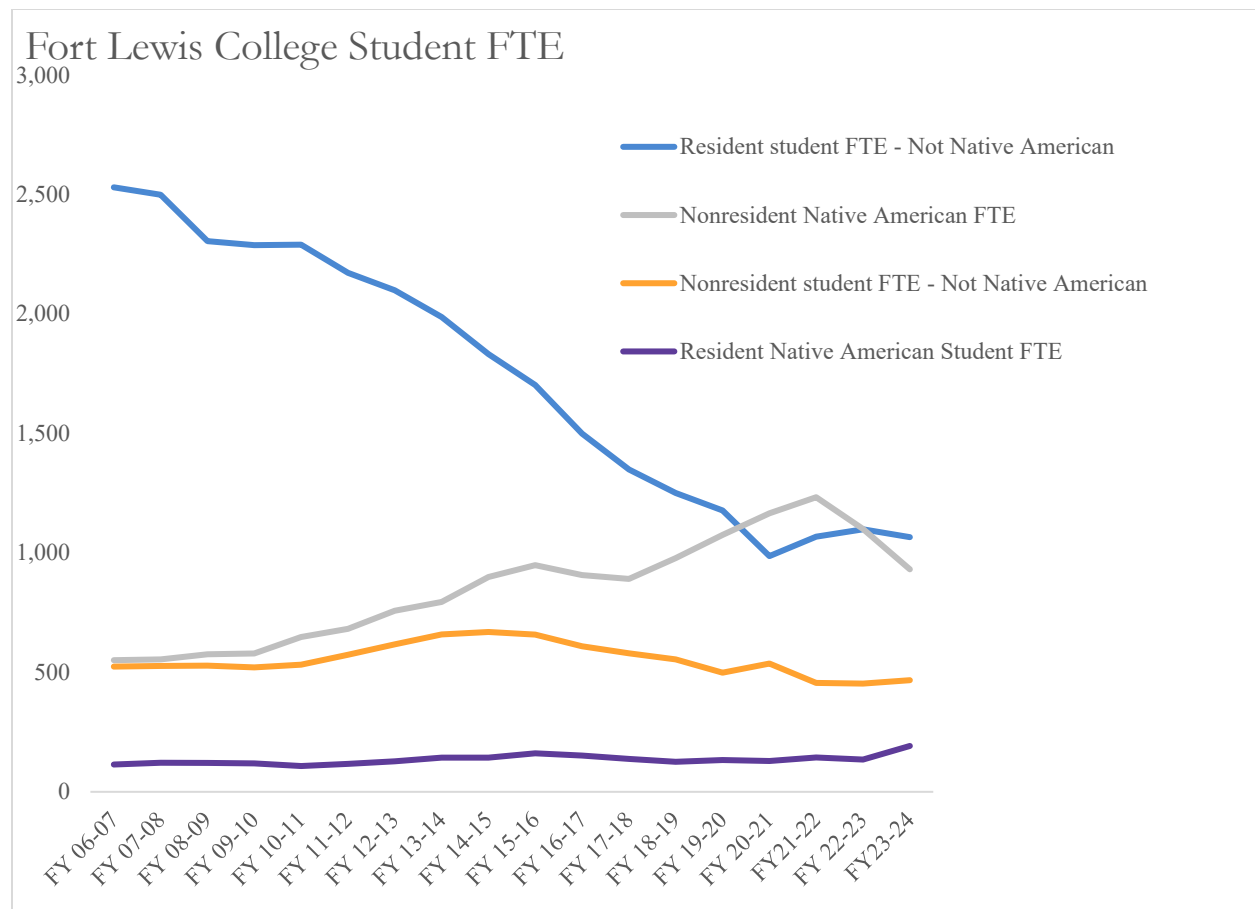
Most increases have been driven by increases in enrollment of nonresident students, although the JBC also agreed to a 5.0 percent increase in nonresident tuition in FY 2018-19 which contributed to the FY 2019-20 cost increase, and Fort Lewis increased nonresident tuition (without consulting the JBC) by 5.5 percent in FY 2023-24. In the last few years Fort Lewis College has also launched graduate programs which are contributing to waiver costs.

As discussed pursuant to R1, staff continues to expect the College to consult with the JBC on nonresident tuition increases and staff recommends being more specific about legislative expectations in the footnote regarding Fort Lewis College tuition. Fort Lewis has argued that the college should be treated no differently from other state higher education institutions in the Long Bill but is aware that the State now pays 2/3rds of its nonresident tuition and thus provides it far more General Fund support than any other public institution of higher education receives.

- Every 1.0 percent increase in nonresident tuition will drive a General Fund increase of \$206,324 for Native American Tuition Waiver payments in the subsequent fiscal year excluding any change in enrollment.

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- The average tuition cost for each of the 1,100 nonresident Native American students enrolled in Fort Lewis College in FY 2022-23, including summer enrollment, was \$19,501 per student.
- Fort Lewis College's overall enrollment has declined over the last fifteen years. The only population that grew consistently through FY 2021-22 was nonresident Native American students. This trend appears to have changed, however, starting in FY 2022-23.



- President Stritikus of Fort Lewis College sent a letter to the Committee on February 21, 2022 providing a status update on the College's efforts to secure federal funding. The letter notes that "given herculean challenges, along with increasing partisan gridlock, I do not feel it is prudent to spend further state or institutional resources at this time." Efforts have been unsuccessful in part because of opposition from the American Indian Higher Education Council, which represents Tribal Colleges and Universities.