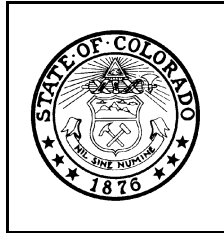


COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2008-09 STAFF FIGURE SETTING RECOMMENDATIONS: DEPARTMENT OF HIGHER EDUCATION

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

**Prepared By:
Eric Kurtz, JBC Staff
March 6, 2008**

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	

For FY 2008-09 the JBC approved eliminating the cash funds exempt category of appropriations and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. The JBC staff recommendation for FY 2008-09 is expressed in both the old format and the new format. Moneys that were previously categorized as cash funds exempt that are not reappropriated funds are characterized in the new budget format as cash funds, regardless of the TABOR status of the funds.

DEPARTMENT OF HIGHER EDUCATION Executive Director: David Skaggs
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(1) Department Administrative Office

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

Health, Life, and Dental	<u>458,152</u>	<u>565,992</u>	<u>683,910</u>	<u>882,911</u> A	<u>882,911</u>	<u>882,911</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	155,572	189,588	243,084	307,116	307,116	667,459	
RF/CFE	302,580	376,404	426,498	546,753	546,753	186,410	
Federal Funds	0	0	14,328	29,042	29,042	29,042	
Short-term Disability	<u>9,543</u>	<u>7,086</u>	<u>9,793</u>	<u>10,287</u> A	<u>10,878</u>	<u>10,878</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	4,766	3,246	3,409	3,353	4,062	7,626	
RF/CFE	4,006	3,359	5,525	5,763	5,749	2,185	
Federal Funds	771	481	859	1,171	1,067	1,067	
S.B. 04-257 Amortization Equalization							
Disbursement	<u>16,185</u>	<u>47,033</u>	<u>90,581</u>	<u>127,512</u> A	<u>134,611</u>	<u>134,611</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	8,060	21,542	31,473	41,271	49,997	94,577	
RF/CFE	6,814	22,295	51,177	71,828	71,474	26,894	Hist#1a
Federal Funds	1,311	3,196	7,931	14,413	13,140	13,140	
S.B. 06-235 Supplemental Amortization							
Equalization Disbursement	<u>0</u>	<u>0</u>	<u>18,904</u>	<u>40,899</u> A	<u>63,042</u>	<u>63,042</u>	
General Fund	0	0	0	0	0	0	
Cash Funds			6,557	13,188	23,435	44,277	
RF/CFE			10,694	23,089	33,448	12,606	Hist#1a

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Federal Funds			1,653	4,622	6,159	6,159	
Salary Suvey and Senior Executive Service	<u>251,030</u>	<u>217,561</u>	<u>258,113</u>	<u>316,196</u> A	<u>387,536</u>	<u>387,536</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	101,792	71,323	79,165	89,629	107,390	253,197	
RF/CFE	133,115	126,579	150,482	187,649	232,501	86,694	
Federal Funds	16,123	19,659	28,466	38,918	47,645	47,645	
Performance-based Pay Awards	<u>0</u>	<u>0</u>	<u>123,924</u>	<u>122,239</u> A	<u>122,241</u>	<u>122,241</u>	
General Fund			0	0	0	0	
Cash Funds			34,645	40,046	40,046	83,177	
RF/CFE			75,954	68,313	68,313	25,182	
Federal Funds			13,325	13,880	13,882	13,882	
Worker's Compensation	<u>16,717</u>	<u>16,988</u>	<u>17,542</u>	<u>22,852</u> A	<u>Pending</u>	<u>Pending</u>	
General Fund	0	0	0	0			
Cash Funds	6,870	13,884	5,756 S	5,991			
RF/CFE	9,847	3,104	11,786 S	16,861			
Legal Services	<u>100,124</u>	<u>78,388</u>	<u>93,783</u>	<u>32,269</u>	<u>Pending</u>	<u>Pending</u>	
# of Hours (non-add)	<u>1,554</u>	<u>1,157</u>	<u>854</u>	<u>448</u>	<u>448</u>	<u>448</u>	
General Fund	71,250	37,070	61,514 S	0			
Cash Funds	21,656	33,728	26,447	26,447			
RF/CFE	7,218	7,590	5,822	5,822			
Purchase of Services from Computer Center	<u>6,312</u>	<u>6,392</u>	<u>120,097</u> S	<u>91,348</u> A	<u>Pending</u>	<u>Pending</u>	
General Fund	0	0	74,732	0			
Cash Funds	3,080	3,190	27,485	5,273			
RF/CFE	3,232	3,202	17,880	86,075			
Payment to Risk Management/ Property Funds	<u>18,999</u>	<u>34,033</u>	<u>28,761</u> S	<u>52,140</u> A	<u>Pending</u>	<u>Pending</u>	
General Fund	0	0	0	0			
Cash Funds	926	3,436	1,140	1,933			
RF/CFE	18,073	30,597	27,621	50,207			

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Leased Space	<u>382,352</u>	<u>353,073</u>	<u>370,956</u>	<u>507,150</u>	<u>507,150</u>	<u>507,150</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	382,352	353,073	370,956	507,150	507,150	27,239	#5
RF/CFE	0	0	0	0	0	479,911	
TOTAL - (1) Administrative Office	<u>1,259,414</u>	<u>1,326,546</u>	<u>1,816,364</u>	<u>2,205,803</u>	<u>2,108,369</u>	<u>2,108,369</u>	
General Fund	71,250	37,070	136,246	0	0	0	
Cash Funds	685,074	693,010	830,117	1,041,397	1,039,196	1,177,552	
RF/CFE	484,885	573,130	783,439	1,062,360	958,238	819,882	
Federal Funds	18,205	23,336	66,562	102,046	110,935	110,935	

(2) Colorado Commission on Higher Education

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

(A) Administration	2,224,290	2,332,300	2,515,756	2,596,490	2,569,568	2,569,568
FTE	<u>28.1</u>	<u>23.6</u>	<u>30.1</u>	<u>30.1</u>	<u>30.1</u>	<u>30.1</u>
General Fund	0	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0	0.0
Cash Funds	1,844,650	1,798,052	1,949,105	2,015,955	1,993,476	141,502
FTE	24.5	20.5	26.5	26.5	26.5	0.0
RF/CFE	58,795	184,248	215,615	215,615	215,615	2,067,589
FTE	0.0	0.0	0.0	0.0	0.0	26.5
Federal Funds	320,845	350,000	351,036	364,920	360,477	360,477
FTE	3.6	3.1	3.6	3.6	3.6	3.6
Financial Aid Research	5,000	0	0	0	0	0
FTE	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	0					
RF/CFE	5,000					
(B) Div. of Private Occupational Schools	507,519	521,043	533,977	614,353	548,348	548,348
FTE	<u>5.0</u>	<u>6.0</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Cash Funds	507,519	521,043	533,977	614,353	548,348	548,348	#6
FTE	5.0	6.0	7.8	7.8	7.8	7.8	
RF/CFE	0	0	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	0.0	0.0	
(C) Special Purpose							
WICHE (Annual Dues)	<u>108,000</u>	<u>112,000</u>	<u>116,000</u>	<u>116,000</u>	<u>120,000</u>	<u>120,000</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	108,000	112,000	116,000	116,000	120,000	120,000	
RF/CFE	0	0	0	0	0	0	
WICHE Optometry	<u>324,610</u>	<u>329,750</u>	<u>399,000</u>	<u>399,000</u>	<u>399,000</u>	<u>399,000</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	324,610	329,750	399,000	399,000	399,000	0	
RF/CFE	0	0	0	0	0	399,000	
Advanced Technology Grants - RF/CFE	0	334,196	0	0	0	0	
Distribution to the Higher Education							
Competitive Research Authority	<u>0</u>	<u>0</u>	<u>901,854</u>	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>	
Cash Funds			0	0	0	330,000	
RF/CFE			901,854	330,000	330,000	0	
Veterinary School Program Needs	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	
General Fund	0	0	0	0	0	0	
Cash Funds	122,600	285,000	285,000	285,000	285,000	122,600	
RF/CFE	162,400	0	0	0	0	162,400	
Enrollment/Tuition and Stipend Contingency	<u>0</u>	<u>13,500,815</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	
Cash Funds	0	13,500,815	0	0	0	20,000,000	
RF/CFE	0	0	20,000,000	20,000,000	20,000,000	0	
Subtotal - (C) Special Purpose	717,610	14,561,761	20,800,000	20,800,000	20,804,000	20,804,000	
TOTAL - (2) CCHE	3,454,419	17,415,104	24,751,587	24,340,843	24,251,916	24,251,916	
FTE	<u>33.2</u>	<u>29.6</u>	<u>37.9</u>	<u>37.9</u>	<u>37.9</u>	<u>37.9</u>	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
General Fund	0	0	0	0	0	0	
Cash Funds	2,907,379	16,546,660	3,283,082	3,430,308	3,345,824	21,262,450	
RF/CFE	226,195	518,444	21,117,469	20,545,615	20,545,615	2,628,989	
Federal Funds	320,845	350,000	351,036	364,920	360,477	360,477	

(3) Financial Aid

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

(A) Need Based Grants

General Need Based Grants	<u>44,285,061</u>	<u>52,240,163</u>	<u>67,023,546</u>	<u>74,294,146</u>	<u>74,294,146</u>	<u>74,294,146</u>	
General Fund	44,285,061	52,240,163	67,023,546	74,294,146	74,294,146	74,294,146	#2
Federal Funds	0	0	0	0	0	0	
Governor's Opportunity Scholarships - GF	7,990,908	7,902,673	0	0	0	0	
Subtotal - (A) Need Based Grants (GF)	52,275,969	60,142,836	67,023,546	74,294,146	74,294,146	74,294,146	

(B) Merit Based Grants - GF

	1,497,959	1,499,743	1,500,000	1,500,000	1,500,000	1,500,000	
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(C) Work Study - GF

	14,883,518	14,856,716	14,884,300	16,612,357	16,612,357	16,612,357	#7
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(D) Special Purpose

Precollegiate Programs - GF

	0	787,940	800,000	1,600,000	800,000	800,000	#8
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Required Federal Match

	<u>2,836,474</u>	<u>2,410,037</u>	<u>3,026,350</u>	<u>3,026,350</u>	<u>3,026,350</u>	<u>3,026,350</u>	
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 General Fund

	1,832,701	1,434,968	1,726,350	1,726,350	1,726,350	1,726,350	
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 Federal Funds

	1,003,773	975,069	1,300,000	1,300,000	1,300,000	1,300,000	
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Veterans'/Law Enforcement/POW Tuition Assistance

 General Fund

	346,276	304,585	364,922	364,922	364,922	364,922	
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National Guard Tuition Assistance - GF

	410,207	539,271	650,000	650,000	650,000	650,000	
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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Native American Students/Fort Lewis College General Fund	7,299,164	7,634,353	8,063,560	8,359,421 A	8,359,421	8,359,421	#2b, #2c
Early Childhood Professional Loan Repayment Cash Funds Exempt	3,000	1,000	0	0	0	0	
Nursing Teacher Loan Forgiveness Pilot General Fund	0	0	161,600	161,600	161,600	161,600	
GEAR - UP - FF	503,687	639,027	600,000	600,000	600,000	600,000	
Teacher and Principal Training Grants - FF	1,007,235	820,547	0	0	0	0	
Subtotal - (D) Special Purpose	12,406,043	13,136,761	13,666,432	14,762,293	13,962,293	13,962,293	
TOTAL - (3) Financial Aid	81,063,489	89,636,056	97,074,278	107,168,796	106,368,796	106,368,796	
General Fund	78,545,794	87,200,411	95,174,278	105,268,796	104,468,796	104,468,796	
Cash Funds Exempt	3,000	1,000	0	0	0	0	
Federal Funds	2,514,696	2,434,644	1,900,000	1,900,000	1,900,000	1,900,000	

(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)

Stipends - State	<u>271,803,110</u>	<u>312,405,160</u>	<u>326,153,316</u>	<u>338,718,240</u> A	<u>341,665,920</u>	<u>341,665,920</u>	
General Fund	271,803,110	312,405,160	323,117,640	338,718,240	341,665,920	341,665,920	#1, #1a
Cash Funds Exempt	0	0	3,035,676	0	0	0	
<i>Eligible Students (non-add)</i>	<i>113,251.3</i>	<i>121,087.3</i>	<i>122,154.8</i>	<i>122,724.0</i>	<i>123,792.0</i>	<i>123,792.0</i>	
<i>Rate per 30 Credit Hours (non-add)</i>	<i>\$2,400</i>	<i>\$2,580</i>	<i>\$2,670</i>	<i>\$2,760</i>	<i>\$2,760</i>	<i>\$2,760</i>	
Stipends - Private							
<i>Eligible Students (non-add)</i>	<i>600.0</i>	<i>704.3</i>	<i>700.0</i>	<i>700.0</i> A	<i>800.0</i>	<i>800.0</i>	
<i>Rate per 30 Credit Hours (non-add)</i>	<i>\$1,200</i>	<i>\$1,290</i>	<i>\$1,335</i>	<i>\$1,380</i>	<i>\$1,380</i>	<i>\$1,380</i>	
General Fund	720,000	908,552	934,500	966,000	1,104,000	1,104,000	#1, #1a

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Subtotal - Stipends	272,523,110	313,313,712	327,087,816	339,684,240	342,769,920	342,769,920	
College Opportunity Fund Balance - GF	0	2,644,738	0	348,051	0	0	#1a
Fee-for-service Contracts - GF	262,378,433	266,575,756	301,501,042	338,900,940	331,053,261	331,053,261	#1, #1a, #2a
TOTAL - (4) College Opportunity Fund Program							
General Fund	534,901,543	582,534,206	628,588,858	678,933,231	673,823,181	673,823,181	
Cash Funds Exempt	0	0	3,035,676	0	0	0	
†General Fund Exempt	253,400,000	322,400,000	310,700,000	310,700,000	Pending	Pending	

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

(A) Trustees of Adams State College	18,373,243	19,418,698	20,219,125	21,197,317	A	22,655,587	22,655,587	
FTE	<u>273.0</u>	<u>261.2</u>	<u>271.5</u>	<u>271.5</u>		<u>285.3</u>	<u>285.3</u>	
College Opportunity Fund	<u>12,149,322</u>	<u>12,475,285</u>	<u>13,624,080</u>	<u>14,602,272</u>		<u>14,811,788</u>	<u>14,811,788</u>	#1a
Student Stipend Payments	3,375,990	3,694,312	3,770,040	4,065,480		3,806,040	3,806,040	
Fee-for-service Contracts	8,773,332	8,780,973	9,854,040	10,536,792		11,005,748	11,005,748	
Tuition	<u>6,136,638</u>	<u>6,532,983</u>	<u>6,498,805</u>	<u>6,498,805</u>		<u>7,843,799</u>	<u>7,843,799</u>	#1b
Resident	4,748,660	4,562,171	5,016,918	5,016,918		4,894,693	4,894,693	
Nonresident	1,387,978	1,970,812	1,481,887	1,481,887		2,949,106	2,949,106	
Academic Fees	87,283	410,430	96,240	96,240		Pending	Pending	
(B) Trustees of Mesa State College	35,751,958	40,203,297	44,205,881	45,812,475	A	47,967,772	47,967,772	
FTE	<u>394.7</u>	<u>422.2</u>	<u>452.2</u>	<u>452.2</u>		<u>474.8</u>	<u>474.8</u>	
College Opportunity Fund	<u>19,888,392</u>	<u>20,618,060</u>	<u>22,376,340</u>	<u>23,982,934</u>		<u>22,914,775</u>	<u>22,914,775</u>	#1a
Student Stipend Payments	9,733,520	11,268,086	12,087,090	11,895,600		12,392,400	12,392,400	
Fee-for-service Contracts	10,154,872	9,349,974	10,289,250	12,087,334		10,522,375	10,522,375	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Tuition	<u>15,858,766</u>	<u>19,244,180</u>	<u>21,469,541</u>	<u>21,469,541</u>	<u>25,052,997</u>	<u>25,052,997</u>	#1b
Resident	12,550,210	16,215,306	17,192,846	17,192,846	19,648,999	19,648,999	
Nonresident	3,308,556	3,028,874	4,276,695	4,276,695	5,403,998	5,403,998	
Academic Fees	4,800	341,057	360,000	360,000	<i>Pending</i>	<i>Pending</i>	
(C) Trustees of Metropolitan State College	82,721,879	87,650,038	91,334,244	94,539,694 A	100,068,450	100,068,450	
FTE	<u>1,040.3</u>	<u>1,077.8</u>	<u>1,056.3</u>	<u>1,056.3</u>	<u>1,124.0</u>	<u>1,124.0</u>	
College Opportunity Fund	<u>39,778,568</u>	<u>42,692,725</u>	<u>44,644,910</u>	<u>47,850,360</u>	<u>47,853,008</u>	<u>47,853,008</u>	#1a
Student Stipend Payments	33,883,200	38,529,170	40,696,140	41,388,960	43,917,120	43,917,120	
Fee-for-service Contracts	5,895,368	4,163,555	3,948,770	6,461,400	3,935,888	3,935,888	
Tuition	<u>42,262,524</u>	<u>44,193,238</u>	<u>45,939,334</u>	<u>45,939,334</u>	<u>52,215,442</u>	<u>52,215,442</u>	#1b
Resident	38,385,745	39,574,870	41,490,868	41,490,868	46,335,360	46,335,360	
Nonresident	3,876,779	4,618,368	4,448,466	4,448,466	5,880,082	5,880,082	
Academic Fees	680,787	764,075	750,000	750,000	<i>Pending</i>	<i>Pending</i>	
(D) Trustees of Western State College	18,960,962	18,992,688	20,519,556	21,334,881 A	21,807,391	21,807,391	
FTE	<u>204.2</u>	<u>232.0</u>	<u>230.9</u>	<u>230.9</u>	<u>241.5</u>	<u>241.5</u>	
College Opportunity Fund	<u>9,892,147</u>	<u>10,372,540</u>	<u>11,355,691</u>	<u>12,171,016</u>	<u>12,434,183</u>	<u>12,434,183</u>	#1a
Student Stipend Payments	3,592,800	3,678,183	3,866,160	3,910,920	4,002,000	4,002,000	
Fee-for-service Contracts	6,299,347	6,694,357	7,489,531	8,260,096	8,432,183	8,432,183	
Tuition	<u>8,780,615</u>	<u>8,599,218</u>	<u>9,137,865</u>	<u>9,137,865</u>	<u>9,373,208</u>	<u>9,373,208</u>	#1b
Resident	3,780,705	4,012,046	4,161,099	4,161,099	4,682,902	4,682,902	
Nonresident	4,999,910	4,587,172	4,976,766	4,976,766	4,690,306	4,690,306	
Academic Fees	288,200	20,930	26,000	26,000	<i>Pending</i>	<i>Pending</i>	
(E) Colorado State University System	273,462,105	289,148,260	310,787,083	320,243,038 A	348,099,342	348,099,342	
FTE	<u>3,677.7</u>	<u>3,815.1</u>	<u>3,852.4</u>	<u>3,852.4</u>	<u>4,070.7</u>	<u>4,070.7</u>	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
College Opportunity Fund	<u>113,620,028</u>	<u>123,387,585</u>	<u>133,789,929</u>	<u>143,395,884</u>	<u>139,513,140</u>	<u>139,513,140</u>	#1a
Student Stipend Payments	45,405,600	49,205,538	51,234,630	51,807,960	52,969,920	52,969,920	
Fee-for-service Contracts	68,214,428	74,182,047	82,555,299	91,587,924	86,543,220	86,543,220	
Tuition	<u>155,161,777</u>	<u>160,416,661</u>	<u>172,427,154</u>	<u>172,427,154</u>	<u>208,416,202</u>	<u>208,416,202</u>	#1b
Resident	82,968,862	85,021,401	92,122,373	92,122,373	108,930,637	108,930,637	
Nonresident	72,192,915	75,395,260	80,304,781	80,304,781	99,485,565	99,485,565	
Academic Fees	4,510,300	4,674,014	4,250,000	4,250,000	<i>Pending</i>	<i>Pending</i>	
Appropriated Grants - CF	0	500,000	150,000	0	0	0	
Appropriated Grants - RF/CFE	170,000	170,000	170,000	170,000	170,000	170,000	
(F) Trustees of Fort Lewis College	31,696,667	33,084,575	36,162,754	36,999,492	A 37,771,763	37,771,763	
FTE	<u>375.5</u>	<u>390.5</u>	<u>432.3</u>	<u>432.3</u>	<u>449.3</u>	<u>449.3</u>	
College Opportunity Fund	<u>8,757,822</u>	<u>10,745,879</u>	<u>11,653,935</u>	<u>12,490,673</u>	<u>12,700,252</u>	<u>12,700,252</u>	#1a
Student Stipend Payments	5,971,200	6,607,166	6,829,860	6,858,600	7,087,680	7,087,680	
Fee-for-service Contracts	2,786,622	4,138,713	4,824,075	5,632,073	5,612,572	5,612,572	
Tuition	<u>21,771,794</u>	<u>21,432,247</u>	<u>23,310,819</u>	<u>23,310,819</u>	<u>25,023,511</u>	<u>25,023,511</u>	#1b
Resident	7,536,978	7,082,213	7,625,247	7,625,247	8,164,071	8,164,071	
Nonresident	14,234,816	14,350,034	15,685,572	15,685,572	16,859,440	16,859,440	
Academic Fees	1,121,051	858,449	1,150,000	1,150,000	<i>Pending</i>	<i>Pending</i>	
Appropriated Grants - RF/CFE	46,000	48,000	48,000	48,000	48,000	48,000	
(G) Regents of the University of Colorado	605,770,144	649,662,657	707,073,129	731,505,283	A 757,659,986	757,659,986	
FTE	<u>6,296.9</u>	<u>6,438.1</u>	<u>6,441.1</u>	<u>6,441.1</u>	<u>6,507.6</u>	<u>6,507.6</u>	
College Opportunity Fund	<u>159,103,983</u>	<u>178,783,883</u>	<u>194,986,340</u>	<u>208,986,123</u>	<u>209,344,904</u>	<u>209,344,904</u>	#1a
Student Stipend Payments	63,396,000	70,001,769	73,075,230	76,678,320	77,525,640	77,525,640	
Fee-for-service Contracts	95,707,983	108,782,114	121,911,110	132,307,803	131,819,264	131,819,264	
Tobacco Settlement Distribution	0	0	8,511,345	S 18,943,716	18,943,716	18,943,716	#1b
Tuition	<u>427,775,517</u>	<u>452,204,926</u>	<u>482,155,600</u>	<u>482,155,600</u>	<u>528,713,835</u>	<u>528,713,835</u>	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
Resident	215,144,987	227,486,718	243,164,790	243,164,790	278,748,303	278,748,303	
Nonresident	212,630,530	224,718,208	238,990,810	238,990,810	249,965,532	249,965,532	
Academic Fees	18,233,113	18,016,317	20,762,313	20,762,313	<i>Pending</i>	<i>Pending</i>	
Appropriated Grants - RF/CFE	657,531	657,531	657,531	657,531	657,531	657,531	
(H) Colorado School of Mines	58,268,589	63,758,843	67,684,680	69,245,390	A 77,650,711	77,650,711	
FTE	<u>619.0</u>	<u>633.9</u>	<u>629.4</u>	<u>629.4</u>	<u>653.6</u>	<u>653.6</u>	
College Opportunity Fund	<u>18,793,625</u>	<u>20,043,357</u>	<u>21,737,271</u>	<u>23,297,981</u>	<u>21,449,642</u>	<u>21,449,642</u>	#1a
Student Stipend Payments	6,103,200	6,849,036	7,235,700	7,198,080	7,429,920	7,429,920	
Fee-for-service Contracts	12,690,425	13,194,321	14,501,571	16,099,901	14,019,722	14,019,722	
Tuition	<u>37,646,698</u>	<u>42,503,108</u>	<u>45,797,409</u>	<u>45,797,409</u>	<u>56,201,069</u>	<u>56,201,069</u>	#1b
Resident	21,489,369	24,544,515	25,986,286	25,986,286	30,292,646	30,292,646	
Nonresident	16,157,329	17,958,593	19,811,123	19,811,123	25,908,423	25,908,423	
Academic Fees	153,266	12,378	150,000	150,000	<i>Pending</i>	<i>Pending</i>	
Appropriated Grants - CF	0	0	0	0	0	0	
Appropriated Grants - RF/CFE	1,675,000	1,200,000	0	0	0	0	
(I) University of Northern Colorado	83,818,506	87,289,756	94,746,590	97,701,553	A 98,892,416	98,892,416	
FTE	<u>940.6</u>	<u>959.4</u>	<u>1,015.0</u>	<u>1,015.0</u>	<u>954.9</u>	<u>954.9</u>	
College Opportunity Fund	<u>35,176,878</u>	<u>37,949,011</u>	<u>41,156,170</u>	<u>44,111,133</u>	<u>46,144,545</u>	<u>46,144,545</u>	#1a
Student Stipend Payments	21,160,800	22,603,916	23,317,110	23,167,440	21,804,000	21,804,000	
Fee-for-service Contracts	14,016,078	15,345,095	17,839,060	20,943,693	24,340,545	24,340,545	
Tuition	<u>47,906,042</u>	<u>48,589,809</u>	<u>52,833,953</u>	<u>52,833,953</u>	<u>52,747,871</u>	<u>52,747,871</u>	#1b
Resident	35,909,033	35,891,829	39,503,974	39,503,974	38,433,570	38,433,570	
Nonresident	11,997,009	12,697,980	13,329,979	13,329,979	14,314,301	14,314,301	
Academic Fees	735,586	750,936	756,467	756,467	<i>Pending</i>	<i>Pending</i>	
(J) State Board for the Community Colleges and Occupational Education State System Community Colleges	241,274,232	251,043,004	263,685,304	273,186,416	A 288,461,845	288,461,845	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
FTE	<u>4,547.4</u>	<u>4,559.9</u>	<u>4,576.4</u>	<u>4,576.4</u>	<u>4,720.0</u>	<u>4,720.0</u>	
College Opportunity Fund	<u>117,020,778</u>	<u>121,912,591</u>	<u>132,329,692</u>	<u>141,830,804</u>	<u>145,549,944</u>	<u>145,549,944</u>	#1a
Student Stipend Payments	79,180,800	99,967,984	104,041,356	111,746,880	110,731,200	110,731,200	
Fee-for-service Contracts	37,839,978	21,944,607	28,288,336	30,083,924	34,818,744	34,818,744	
Tuition	<u>118,157,415</u>	<u>124,895,574</u>	<u>125,737,586</u>	<u>125,737,586</u>	<u>142,911,901</u>	<u>142,911,901</u>	#1b
Resident	102,348,575	104,135,831	104,975,838	104,975,838	117,307,718	117,307,718	
Nonresident	15,808,840	20,759,743	20,761,748	20,761,748	25,604,183	25,604,183	
Academic Fees	6,096,039	4,234,839	5,618,026	5,618,026	<i>Pending</i>	<i>Pending</i>	
TOTAL - (5) Governing Boards	1,450,098,285	1,540,251,816	1,656,418,346	1,711,765,539	1,801,035,263	1,801,035,263	
FTE	<u>18,369.3</u>	<u>18,790.1</u>	<u>18,957.5</u>	<u>18,957.5</u>	<u>19,481.7</u>	<u>19,481.7</u>	
College Opportunity Fund	<u>534,181,543</u>	<u>578,980,916</u>	<u>627,654,358</u>	<u>672,719,180</u>	<u>672,716,181</u>	<u>672,716,181</u>	
Student Stipend Payments	271,803,110	312,405,160	326,153,316	338,718,240	341,665,920	341,665,920	
Fee-for-service Contracts	262,378,433	266,575,756	301,501,042	334,000,940	331,050,261	331,050,261	
Tuition	<u>881,457,786</u>	<u>928,611,944</u>	<u>985,308,066</u>	<u>985,308,066</u>	<u>1,108,499,835</u>	<u>1,108,499,835</u>	
Resident	524,863,124	548,526,900	581,240,239	581,240,239	657,438,899	657,438,899	
Nonresident	356,594,662	380,085,044	404,067,827	404,067,827	451,060,936	451,060,936	
Tobacco Settlement Distribution	0	0	8,511,345	18,943,716	18,943,716	18,943,716	
Academic Fees	31,910,425	30,083,425	33,919,046	33,919,046	0	0	
Appropriated Grants - CF	0	500,000	150,000	0	0	0	
Appropriated Grants - RF/CFE	2,548,531	2,075,531	875,531	875,531	875,531	875,531	
TOTAL - (6) Local District Junior College Grants							
General Fund	12,601,934	13,668,051	14,823,001	15,267,691	15,890,257	15,890,257	#2

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 20080-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	
TOTAL - (7) Advisory Commission on Family Medicine	1,576,502	1,703,558	1,903,558	1,903,558	<i>See HCPF</i>	<i>See HCPF</i>	
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>			
General Fund	0	0	0	0			
RF/CFE	1,576,502	1,703,558	1,903,558	1,903,558			

(8) Division of Occupational Education

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

(A) Administrative Costs	543,510	586,389	900,000	900,000	900,000	900,000	
FTE	<u>5.4</u>	<u>7.5</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	
General Fund	299,880	0	148,261	148,261	148,261	148,261	
Cash Funds	243,630	586,389	751,739	751,739	751,739	0	
RF/CFE	0	0	0	0	0	751,739	
(B) Colorado Vocational Act Distributions							
RF/CFE	19,996,048	20,635,922	21,208,319	21,208,319	<i>Pending</i>	<i>Pending</i>	
(C) Area Vocational School Support							
General Fund	8,505,528	9,635,902	10,450,136 A	11,254,796	11,202,546	11,202,546	#1a, #3
(D) Sponsored Programs							
(1) Administration							
Federal Funds	1,439,039	2,065,069	2,262,431	2,262,431	2,220,227	2,220,227	
FTE	25.2	20.5	23.0	23.0	23.0	23.0	
(2) Sponsored Programs							
Federal Funds	12,874,615	20,657,226	15,015,100	15,015,100	14,737,535	14,737,535	
Subtotal - (D) Sponsored Programs	14,313,654	22,722,295	17,277,531	17,277,531	16,957,762	16,957,762	
(E) Colorado First Customized Job Training							
RF/CFE	1,169,211	2,290,638	2,725,022	2,725,022	2,725,022	2,725,022	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	

(F) Existing Industry Training
RF/CFE

598,405 0 0 0 0 0

TOTAL - (8) Occupational Education	45,126,356	55,871,146	52,561,008	53,365,668	31,785,330	31,785,330
FTE	<u>30.6</u>	<u>28.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>
General Fund	8,805,408	9,635,902	10,598,397	11,403,057	11,350,807	11,350,807
Cash Funds	243,630	586,389	751,739	751,739	751,739	0
RF/CFE	21,763,664	22,926,560	23,933,341	23,933,341	2,725,022	3,476,761
Federal Funds	14,313,654	22,722,295	17,277,531	17,277,531	16,957,762	16,957,762

(9) Auraria Higher Education Center

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

Administration	14,305,316	14,814,761	15,686,087	18,712,529	16,627,252	16,627,252
FTE	<u>124.7</u>	<u>123.6</u>	<u>123.6</u>	<u>123.6</u>	<u>123.6</u>	<u>0.0</u>
Cash Funds	14,305,316	14,814,761	15,686,087	18,712,529 A	16,627,252	0 #8a, #8b
RF/CFE	0	0	0	0	0	16,627,252
Auxiliary Enterprises - CF	2,264,486	2,440,000	50,000	50,000	0	0

TOTAL - (9) AHEC	16,569,802	17,254,761	15,736,087	18,762,529	16,627,252	16,627,252
FTE	<u>124.7</u>	<u>123.6</u>	<u>123.6</u>	<u>123.6</u>	<u>123.6</u>	<u>0.0</u>
Cash Funds	16,569,802	17,254,761	15,736,087	18,762,529	16,627,252	0
RF/CFE	0	0	0	0	0	16,627,252

TOTAL - Council on the Arts						
Program Costs	1,416,000	<i>See Governor's</i>	<i>See Governor's</i>	<i>See Governor's</i>	<i>See Governor's</i>	<i>See Governor's</i>
FTE	<u>2.0</u>	<i>Office</i>	<i>Office</i>	<i>Office</i>	<i>Office</i>	<i>Office</i>
General Fund	700,000					
RF/CFE	16,000					
Federal Funds	700,000					

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	

(10) State Historical Society

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

(A) Cumbres and Toltec Railroad Commission

General Fund	260,000	510,000	100,000	100,000	100,000	100,000
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(B) Sponsored Programs

FTE	2.9	3.4	3.5	3.5	3.5	3.5
Cash Funds	1,100	0	0	0	0	20,000
RF/CFE	15,182	0	20,000	20,000	20,000	0
Federal Funds	242,844	227,985	230,000	230,000	230,000	230,000

(C) Auxiliary Programs

FTE	12.7	14.5	14.5	14.5	14.5	14.5
Cash Funds	586,243	461,180	1,035,699	1,035,699	1,062,179	1,562,179
RF/CFE	551,241	414,240	500,000	500,000	500,000	0

(D) Gaming Revenue

Gaming Cities Distribution	<u>5,204,091</u>	<u>5,608,258</u>	<u>5,878,129</u>	<u>5,878,129</u>	<u>6,318,695</u>	<u>6,318,695</u>
Cash Funds	0	0	0	0	0	6,318,695
Cash Funds Exempt	5,204,091	5,608,258	5,878,129	5,878,129	6,318,695	0

Statewide Preservation Grant Program

FTE	16.5	15.7	18.0	18.0	18.0	18.0	
Cash Funds	0	0	0	0	0	18,666,896	
Cash Funds Exempt	18,432,859	16,159,864	17,847,403	16,976,249 A	18,666,896	0	Hist#1, Hist#1a, Hist#2

Society Museum and Preservation

Operations	5,801,705	6,069,255	6,204,765	7,625,400	6,695,009	6,695,009	
FTE	79.3	90.9	90.9	90.9	90.9	90.9	
Cash Funds	696,740	695,347	692,748	731,269	692,748	6,024,070	
Cash Funds Exempt	4,464,965	4,735,188	4,858,910	6,160,903 A	5,331,322	0	Hist#1, Hist#1a, Hist#2
Federal Funds	640,000	638,720	653,107	733,228	670,939	670,939	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Approp	FY 2008-9			Notes
				Gov/CCHE Request	Staff Rec. Old Format	Staff Rec. New Format	

Subtotal - (D) Gaming Revenue	29,438,655	27,837,377	29,930,297	30,479,778	31,680,600	6,695,009	
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TOTAL - (10) Historical Society	31,095,265	29,450,782	31,815,996	32,365,477	33,592,779	33,592,779	
FTE	<u>111.4</u>	<u>124.5</u>	<u>126.9</u>	<u>126.9</u>	<u>126.9</u>	<u>126.9</u>	
General Fund	260,000	510,000	100,000	100,000	100,000	100,000	
Cash Funds	1,284,083	1,156,527	1,728,447	1,766,968	1,754,927	32,591,840	
CFE/RF	28,668,338	26,917,550	29,104,442	29,535,281	30,836,913	0	
Federal Funds	882,844	866,705	883,107	963,228	900,939	900,939	

TOTAL - Dept. of Higher Education	2,179,163,009	2,349,112,025	2,525,489,083	2,646,079,135	2,705,483,143	2,705,483,143	
FTE	<u>18,671.2</u>	<u>19,095.8</u>	<u>19,277.9</u>	<u>19,277.9</u>	<u>19,802.1</u>	<u>19,678.5</u>	
General Fund	635,885,929	693,585,640	746,385,104	810,972,775	805,633,041	805,633,041	
Cash Funds	21,689,968	36,737,347	22,479,472	25,752,941	23,518,938	55,031,842	
CFE/RF	1,502,836,869	1,592,392,058	1,736,146,271	1,788,745,694	1,856,101,051	1,824,588,147	
Federal Funds	18,750,244	26,396,980	20,478,236	20,607,725	20,230,113	20,230,113	
†General Fund Exempt	253,400,000	322,400,000	310,700,000	310,700,000	0	0	

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

1) DEPARTMENT ADMINISTRATIVE OFFICE

The Department Administrative Office includes funding for the centrally appropriated costs for the Colorado Commission on Higher Education (CCHE); the Division of Private Occupational Schools; and the State Historical Society. Funding for the governing boards is contained in the governing board line items.

Health, Life, and Dental

Description: Provides for health, life, and dental premiums.

Request: The Department requested funding pursuant to OSPB's budget instructions.

Recommendation: **The staff recommendation is based on the JBC's common policy.**

Short-term Disability

Description: Provides for short-term disability premiums.

Request: The Department requested funding pursuant to OSPB's budget instructions.

Recommendation: **The staff recommendation is based on the JBC's common policy.**

Amortization Equalization Disbursements

Description: Pays for increasing the effective PERA rate pursuant to S.B. 04-257.

Request: The Department requested funding pursuant to OSPB's budget instructions. The total requested includes \$714 from the State Historical Fund to annualize a supplemental (approved by the JBC) to convert an accounting technician position to a chief operating officer for the Historical Society.

Recommendation: **The staff recommendation is based on the JBC's common policy plus \$714 from the State Historical Fund to annualize the supplemental approved by the JBC.** The JBC's common policies would not normally include amortization equalization disbursements for new staff. The supplemental was to convert an existing FTE position, and the JBC approved the Department's request. Therefore, the staff recommendation to annualize funding in FY 2008-09 corresponds with the Department's request.

Supplemental Amortization Equalization Disbursements

Description: Pays for increasing the effective PERA rate pursuant to S.B. 06-235.

Request: The Department requested funding pursuant to OSPB's budget instructions. The total requested includes \$279 from the State Historical Fund to annualize a supplemental (approved by the JBC) to convert an accounting technician position to a chief operating officer for the Historical Society.

Recommendation: **The staff recommendation is based on the JBC's common policy plus \$279 from the State Historical Fund to annualize the supplemental approved by the JBC.** The JBC's common policies would not normally include amortization equalization disbursements for new staff. The supplemental was to convert an existing FTE position, and the JBC approved the Department's request. Therefore, the staff recommendation to annualize funding in FY 2008-09 corresponds with the Department's request.

Salary Survey and Senior Executive Service

Description: Provides for salary survey and senior executive service pay increases.

Request: The Department requested funding pursuant to OSPB's budget instructions.

Recommendation: **The staff recommendation is based on the JBC's common policy.**

Performance-based Pay Awards

Description: Provides for performance-based pay increases.

Request: The Department requested funding pursuant to OSPB's budget instructions.

Recommendation: **The staff recommendation is based on the JBC's common policy.**

Worker's Compensation

Description: Provides for workers' compensation premiums.

Request: The Department requested funding pursuant to OSPB's budget instructions.

Recommendation: **The recommendation is to follow the JBC's common policy, which was pending at the time this document was prepared.** Workers' compensation premiums are calculated based on claims history. When the JBC makes a common policy decision, staff will apply the policy to this line item.

Legal Services for 448 hours

Description: Provides for legal services needs.

Request: The Department requests continuation level funding according to OSPB's budget instructions.

Recommendation: **Staff recommends funding for 448 legal services hours. The amount is pending a common policy by the JBC on the legal services hourly rate.** The FY 2007-08 appropriation includes a one-time supplemental for legal expenses related to litigation on the College Opportunity Fund. The one-time funding will not be carried forward to FY 2008-09 because the Department is not sure how much, if any, they will spend on this case in FY 2008-09.

Purchase of Services from Computer Center

Description: Provides for purchase of services from GGCC.

Request: The Department requests continuation level funding according to OSPB's budget instructions.

Recommendation: **The staff recommendation is to follow the JBC's common policy, which was pending at the time this document was prepared.** When the JBC makes a common policy decision, staff will apply the policy to this line item.

Payment to Risk Management and Property Funds

Description: Provides for risk management and property premiums

Request: The Department requests continuation level funding according to OSPB's budget instructions.

Recommendation: **The staff recommendation is to follow the JBC's common policy, which was pending at the time this document was prepared.** When the JBC makes a common policy decision, staff will apply the policy to this line item.

Leased Space

Description: This line item pays for leased space for the Department's administrative office in the Lawrence Street Center at 1380 Lawrence Street.

Request: The Department submitted decision item #5 to move the Department's administrative office to 1560 Broadway. The lease for space in the Lawrence Street Center has expired and the Department wants to move the administrative office to collocate it with CollegeInvest and College Assist. The new space will cost \$27.24 per square foot, compared to \$24.75 per square foot that the Department is currently paying. The Department also would increase the number of square feet leased from 14,681 to 17,640. The combined increase in the rate and increase in square footage will cost \$136,194 over the FY 2007-08 appropriation. It should be noted that the FY 2007-08 appropriation is \$13,207 more than the Department is projecting it will actually need due to an error in the way the Department calculated the FY 2007-08 request. Of the requested amount for FY 2008-09, the Division of Private Occupational Schools will pay \$27,239 from fee revenue and the Department will pay the remaining \$108,955 from indirect cost recoveries from the governing boards. The Department worked with the Office of the State Architect and their broker the Staubach Company to identify the space. The Department was unable to find leased space exactly equal in size to the current space in a building that would also accommodate CollegeInvest and College Assist. The new square feet per appropriated FTE is within the standard ranges recommended by the State Architect.

Recommendation: Staff recommends the requested increase. Co-locating the Department's administrative office with the CollegeInvest and College Assist divisions may lead to greater

efficiency and collaboration. Having the Department's administrative office downtown and near the capital provides some benefit for governing boards, commission members, and others that travel to Department coordinating meetings. Staff does have some concerns that the Department is increasing the number of square feet it is utilizing. While the square feet per appropriated FTE falls within the State Architect's standards, over the last several years the Department has frequently not utilized the full FTE authorization, choosing to utilize fewer staff with more expertise and commensurate salaries and/or contract consultants. Staff believes that the Department should explore the practicality of subleasing one or two offices to another state agency or governing board that wants/needs a downtown office.

Division Summary

The table below summarizes all of the staff recommendations for this section. In the old budget format, indirect cost recoveries from the higher education institutions that were used to offset the need for General Fund for the Colorado Commission on Higher Education were characterized as cash funds, since payments to the state from enterprises are subject to TABOR. In the new budget format, these indirect cost recoveries are categorized as reappropriated funds. Another change in fund categories attributable to the new budget format occurs with the State Historical Fund. In the old format appropriations from State Historical Fund were categorized as cash funds exempt since limited gaming revenues are not subject to TABOR. In the new budget format, appropriations from the State Historical Fund will be categorized as cash funds.

Department Administrative Office					
Item	TOTAL	State Historical Fund - CF	Other Cash Funds	Indirect Cost Recoveries - RF	Federal Funds
Health, Life and Dental	\$882,911	\$546,753	\$120,706	\$186,410	\$29,042
Short-term Disability	10,878	\$5,749	1,877	2,185	1,067
Amortization Equalization Disbursement	134,611	70,760	23,817	26,894	13,140
Supplemental AED	63,042	33,169	11,108	12,606	6,159
Salary Survey and Senior Executive Service	387,536	232,501	20,696	86,694	47,645
Performance-based Pay Awards	122,241	68,313	14,864	25,182	13,882
Worker's Compensation	0	-----	Pending	-----	
Legal Services for 448 hours	0	-----	Pending	-----	
Purchase of Services from Computer Center	0	-----	Pending	-----	
Payment to Risk Management/Property Funds	0	-----	Pending	-----	
Leased Space	507,150	0	27,239	479,911	0
Total	\$2,108,369	\$957,245	\$220,307	\$819,882	\$110,935

2) COLORADO COMMISSION ON HIGHER EDUCATION

The Colorado Commission on Higher Education serves as a central policy and coordinating board for public higher education in Colorado.

A) Administration

Administration

Description: This line item pays for personal services, contracts, and operating expenses associated with CCHE and staff. The source of cash funds is indirect cost recoveries from enterprises, and the source of cash funds exempt is indirect cost recoveries from non-enterprises.

Position	FY 2006-07 Actual	FY 2007-08 Estimate	FY 2008-09 Request	FY 2008-09 Recom.
Executive Director	1.0	1.0	1.0	1.0
Interdepartmental/External Affairs	0.0	1.0	1.0	1.0
Financial Aid Administration	1.5	1.5	1.5	1.5
Data Collection/Reporting/IT	3.2	4.0	4.5	4.5
Budget Analysis	2.0	1.5	2.0	2.0
Capital Analysis	1.3	1.0	1.0	1.0
Audit and Compliance	1.4	3.0	3.5	3.5
COF Contract Coordinator	0.8	0.5	0.5	0.5
Academic Program Analysis	2.3	4.0	4.0	4.0
Government Relations	1.0	1.0	1.0	1.0
Accounting/Human Resources	2.0	2.5	2.5	2.5
Administrative Support	<u>3.9</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
State-funded Positions	20.4	25.0	26.5	26.5
Federal Gear-Up	<u>3.2</u>	<u>3.6</u>	<u>3.6</u>	<u>3.6</u>
TOTAL	23.6	28.6	30.1	30.1

Request: The Department requests continuation level funding according to OSPB's budget instructions.

Recommendation: **Staff recommends continuation level funding.** The calculations are detailed in the table below. In the new budget format, all indirect cost recoveries will be categorized as reappropriated funds regardless of whether the recovery is from an enterprise or non-enterprise. There is a small amount of indirect cost recoveries from CollegeInvest and College Assist that are not appropriated elsewhere in the budget that will be categorized as cash funds.

CCHE Administration					
Item	TOTAL	Indirect			FTE
		College Invest, College Access	Indirect All Other	Federal Funds	
FY 2007-08 Long Bill	\$2,515,756	\$156,477	\$2,008,243	\$351,036	30.1
Salary Survey	57,167	0	47,294	9,873	
Performance-based Pay	19,113	0	15,904	3,209	
-1.0 percent Base Personal Services Reduction	(22,468)	(1,565)	(17,262)	(3,641)	
Adjust indirect fund sources	0	(13,410)	13,410	0	
Total	\$2,569,568	\$141,502	\$2,067,589	\$360,477	30.1

Financial Aid Research for the General Assembly

Description: This line item was created in FY 2004-05 by reducing the Administration line item. It was intended to ensure that the Department would provide information to the General Assembly about financial aid programs in a timely fashion. In FY 2006-07 the line item was eliminated.

Request: The Department did not request funding.

Recommendation: **Staff recommends no funding.** Although the General Assembly eliminated this funding in FY 2006-07, it continued the footnotes in a modified form, emphasizing that the General Assembly still wants the information.

B) Division of Private Occupational Schools

Description: This program is responsible for reviewing the curriculum and establishing standards for private occupational schools in Colorado. The source of cash funds is fee revenue from the individual schools and the students. Pursuant to statute, the Division reports to the executive director of the Department, rather than to the Division of Occupational Education within the Community College System.

Request: The Department requested decision item #6 to increase cash funds spending authority from fees by \$60,242 (\$59,090 in this line item) for an authorized position that the Department claims it currently has insufficient spending authority to fill. The Department indicates that the request is motivated in part by a critical April 2005 audit report that, among other things, recommended the division increase compliance monitoring of approved schools and enforcement activities against unlicensed schools and deceptive advertising. The Department also argues a need for increased regulation of the on-line provision of courses. Finally, the Department notes that there have been increases in the number of private occupational schools operating in the state, and the number of students served.

The fee revenue that supports the Division is impacted by the number of schools regulated and the

number of students those schools serve. The Department projects that due to increases in the schools and students the current fees will be sufficient to support this request without any increase in fee rates.

Recommendation: Staff recommends continuation level funding pursuant to the JBC's common policies, with no increase in spending authority for decision item #6. The JBC has rejected requests to increase this line item a couple of times over the last few years and in one year provided specific direction to the Department to reduce fees to match actual expenditures. The Department has reduced the fees, but continues to bring in more revenue than the appropriation. The audit report cited by the Department that recommended increased compliance monitoring and enforcement in certain areas also found that: 1) salaries for the Division of Private Occupational Schools outpaced the rest of the Department with no documentation of why; 2) the Division was not adequately targeting its regulation; and 3) surrounding states had lower staffing levels for a similar function. The Department did not provide any explanation for how or why the dollar authority for this line item might have become mismatched with the FTE authority for the line item. After factoring out money needed for operating expenses, benefits, and the advisory board per diem, the FY 2007-08 appropriation provides for an average salary of approximately \$50,300 per FTE. Only one of the positions is classified and the Department appears to be using its flexibility to hire employees at a higher pay rate. If the salary survey has not kept pace with market wages for the types of employees used by the Division, forcing the Department to keep vacancies open, then the Department should work with the Department of Personnel to improve the salary survey methodology. If the Department needs employees with a higher skill set, and commensurate pay grade, than what the original appropriation was based on, then the Department should provide evidence that the staffing requirements have changed, and a description of the environmental factors causing the change. Otherwise, staff recommends that the Department consider whether it has the right types of employees in place to perform the statutory functions of the Division. For example, the Department currently employs both a director and a deputy director for this division where only 7.8 FTE authorized.

There have been increases in the number of schools operating in the state, and the number of students served by those schools. The Department reports that in 2003 there were 272 private occupational schools serving 27,037 students and in 2007 there were 350 private occupational schools serving 32,493 students. While staff concedes that the increase in schools has impacted the workload for the Division, staff does not believe that there is a one-for-one correspondence between active schools and workload. Established schools with a good track record require less regulatory effort than new applications. Staff might be convinced to recommend new FTE based on workload, but the Department would need to provide more than the two-year history it supplied of performance measures such as student complaints and disciplinary actions in order to justify a workload-based increase. As for the Division's concern over Internet course delivery, staff believes there are limits to what the state can realistically expect to regulate. Institutions delivering courses over the Internet may be outside of Colorado, and possibly even outside of the United States.

While staff doesn't recommend an increase for decision item #6, maintaining the current funding at

a continuation level is justified. Having an agency to ensure that private occupational schools meet minimum standards provides protection to consumers who make a considerable sacrifice of time and money to obtain their education. These consumers often justify the expense based on an expected improvement in their economic status, which may never materialize if the educational standards of the teaching institution are not adequate. The Division of Private Occupational Schools also benefits legitimate schools by preventing "fly by night" operations from competing.

The components of the staff recommendation for continuation level funding are summarized in the table below.

Division of Private Occupational Schools		
Item	Dollars	FTE
FY 2007-08 Long Bill	\$533,977	7.8
Salary Survey	14,161	
Performance-based Pay	4,796	
-1.0 Percent Personal Services Base Reduction	(4,586)	
Total	\$548,348	7.8

C) Special Purpose

Western Interstate Commission on Higher Education (WICHE)

Description: The line provides funding for Colorado's dues to support WICHE. This coalition of Western States works to benefit each other through sharing research data and the development of reciprocity and student exchange programs. WICHE provides the following main services:

- ▶ coordinates the undergraduate, graduate and professional student exchange programs;
- ▶ operates conferences on national and western higher education issues;
- ▶ conducts research and develops publications on regional and national higher education issues (tuition and fee report, summary of recent legislation, student demographics, etc.); and
- ▶ provides a forum for exchanging information, such as interstate technology efforts.

Through WICHE's undergraduate exchange program, students pay 150 percent of resident tuition rates. Colorado sends more students out of state than it accepts through this program. Each state controls the circumstances under which they accept students.

The graduate education exchange program allows students to attend selected uncommon, specialized, or high-quality graduate programs in other WICHE states at resident tuition rates. For the receiving institution, accepting out-of-state students at the reduced WICHE rate can help fill out low-enrollment courses.

In WICHE's professional exchange program, students pay resident tuition rates and the sending state

pays a support fee to the receiving state. Colorado is a net importer of students through the professional exchange program.

Examples of WICHE's research publications and data sharing initiatives can be found at WICHE's web site: <http://www.wiche.edu/>

The 15 member states of WICHE all pay the same dues. Member dues represent approximately a third of WICHE's budget, with the remainder coming primarily from grants and contracts. The source of cash funds is indirect cost recoveries.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends an increase of \$4,000, or 3.4 percent, based on information from WICHE about the FY 2008-09 dues.** Colorado's participation in WICHE benefits both the state and neighboring region. Failure to pay the dues would mean Colorado could not join in the veterinary medicine professional exchange program, among other things.

WICHE - Optometry

Description: This line provides funding for Colorado students to enroll in out-of-state institutions with optometry programs at resident tuition rates through an exchange set up by WICHE. The exchange offers an alternative to establishing such a program in Colorado. In return for the discounted tuition, the students agree to return to Colorado to practice optometry, or to repay the state for its investment. Historically 75 percent of the students return. The funding is based on enrollment and the reimbursement rates negotiated by the WICHE institutions. The source of cash funds is indirect cost recoveries.

Request: The Department requests continuation level funding.

Recommendation: **Staff recommends continuation funding.** The exact number of participants is not known until they enroll. The last few years about 25 students have enrolled, but in FY 2007-08 there are 28 students, and the Department anticipates spending \$396,000 of the \$399,000 appropriation. For FY 2008-09 there will be inflation in the negotiated rates, but the staff recommendation for continuation funding is based on the assumption that enrollment will return closer to the historic 25 students per year.

Advanced Technology Grants

Description: The Department used to receive a statutory allocation of waste tire fees for advanced technology grants, but S.B. 07-182 replaced this program with the Higher Education Competitive Research Authority.

Request: The Department did not request funding.

Recommendation: **Staff recommends no funding.**

Distribution to the Higher Education Competitive Research Authority

Description: Pursuant to S.B. 07-182, approximately \$0.10 of each \$1.50 fee on the disposal of waste tires gets deposited in the Innovative Higher Education Research Fund and is subject to annual appropriation by the General Assembly for use by the Higher Education Research Authority to provide matching funds for federal research grants.

Request: The Department's request was silent on the Distribution to the Higher Education Competitive Research Authority. The provisions of S.B. 07-182 provided for a one-time appropriation in FY 2007-08 that was significantly higher than the projected on-going revenues the Innovative Higher Education Research Fund in future years. Staff portrayed the Department's request in the numbers pages as equal to the amount projected in the fiscal note to S.B. 07-182 for FY 2008-09.

Recommendation: **Staff recommends the amount projected in the fiscal note to S.B. 07-182 for FY 2008-09.** In FY 2007-08 waste tire funds for the Higher Education Competitive Research Authority were first appropriated to the Department of Local Affairs and then transferred to the Department of Higher Education. For FY 2008-09 the Committee approved not showing the waste tire funds in both departments, and so in the Department of Higher Education they will be characterized as cash funds.

Veterinary School Program Needs

Description: This line represents the WICHE cash funds (currently 43 percent) and state funds (57 percent) for capital outlay associated with CSU's veterinary medicine program. These moneys appear in the CCHE budget rather than under the Board of Governors of the Colorado State University System with the rest of the veterinary medicine school money due to an agreement with WICHE that requires separate accounting. The funding split is based on the ratio of residents to out-of-state WICHE students. The FY 2007-08 appropriation includes \$122,600 from WICHE cash funds and \$162,400 from indirect cost recoveries that are offsetting the need for General Fund.

Request: The request is for a continuing level of funds.

Recommendation: **Staff recommends continuation level funding.** The JBC has a common policy for no inflationary increase for standard capital outlay and operating expenses. In the new budget format the indirect cost recoveries from enterprises will be characterized as reappropriated funds instead of cash funds.

Enrollment/Tuition and Stipend Contingency

Description: This line provides spending authority that CCHE can transfer to any of the governing boards in the event that enrollment increases above projected levels, resulting in greater revenue than expected. The line item was included in the past because the statutes specify that the cash fund appropriations to the governing boards in the Long Bill represent a cap on the revenue higher education institutions may raise. If cash revenues reached the appropriation cap and there was no

contingency, schools could be forced to either refund tuition or stop enrolling additional students.

With the passage of S.B. 04-189, all of the higher education institutions have been designated as enterprises and so their revenue is exempt from TABOR. However, Section 23-5-129 (10), C.R.S., stipulates that while a state institution of higher education operates pursuant to a performance contract with CCHE (which is a condition of participation in the College Opportunity Fund program) the General Assembly, "retains the authority to approve tuition spending authority for the governing board of the institution." Thus, the line item remains relevant to tuition spending authority in the current funding environment.

The line item can also provide additional spending authority for stipends if an institution has more eligible students than assumed in the appropriation.

This line item represents spending authority only. There is no revenue behind it to support expenditures. If CCHE transfers the spending authority to a governing board, it increases the cap on how much revenue that school can raise, but the school has to be earning the revenue to take advantage of the increased spending authority.

The line item is accompanied by a footnote indicating that the spending authority may not be used to support tuition or fee increases.

Request: The Department requested continuation level funding.

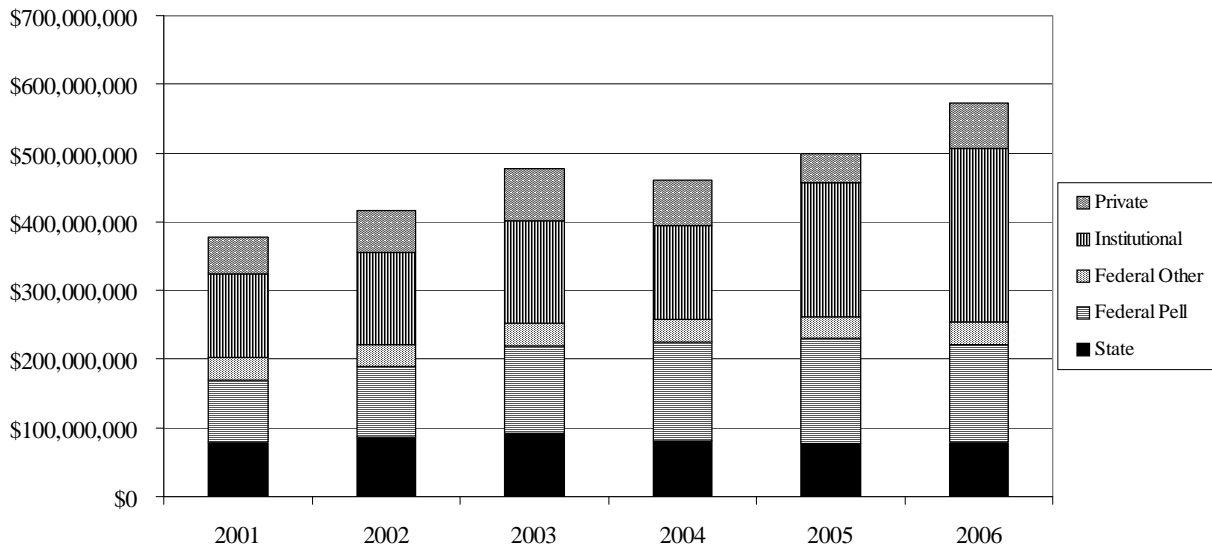
Recommendation: **Staff recommends continuation level funding.** Staff believes that dealing with the possibility that the forecasts of tuition revenue and stipend authorizations are too low would be better accomplished through a statutory change. This line item provides phantom spending authority in the Long Bill and artificially inflates the appropriation. There is also potential for abuse of this line item, because the purpose of the line, including the prohibition on using it to support tuition or fee increases, is described in a footnote that could be vetoed. However, unless and until legislation is introduced, the line item is required.

3) COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID

This section funds the CCHE-operated financial aid programs. There are also federally funded and institution-based financial aid programs that do not appear in the Long Bill. The graph below charts grant-based financial aid available in the state from state and non-state sources from FY 2000-01 through FY 2005-06. It does not include federal loans. Federally guaranteed loans are a significant form of financial aid to students, but their value is: a) providing access to loans that might not otherwise be available to young people with no income or credit history; and b) providing repayment terms that are in some cases below prevailing market conditions (this is especially true for loans

where interest payments are subsidized while the student is in school). Measuring the value of federal loans to students requires analysis of the other available options and is a complicated process. Because the federal loans are so different from grants in the way that they assist students, including them in the table below would distort the picture and reduce the meaning of the graph. In FY 2005-06 \$834.6 million in federal loans were provided in Colorado.

Financial Aid Grants

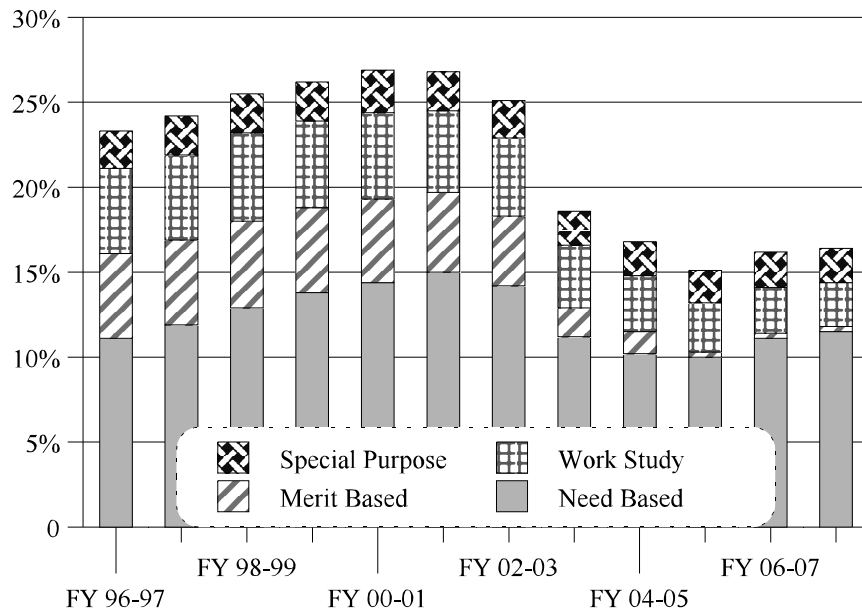


The graph illustrates the increasing importance of institutional aid. One of the provisions of the COF implementing legislation requires that institutions set aside 20 percent of any increase in undergraduate resident tuition revenue above inflation for need-based financial aid. This may have contributed to an increase in institutional aid. However, Colorado institutions are also mimicking national pricing trends, and some of the increase in institutional aid is to compensate for the lack of increases in federal and state grants.

Approximately 86.4 percent of state financial aid is distributed to students at public institutions and 13.6 percent to students at private institutions.

The next table shows state financial aid as a percentage of total resident tuition paid. Financial aid is used for more than just tuition. Showing state financial aid in relation to total resident tuition paid is intended to give the JBC a sense of the buying power of state financial aid over time. Total resident tuition revenues reflect both changes in enrollment and changes in tuition rates.

State Financial Aid as a Percentage of Resident Tuition Revenue



The next table shows the number of students served and the average award for the three major state aid programs over time.

Year	Need Based Aid		Merit Aid		Work-study	
	Students	Ave. Award	Students	Ave. Award	Students	Ave. Award
2000	38,603	\$1,051	10,364	\$1,125	8,027	\$1,806
2001	30,617	\$1,439	11,653	\$1,228	8,439	\$1,743
2002	30,040	\$1,659	12,306	\$1,205	8,468	\$1,903
2003	30,842	\$1,756	10,552	\$1,410	8,887	\$1,974
2004	26,811	\$1,491	5,415	\$1,273	8,278	\$1,992
2005	25,508	\$1,476	5,363	\$1,205	7,875	\$1,995
2006	28,832	\$1,536	1,383	\$1,083	8,247	\$1,832

The Department provided data on the average debt load on federal student loans carried by students graduating with federal student loans:

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
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.

Per statute, the annual percentage increase in appropriations for financial assistance must be at least as great as the aggregate annual percentage increase in General Fund appropriations for the institutions of higher education.

A) Need Based Grants

This section includes two line items: General Need Based Grants and Governor's Opportunity Scholarships. The funds in the General Need Based Grants line benefit both graduate and undergraduate students attending eligible institutions in Colorado, which include some private institutions. The GOS funds are for undergraduates only.

The table below shows historic increases in need-based financial aid. The decrease in FY 2003-04 was implemented after the JBC's bill to eliminate financial aid to private institutions failed to pass the General Assembly.

Year	General Need	Part-time	GOS	Total	Increase	Percent
FY 1991-92	12,283,697	500,000	--	12,783,697		
FY 1992-93	13,333,697	500,000	--	13,833,697	1,050,000	8.2%
FY 1993-94	17,083,697	750,000	--	17,833,697	4,000,000	28.9%
FY 1994-95	19,683,697	750,000	--	20,433,697	2,600,000	14.6%
FY 1995-96	23,858,435	1,250,000	--	25,108,435	4,674,738	22.9%
FY 1996-97	26,106,431	1,250,000	--	27,356,431	2,247,996	9.0%
FY 1997-98	29,239,141	1,250,000	--	30,489,141	3,132,710	11.5%
FY 1998-99	32,859,277	1,250,000	--	34,109,277	3,620,136	11.9%
FY 1999-00	35,373,152	1,250,000	1,800,000	38,423,152	4,313,875	12.6%
FY 2000-01	37,149,077	1,250,000	3,800,000	42,199,077	3,775,925	9.8%
FY 2001-02	40,348,002	1,250,000	6,000,000	47,598,002	5,398,925	12.8%
FY 2002-03	43,550,101	--	8,000,000	51,550,101	3,952,099	8.3%
FY 2003-04*	37,935,202	--	8,000,000	45,935,202	(5,614,899)	-10.9%
FY 2004-05	37,935,202	--	8,000,000	45,935,202	0	0.0%
FY 2005-06	44,285,488	--	8,000,000	52,285,488	6,350,286	13.8%
FY 2006-07	52,136,963	--	7,960,000	60,096,963	7,811,475	14.9%
FY 2007-08	67,023,546	--	--	67,023,546	6,926,583	11.5%
FY 2008-09 Req.	74,294,146	--	--	74,294,146	7,270,600	10.8%

* In addition to the appropriation by the General Assembly, the Governor allocated \$2.0 million flexible federal funds for General Need Based Grants.

General Need Based Grants

Description: This line includes grants for full-time and part-time graduate and undergraduate students with demonstrated financial need. In FY 2005-06 there were 28,832 students that received need based aid with an average award of \$1,536.

Request: As the #2 priority for the Department, the Governor and requested an additional \$7,270,600 General Fund, or a 10.8 percent increase, for need-based financial aid.

Recommendation: **Staff recommends the requested increase.** Until the recent budget crunch, the Joint Budget Committee had a long history of fully funding the request from the executive branch for need based financial aid. The FY 2008-09 budget request is a significant percentage increase on the base, but the previous table illustrated that it is consistent with the historic increases approved

by the General Assembly. The number of students with financial need that could benefit from an increase in this program is significantly more than the General Assembly could likely fund in a single year, given constitutional and statutory constraints on the budget and current expenditure patterns.

Governor's Opportunity Scholarships

Description: This line item provided approximately \$2 million per year in "no cost of attendance" grants to very low-income students. It was folded into the General Need Based Grants line item in FY 2007-08.

Request: The Department did not request funding.

Recommendation: **Staff does not recommend funding.**

B) Merit Based Grants

Description: Merit based grants provide awards to both undergraduate and graduate students attending eligible institutions in Colorado. The awards are used to recognize and encourage outstanding achievement in academic and other talent areas. The high point for funding was FY 2002-03, when \$14,874,498 was appropriated.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends continuation level funding.**

C) Work Study

Description: Work Study allows resident undergraduates to earn money to help pay for college. Eligibility is for students with financial need as well as students who can benefit from work experience, but statutes require that at least 70 percent of the funds be awarded based on need. Students may work at state-funded educational institutions, non-profit organizations, or government agencies.

Request: The Department requested Decision Item #7 for a \$1,728,057 General Fund increase to restore funding to the level provided in FY 2002-03. The table below summarizes historic appropriations for Work Study.

Fiscal Year	General Fund	Increase	Percent
FY 1996-97	12,227,995		
FY 1997-98	12,707,714	479,719	3.9%
FY 1998-99	13,702,494	994,780	7.8%
FY 1999-00	14,248,944	546,450	4.0%
FY 2000-01	14,811,367	562,423	3.9%
FY 2001-02	15,359,754	548,387	3.7%
FY 2002-03	16,612,357	1,252,603	8.2%
FY 2003-04	15,030,062	(1,582,295)	-9.5%
FY 2004-05	15,003,374	(26,688)	-0.2%

Fiscal Year	General Fund	Increase	Percent
FY 2005-06	15,003,374	0	0.0%
FY 2006-07	15,003,374	0	0.0%
FY 2007-08	14,884,300	(119,074)	-0.8%
FY 2008-09 Req.	16,612,357	1,728,057	11.6%

Staff Recommendation: **Staff recommends the requested increase.** The program has not received an increase in funding for several years. At least 70 percent of the work study money is allocated on the basis of need. Work study is also limited to 20 hours per week. The Department cites studies that student who work part-time and on-campus perform better than other student populations.

D) Special Purpose

Precollegiate Programs

Description: This program was created with a new appropriation in the FY 2006-07 Long Bill. Students must qualify for and receive a Federal Academic Competitiveness Grant. The Federal Academic Competitiveness Grants are for Pell-eligible students enrolled as full-time, degree-seeking students in their first or second year, and are designed to provide an incentive for students to take a rigorous secondary school program of study. Students must maintain a 3.0 GPA. Priority for state precollegiate scholarships is given to students that participated in a CCHE-approved precollegiate program. Awards are capped at \$1,000.

Request: The Department requested decision item #8 for an \$800,000 General Fund increase to double the size of the program. The Department reports there were 2,810 recipients of a Federal Academic Competitiveness Grant in FY 2006-07 and 1,012 recipients of a state precollegiate grant. The Department would like to come closer to matching all Federal Academic Competitiveness Grants.

Recommendation: **Staff recommends continuation level funding.** While there is general statutory authority for CCHE to create financial aid programs, and for the Department to foster precollegiate programs, staff has concerns that this program was created without specific statutory authorization, and might be considered substantive legislation in the Long Bill. The other targeted, special purpose grant programs all have specific statutory authorizations. Doubling the size of the program would exacerbate this problem.

The grants are concentrated at three institutions. Over 55 percent of the money is distributed to students at Colorado State University - Fort Collins, University of Colorado - Boulder, and Metropolitan State College of Denver.

INSTITUTION	PACG	PACG % Total
Adams State College	38,047	5%
Colorado School of Mines	36,700	5%
Colorado State University	153,872	19%
Colorado State University - Pueblo	40,404	5%
Fort Lewis College	21,886	3%
Mesa State College	12,458	2%
Metropolitan State College of Denver	134,343	17%
University of Colorado - Boulder	154,209	19%
University of Colorado - Colorado Springs	42,424	5%
University of Colorado - UCDHSC	29,966	4%
University of Northern Colorado	62,290	8%
Western State College	15,152	2%
Aims Community College	-	0%
Arapahoe Community College	1,347	0%
Colorado Mountain College	4,377	1%
Colorado Northwestern Community College	3,030	0%
Community College of Aurora	1,010	0%
Community College of Denver	337	0%
Front Range Community College	3,030	0%
Lamar Community College	-	0%
Morgan Community College	-	0%
Northeastern Junior College	2,357	0%
Otero Junior College	-	0%
Pikes Peak Community College	-	0%
Pueblo Community College	1,010	0%
Red Rocks Community College	1,010	0%
Trinidad State Junior College	-	0%
Colorado College	-	0%
Denver University	19,192	2%
Regis University	21,549	3%
TOTAL	800,000	100%

This is a new program and more time is needed before the effectiveness and cost-benefit of the program relative to other financial aid programs can be evaluated. Therefore, staff is recommending continuation funding.

Required Federal Match

Description: This line provides the federally required state match for the Perkins Student Loan Program, the Colorado Leveraging Education Assistance Partnership, and the Student Leveraging Education Assistance Partnership grant. These programs help very low-income students. Most of the federal funds drawn down through this match go directly to the students or institutions, and so do not appear in the Long Bill, but a small portion flow through CCHE.

Request: The Department requested continuation funding based on the federal Perkins matching requirements.

Recommendation: **Staff recommends the requested amount based on federal matching requirements.**

Veterans'/Law Enforcement/POW Tuition Assistance

Description: This line pays tuition, room and board for Colorado dependents of deceased or permanently disabled members of the national guard, law enforcement, firefighters, prisoners of war and military personnel missing in action. By statute this is the first priority of any state financial aid funds. If the appropriation in this line is insufficient to cover costs, CCHE must use money appropriated in other financial aid line items for this purpose.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends continuation level funding.**

National Guard Tuition Assistance

Description: House Bill 04-1347 required that the first priority of any funds appropriated for financial aid in the Department of Higher Education be providing tuition assistance to national guard members, up to \$650,000. This puts the National Guard Tuition Assistance on the same footing with the Veterans'/Law Enforcement/POW Tuition Assistance. Thus, if the General Fund appropriation is insufficient for the actual number of qualifying applicants, CCHE must use funds appropriated for other financial aid programs for this purpose, up to the \$650,000 statutory cap.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends continuation level funding.** The program is at the statutory cap of \$650,000. If more students enroll, or the cost of the grants increases, the Department is not required to transfer any more money to the Department of Military Affairs. Instead, the Department of Military Affairs will prorate the benefit per student.

Native American Students/Fort Lewis College

Description: To comply with a federal treaty and the contract that granted the Fort Lewis property to the state, Section 23-52-105, C.R.S. requires that the General Assembly appropriate funds to cover 100 percent of the cost of tuition for qualified Native Americans who wish to attend Fort Lewis

College. The college waives tuition for these students up front, and then receives reimbursement in the following fiscal year.

Request: The Department requested budget amendments #2b and #2c for a net increase of \$295,861 General Fund, based on an estimate of eligible student in the current fiscal year.

Recommendation: **Staff recommends the requested amount.** The state's obligation to waive tuition for Native Americans has been challenged and upheld in court. Of the students receiving the waiver, approximately 111 are enrolled at the resident tuition rate and 545 are enrolled at the nonresident tuition rate. The state subsidy of Native American tuition represents approximately 35 percent of all the tuition collected by Fort Lewis. Nonresident tuition from Native Americans is over 50 percent of all nonresident tuition collected by Fort Lewis. When the General Assembly approves tuition increases for Fort Lewis, a portion of that increase becomes a General Fund obligations in the following year for tuition waivers granted to Native Americans.

Early Childhood Professional Loan Repayment

Description: This program allowed qualified early childhood professionals to receive up to \$2,000 to repay school loans. The source of funds was federal child care development moneys transferred from the Department of Human Services. The program was discontinued in FY 2007-08 when the statutory authority expired and due to low participation.

Request: The Department did not request funding.

Recommendation: **Staff recommends no funding.**

Nursing Teacher Loan Forgiveness Pilot Program

Description: This program was created S.B. 06-136 (Tapia/Butcher). It allows payments of up to \$20,000 for all or part of the principal and interest on a loan for persons who teach courses in nursing at a state institution of higher education for at least 5 consecutive academic years after receipt of an advanced nursing degree. Each year that the teacher is employed in a qualified position, the lesser of one-fifth or \$4,000 shall be paid or forgiven.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends continuation level funding.**

GEAR-UP

Description: The federal GEAR-UP scholarships are a type of precollegiate program.

Request: The Department requested continuation level funding based on anticipated federal funds.

Recommendation: **Staff recommends continuation level funding based on anticipated federal funds.**

4) COLLEGE OPPORTUNITY FUND PROGRAM

The College Opportunity Fund Program section includes line items for stipends for students at state operated institutions, stipends for students at private institutions, and fee-for-service contracts with state supported institutions. The Governing Board section includes the reappropriated funds spending authority for the higher education institutions to receive and expend the stipend payments on behalf of students, and to receive and expend the fee-for-service contracts. Following are some key statutes related to the College Opportunity Fund Program:

Stipends

- The General Assembly annually sets the stipend rate through the Long Bill.
- It is the intent of the General Assembly that the Department shall request funding for the stipends for at least inflation and enrollment growth.
- Stipends are not considered a state grant for purposes of determining the enterprise status of higher education institutions.
- The General Assembly must appropriate spending authority to the higher education institutions for money received from stipends.
- If there is not enough money in the College Opportunity Fund to pay all student stipends at the rate established in the Long Bill, the Department of Higher Education must prorate the stipend payments to the institutions. Although the higher education institutions receive less from stipend payments in this scenario, they may not increase the student share of tuition to compensate for the lost revenue per student.
- If an institution doesn't earn the entire stipend payments authorized in the Long Bill, up to three percent of the spending authority appropriated for stipends may be converted to spending authority for fee-for-service contracts, if the Department approves an amendment to the fee-for-service contract.
- Students that qualify for the federal need-based Pell grant that attend a participating private institution (currently the University of Denver or Regis) are eligible for a stipend equal to half of the stipend for students attending a state supported institution.

Fee-for-service contracts

- The General Assembly may appropriate money to the Department to purchase the following services:
 - educational services in rural areas or communities in which the cost of delivering education services is not sustained by the amount received in student tuition;
 - educational services required for reciprocal agreements with other states;
 - graduate services;

- educational services that may increase economic development opportunities; and
 - specialized education and professional degrees.
 - Fee-for-service contracts are not considered a state grant for purposes of determining the enterprise status of higher education institutions.
-

FY 2007-08 ADJUSTMENTS

Potential supplemental adjustments to the FY 2007-08 stipend and fee-for-service appropriations

Description: The FY 2007-08 General Fund appropriation for stipends and for fee-for-service contracts was based on a projection of the stipend-eligible population produced by Legislative Council Staff (LCS) in March of 2007. Actual expenditures to date suggest that the assumption about the stipend-eligible population used for the FY 2007-08 appropriation was too high in total. In February of 2008, LCS produced a new forecast of the stipend-eligible population. This new forecast indicates that Metro, the University of Colorado, and the Community Colleges will exceed their appropriated stipend spending authority and all other governing boards will be below the appropriated stipend spending authority.

Request: At the January 1 deadline for submitting supplementals, several key pieces of data necessary for forecasting the stipend-eligible population were not yet available, including the CCHE Fall Final/Spring Census enrollment figures and the Spring COF invoices. Thus, neither the Governor or CCHE had sufficient information to submit an official request to adjust the stipend appropriation.

Since the new LCS forecast came out, CCHE submitted a request to provide new General Fund for the institutions that are projected to exceed the stipend authorization, and flexibility for institutions that are more than 3.0 percent below the stipend authorization to convert stipend spending authority to a fee-for-service contract. CCHE has special statutory authority to submit funding requests directly to the General Assembly. The Governor did not request a supplemental change.

Recommendation: The staff analysis and recommendation for the supplemental request will be distributed under a separate cover. The supplemental request was submitted at 5:00 p.m. on March 3 and then several revisions were submitted with the last revision on March 5. The staff analysis of the request was not done in time for inclusion in this document.

FY 2007-08 adjustments to tuition

Description: In February 2008 Legislative Council Staff revised the forecast of tuition revenue each institution will earn in FY 2007-08.

Request: The Department submitted a supplemental request for an additional \$10,263,755 tuition spending authority for Colorado State University for nonresident rate increases. The Department also projected that enrollment at CSU was going to be higher than the forecast used to set the FY

2007-08 appropriation, but indicated that the enrollment adjustment could be handled through the Enrollment/Tuition and Stipend Contingency line item.

Recommendation: Staff recommends that the JBC include supplemental adjustments in the Long Bill to true-up the tuition spending authority for all governing boards to the February 2008 Legislative Council Staff forecast. The JBC already voted to approve the requested supplemental increase for Colorado State University in concept, but the Committee did not include the adjustment in the original supplemental bill in order to see if the LCS enrollment forecast would confirm the requested amount, and to see whether adjustments were needed for other institutions that used an interpretation of the FY 2007-08 tuition footnote that was similar to the interpretation used by CSU.

Based on the February 2008 LCS forecast, the higher education governing boards will generate a net \$28.4 million more in revenue from tuition than the projection used for the FY 2007-08 appropriation. Part of the variance is attributable to unexpected enrollment and inaccurate estimates of FY 2006-07 base revenues. But, part of the variance is also attributable to the way some institutions interpreted the tuition footnote in a way that was not foreseen by the spending authority.

The table below summarizes the resident undergraduate tuition rate increases implemented by the governing boards in FY 2007-08. By manipulating nonresident and graduate tuition rates, or through variances in enrollment from the estimate used for the appropriation, some institutions stayed closer to the appropriated tuition spending authority than others.

Institution	FY 2006-07 Resident Tuition (30 CHRS)	FY 2007-08 Resident Tuition (30 CHRS)	Dollar Difference	Percent Difference	Overall Tuition Revenue Limit Category
University of Colorado - Boulder					
All-Other	4,554	5,418	864	19.0%	7.0%
Business	7,254	8,632	1,378	19.0%	
Engineering	5,994	7,498	1,504	25.1%	
Journalism/Music	4,734	5,628	894	18.9%	
University of Colorado - Colorado Springs					
Incoming Freshman	4,066	5,190	1,124	27.6%	7.0%
Continuing Freshman & Sophomores	4,066	4,350	284	7.0%	
Jr & Sr in LAS	4,264	4,562	298	7.0%	
Upper Division Business & Engineering	4,508	4,824	316	7.0%	
Jr & Sr in Beth El Nursing & Health Sciences	6,250	6,688	438	7.0%	
Certificate in Education	4,264	4,562	298	7.0%	
University of Colorado - Denver					
All Freshmen & Sophomores	4,330	5,054	724	16.7%	7.0%
Juniors & Seniors in Liberal Arts & Science, Non-Degree	4,330	5,184	854	19.7%	
Juniors & Seniors in Arts & Media, Business & Engineering	4,806	5,184	378	7.9%	
Colorado State University - Fort Collins					
Resident	3,466	4,040	574	16.6%	7.0%
High Cost Programs	3,646	4,220	574	15.7%	
College of Business	4,036	4,610	574	14.2%	
College of Engineering	3,841	4,415	574	14.9%	
Department of Computer Science	3,841	4,415	574	14.9%	
Upper Division Courses	3,526	4,160	634	18.0%	
Colorado State University - Pueblo					
Base	2,975	3,184	208	7.0%	7.0%
Business, Nursing, Computer Info. Sys., Engineering	3,425	3,671	246	7.2%	
Fort Lewis College	2,522	2,684	162	6.4%	5.0%
University of Northern Colorado					
Resident	3,276	3,600	324	9.9%	7.0%
Music, Theatre, and Nursing	3,636	3,960	324	8.9%	
Business	3,756	4,080	324	8.6%	
Adams State College	2,030	2,328	298	14.7%	5.0%
Mesa State College	3,442	3,893	451	13.1%	5.0%
Metropolitan State College of Denver	2,447	2,432	-15	-0.6%	5.0%
Western State College	2,554	2,688	134	5.3%	5.0%
Colorado School of Mines	7,852	8,764	912	11.6%	7.0%
Community Colleges	2,237	2,315	78	3.5%	3.5%

As discussed during the briefing and supplemental, some governing boards used an interpretation of the tuition footnote that may have been inconsistent with the intent of the General Assembly. The JBC may want to consider this in setting the FY 2008-09 General Fund and tuition appropriation. However, for FY 2007-08 staff feels that any damage that may have been caused is done. Truing up the tuition spending authority will ensure that the appropriation matches the reality of the tuition practices of each governing board. Also, it will make it easier for the budget committee to explain tuition changes approved for FY 2008-09 if the FY 2007-08 appropriation matches the projected base revenues.

FY 2008-09 RECOMMENDATIONS

Stipends, Fee-for-service Contracts, and Tuition

Description: The Department's requests for stipends, fee-for-service contracts, and tuition are all related to each other, and so the staff recommendation will address them all at once, even though the appropriations appear in different line items.

For the fee-for-service contracts it would seem that the Department should be able to identify a cost per unit of service and apply that consistently to make purchases throughout the state. In practice, it is difficult to view the fee-for-service contracts in isolation of the stipends. It is also difficult to view them separate from tuition and fees. Stipend and tuition/fee revenue more than cover the cost of some courses, and don't come close to covering the cost of other courses. The amount of stipend and tuition/fee revenue available to support graduate education, reciprocal agreements, professional education, etc. varies based on the composition of courses at each institution. Other factors also contribute to cost differences, such as regional economics that impact staff compensation, tuition and fee rates, class sizes that influence economies of scale, and the volume and condition of physical plant operated by the institution, to name a few of the variables. For these reasons, the amount that CCHE needs to spend to purchase similar services from two different institutions may vary significantly.

Request: With the November 1 request the Department submitted **decision item #1 with a total of \$48,553,201 General Fund that was described as a place holder** for stipends and fee-for-service contracts. On February 22 the Department submitted **budget amendment #1a allocating the \$48,553,201** as follows:

November 1 requested DI #1 General Fund "placeholder"	\$48,553,201
<u>February 22 BA #1a allocation of the "placeholder"</u>	
Replace one-time FY 2007-08 appropriation from COF balance	\$3,035,676
New stipends money for state operated institutions	\$12,564,924
New Fee-for-service contracts for state institutions	\$32,499,898
New stipends for private institutions	\$31,500
Stipend contingency	\$348,051
Increase allocation to AVS	<u>\$73,151</u>
	\$48,553,200

The Department describes the method of allocating the stipends and fee-for-service contracts for state operated institutions as a 7.7 percent increase across-the-board. However, the JBC should understand that because the FY 2007-08 appropriation included \$3,035,676 in one-time spending authority from a balance in the College Opportunity Fund, the 7.7 percent increase in General Fund translates into a 7.2 percent increase in new resources for the governing boards, as shown in the table below.

	TOTAL	General Fund	Cash Funds Exempt
FY 2007-08 stipends and fee-for-service contracts	\$627,654,358	\$624,618,682	\$3,035,676
One-time FY 2007-08 appropriation from COF balance	\$0	\$3,035,676	(\$3,035,676)
New stipends money for state operated institutions	\$12,564,924	\$12,564,924	
New Fee-for-service contracts for state institutions	<u>\$32,499,898</u>	<u>\$32,499,898</u>	<u>\$0</u>
Net impact on governing boards	\$45,064,822	\$48,100,498	(\$3,035,676)
Percent change	7.2%	7.7%	-100.0%

For stipends for students at state-operated institutions, the Department requests an inflationary increase in the rate of 3.4 percent, or \$90 per year for a full-time (30 credit hours per year) student. This raises the full-time rate from \$2,670 to \$2,760 and is consistent with statutes that requires the Department to request at least inflation and enrollment for the stipends. The Department used an OSPB projected inflation rate and then rounded to ensure that the stipend rate per credit hour was a whole dollar amount for ease in advertising and administration. The department's projection of stipend-eligible SFTE in FY 2008-09 is a net 0.5 percent or 569.2 SFTE over the FY 2007-08 appropriation basis.

For the fee-for-service contracts the Department requested that each institution receive the difference between the change in stipend revenue and a 7.2 percent base increase. The statutes indicate that the fee-for-service contracts are to purchase the following services:

- educational services in rural areas or communities in which the cost of delivering education services is not sustained by the amount received in student tuition;
- educational services required for reciprocal agreements with other states;
- graduate services;
- educational services that may increase economic development opportunities; and
- specialized education and professional degrees.

This suggests that the request for fee-for-service contracts should be justified based on the cost of each type of service, the need for that service, and the success of institutions in meeting the performance goals of the state. In practice, the Department has not identified a method for determining the fee-for-service contract amount that is independent of the stipends. This is because the stipends cover a varying degree of the costs of undergraduate education at each institution, and so the fee-for-service contracts are really a supplement to the stipends earned by an institution. This supplement allows the institutions to provide the services covered by the fee-for-service contracts that the institution would not otherwise be able to provide because the stipend revenues from undergraduate students alone would not cover the full cost.

The Department's original plan was to request fee-for-service contracts in proportion to per-student resource gaps identified by CCHE between Colorado institutions and national peers. The request now appears to be based on maintaining the relative funding position of each institution until the

Department can develop a long-term distribution formula that is acceptable to the higher education community.

In addition to the across-the-board increase detailed in budget amendment #1a, the Department submitted **Budget Amendment #2a for \$4.9 million General Fund for fee-for-service contracts to improve recruitment, retention, and remediation of underserved/underrepresented** (the Department uses the terms interchangeably) students. Budget Amendment #2a does not include an allocation of the \$4.9 million by governing board. Rather, the Department indicates that the Commission will develop criteria for the fee-for-service contracts by July 1, 2008 and the Department will submit a mid-year supplemental in FY 2008-09 that reflects the distribution by institution.

The 7.2 percent across-the-board increase and the \$4.9 million increase for fee-for-service contracts to help underserved/underrepresented students represent the new money requested for state-operated institutions. For **stipends for students at private institutions the Department requested an increase of \$31,500 General Fund** as part of Budget Amendment #1a. Statutorily the stipend rate for students at private institutions is set at 50 percent of the stipend rate for students at state-operated institutions. The Department's request reflects the increase required in the rate for private stipends to correspond with the requested inflationary increase in the rate for stipends for students at state-operated institutions. The Department projects no changes in the stipend eligible population at private institutions.

Also, the Department's **Budget Amendment #1a includes \$348,051 General Fund for deposit in the College Opportunity Fund with no corresponding expenditure from the COF**. This money is intended to create a balance in the COF that can be tapped if the forecast of the stipend-eligible population is off.

With regard to tuition, the Department submitted **budget amendment #1b for resident rate caps of 9.0 percent for the research institutions, 7.0 percent for the other four-year institutions, and 5.0 percent for the community colleges**. The Department requested that governing boards be allowed to set nonresident tuition at whatever the market will allow. The Department's request for spending authority was based on an assumption that institutions would increase nonresident tuition rates by 5.0 percent.

The Department proposed the following language for the tuition footnote for the research institutions:

It is the intent of the General Assembly that any effective increase in the resident tuition rate not exceed 9% per student or 9% per credit hour at the University of Colorado System, the Colorado State University System, the Colorado School of Mines, and the University of Northern Colorado, provided that students with demonstrated financial need (i.e., Pell Levels I, II, and III) receive sufficient financial aid to limit increases in their effective tuition rates above 5% per student or per credit

hour. For any student eligible for the 5% effective rate limit, the base tuition amount for FY 2008-09 against which any future years' tuition increases are calculated shall be that effective FY 2008-09 tuition amount (as adjusted to the 5% effective rate limit) similar to the intent of the FY 2007-08 footnote. The effective 9% rate limit constrains all tuition increases, including any closure of an institution's so-called full time window. It is the intent of the General Assembly that the institutions may increase all nonresident tuition rates to reflect market conditions and that any additional spending authority necessary to cover nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2009 legislative session. The General Assembly will not back-fill for nonresident tuition revenue lost if a nonresident tuition increase results in a net reduction in nonresident tuition revenue.

For Adams, Mesa, Metro, Fort Lewis and Western the Department proposed identical language except with a 7.0 percent cap instead of a 9.0 percent cap. For the Community Colleges the Department proposed a 5.0 percent cap and omitted all of the language about holding the increase for Pell eligible students to 5.0 percent as unnecessary.

Recommendation: **Staff recommends that the JBC give strong consideration to approving the Department's request.** Adopting the Department's request has a number of advantages including, but not limited to, deflecting criticism to the Commission and the Governor when, inevitably, some institutions and communities are unhappy with the distribution of funds. Although the statutes no longer require the General Assembly to comply with a distribution formula developed by the Department, the past practice of the General Assembly has been to delegate this responsibility to the Department and the Commission. While it is arguable whether the Department has achieved consensus within the higher education community regarding the FY 2008-09 request, in order to arrive at the request the Department went through a more involved and inclusive process than the JBC realistically has time for before the deadline for introduction of the Long Bill. Using a distribution other than the formula proposed by the Department could open the JBC to criticism that parochial concerns rather than policy issues motivated the decision.

In the interest of defining another option, should the JBC want to deviate from the Department's request, **the staff recommendation is based on a formula that takes into account tuition revenue as well as stipend revenue to set the fee-for-service contract amount.** The Department's General Fund request appears to be based on maintaining the status quo until the Department can develop a long-range plan that is acceptable to the higher education community. However, the Department requested tiered increases in tuition that will result in some institutions having significantly more in total funds to work with than others. This variation is not supported by any peer comparison. Rather, it appears to be based on a political calculation of the tuition rate increases that are acceptable to the executive branch. Tiered increases in tuition without a corresponding adjustment in General Fund will result in more variation in how far each institution lies from the resources available to peers, rather than maintaining the status quo.

Another component of the Department's request that skews the status quo is Budget Amendment 2a for a \$4.9 million increase in the fee-for-service contracts for underserved/underrepresented populations at unspecified schools. If the General Assembly provides this money to the Department without first approving which institutions will receive the fee-for-service contracts, it will represent a delegation of a portion of the General Assembly's budgetary control. This is reason enough not to approve the request, but if the JBC needs further justification, an allocation of the \$4.9 million based on underserved or underrepresented students, however those terms are defined, is likely to result in some institutions making unequal progress toward the funding level of peers. The Department characterizes the \$4.9 million as the first ever attempt to distribute fee-for-service contracts with a specific, measurable goal. However, the Department hasn't defined what it means by underserved or underrepresented students, and it hasn't provided any metrics for success. This doesn't sound particularly specific or measurable to staff. Also, improving the capacity of institutions to recruit, retain, and remediate underserved/underrepresented students is not one of the statutory criteria for the fee-for-service contracts. For these reasons, **the staff recommendation ignores the \$4.9 million proposed setting aside for fee-for-service contracts.**

For stipends, staff recommends a rate of \$2,760 for a full-time (30 credit hours per year) student at a state supported institution, and using the Legislative Council Staff's February 2008 forecast to estimate the amount that will be earned by institution. This \$90 rate increase for full-time students is identical to the Department's request. Pursuant to statute the Department is supposed to request at least inflation for the stipends. The Department's request is consistent with this statutory directive and staff sees no policy reason to depart from the Department's request. The Legislative Council stipend-eligible enrollment forecast is a net 1,068 SFTE higher than the Department's estimate and that adds a total \$2.9 million more to the amount necessary for stipends. Staff believes that the legislature should use its own enrollment forecast rather than the Department's estimate.

For resident tuition revenue, staff recommends the same percentage increases as the Department requested, although with the Legislative Council Staff projection of the revenue raised using these rates. While the short-term goal of the staff recommendation is to maintain the status quo, the staff recommendation is built on the assumption that the long-term goal is still to close the resource gap between Colorado institutions and peers. If that is the eventual goal, staff believes a case could be made for much larger tuition increases than those proposed by the Department, given the outlook for General Fund increases for higher education institutions within current statutory and constitutional constraints. Staff assumes that the tuition increases proposed by the Department are the maximum the executive branch is willing to support. Staff assumes the tiered tuition rates are based on perceptions (whether based in analysis or not) about the ability of students to pay, and/or the administration's views on the right ratio of costs for students versus the state. The staff recommendation treats the tiers as the maximum possible for FY 2008-09 in the current political environment. One way to solve the issue of tiered tuition increases changing the status quo would be not to use tiered tuition increases. But, this would result in a lower overall tuition increase, and less overall progress toward peer parity, if all the institutions are limited to the assumed maximum possible tuition increase for the Community Colleges in the current political environment of 5.0 percent. Therefore, rather than using a flat tuition rate increase, the staff recommendation

compensates for unequal tuition rate increases with unequal General Fund increases, to keep the total increase in resources a constant percentage for all institutions.

For nonresident tuition the Department requested that institutions have flexibility to set rates at whatever the market will allow. The Department assumed that institutions would increase nonresident tuition rates by 5.0 percent. **The staff recommendation assumes that nonresident tuition rates will increase by an amount equal to the percentage increase in resident tuition rates.** Some institutions have argued that they are at or near market capacity for nonresident tuition and large increases in the rate are not sustainable. If the Department had proposed a 5.0 percent cap on nonresident tuition, staff would have used this in the distribution formula. However, if institutions have flexibility to do whatever they want with nonresident tuition, staff is concerned that some institutions may be able to achieve an advantage over the status quo by increasing nonresident tuition rates. The staff proposed distribution model won't maintain the status quo if the nonresident tuition assumptions are either unrealistically high or low. Also, staff has concerns about the equity of asking resident students to accept a greater percentage increase in tuition rates than the percentage increase for nonresident students. Therefore, the staff recommendation assumes that institutions will implement a percentage increase in nonresident tuition rates that is commensurate with the percentage increase in resident tuition rates. The projected dollar increase in revenue for the University of Colorado from a 9.0 percent rate increase has been adjusted to reflect that the governing board can not apply the increase to a portion of the nonresident students at the Boulder campus who are enrolled through a plan that fixes their tuition rate for four years.

For fee-for-service contracts staff recommends a General Fund increase of \$29,552,219 so that the combined stipend and fee-for-service contract increase recommended by staff matches the effective \$45,064,823 increase for the governing boards that was requested by the Department. The logic for recommending the Department's total General Fund request is similar to the logic for recommending the Department's tuition request. The staff recommendation is based on the assumption that the long-term goal is to close the resource gap between Colorado institutions and peers. If that is the goal, a policy case could be made for a much larger General Fund increase in FY 2008-09. However, the budget is constrained by the six percent limit on General Fund appropriations, and so the staff recommendation assumes that the Governor's request is the maximum possible in the current budget environment to still comply with the six percent limit.

In the staff recommendation **the fee-for-service contract increase is distributed by governing board so that the combined stipend, fee-for-service contract, and tuition increase is the same percentage (8.5 percent) for every governing board.** The Governor's proposal for a flat percentage General Fund increase with tiered increases in tuition benefits institutions unequally according to the amount of tuition they raise.

The staff recommendations for the governing boards are summarized in the tables in the appendix at the end of this document.

For stipends for students at private institutions, staff recommends a total of \$1,104,000. The stipend rate for students at private institutions is statutorily indexed to 50 percent of the stipend rate for students at state operated institutions. The most recent data from the Department projects that there will be 798 students who claim the stipend at participating private institutions in FY 2007-08. The staff recommendation for FY 2008-09 is based on the assumption that 800 student will claim the stipend in FY 2008-09.

Staff does not recommend the \$348,051 General Fund that the Department requested be deposited in the College Opportunity Fund to serve as a contingency. The Department did not submit any justification for this amount. It appears to be a place holder to balance to the mark from the Office of State Planning and Budgeting. If the JBC wants to adopt a policy to build a balance in the College Opportunity Fund, staff would recommend a larger allocation than the amount proposed by the Department. Otherwise, staff assumes that the JBC can find a better use for \$348,051 elsewhere in the state budget.

(5) GOVERNING BOARDS

The Governing Board section includes the cash spending authority for the higher education institutions to receive and expend the stipend payments on behalf of students, and to receive and expend the fee-for-service contracts. It also includes spending authority for tuition and academic fee revenue and appropriated grants. Each governing board is appropriated funding in a single line item, but the letter note associated with the appropriation includes details on all of the components mentioned above.

The staff recommendations for student stipend payments, fee-for-service contracts and tuition have already been discussed.

Academic Fees and Academic Facility Fees

Description: This includes course fees and other fees that directly support the academic mission of the institutions. It does not include fees associated with ancillary auxiliary activities.

Request: The Department did not request a change in funding for FY 2008-09.

Recommendation: **The staff recommendation is pending further clarification by the governing boards of revenue estimates they submitted.** For the first few years that this line item was in place, the Department and institutions had to work through definition issues to ensure that all higher education institutions were reporting the fees consistently. As a result, there were some significant year-to-year variances in the requested spending authority based on technical issues. By now these definition issues should be sorted out. Based on revenue estimates submitted by the institutions, staff has concerns that the Department is not holding higher education institutions to the fee spending

authority appropriated in FY 2007-08. Also, some of the institutions are projecting significant increases in fee revenue for FY 2008-09 that require more explanation and justification. Finally, staff is in the process of collecting some data about fees to clarify for the JBC what is being controlled through this line item versus what fees are off-budget and the differences between fees controlled through this line item and "mandatory" fees reported to CCHE. Staff will come back at a later date with a recommendation on academic and academic facility fees.

Tobacco Settlement Distribution

Description: Pursuant to S.B. 07-97 and H.B. 07-1359 the University of Colorado Health Sciences Center receives a portion of the tobacco settlement monies.

Request: The Department request is consistent with the statutory distribution of the tobacco settlement monies.

Recommendation: **During figure setting for the Department of Public Health and Environment the JBC already approved an increase of \$10,432,371 based on the statutory distribution of tobacco settlement monies.** The staff recommendation for distributing stipends and fee-for-service contracts does not include the tobacco money in the base funds for CU. Staff assumes the General Assembly's intent in S.B. 07-97 and H.B. 07-1359 was to increase the funding for the Health Sciences Center and specifically not to maintain the status quo for funding for this particular institution.

Appropriated Grants

Description: A few of the governing boards have at times received grants from mineral and energy impact funds administered by the Department of Local Affairs. Statutes require that grants from these funds to state agencies be authorized by the General Assembly through an appropriation. In addition, the General Assembly has appropriated spending authority to the Colorado School of Mines from the Oil and Gas Conservation and Environmental Response Fund for research related to S.B. 05-66. In FY 2007-08, the General Assembly made appropriations from the Operational Account of the Severance Tax Trust Fund for the Colorado Water Resources Research Institute at CSU.

Request: The Department requested the following amounts for appropriated grants. All of the amounts in FY 2008-09 are from mineral and energy impact funds administered by the Department of Local Affairs.

<u>Governing Board</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>Comment</u>
Colorado State University	\$320,000	\$170,000	H.B. 07-1096 included a one-time FY 2007-08 appropriation from the Operational Account of the Severance Tax Trust Fund for the Colorado Water Resources Research Institute that will not continue in FY 2007-08.
Fort Lewis College	\$48,000	\$48,000	
University of Colorado	\$657,531	\$657,531	

Recommendation: Staff recommends the requested amounts based on expected grants.

Reflecting FTE in the Long Bill

Description: Prior to FY 1999-00, FTE designations were not included in the Long Bill for Higher Education. In FY 1999-00 the JBC adopted a policy of reflecting FTE for all departments in the Long Bill to provide additional information about the number of state employees. Pursuant to statute, the governing boards can hire as many or as few employees as they see fit.

Recommendation: The staff recommendation on FTE in the Long Bill is based on FY 2007-08 estimated FTE in the budget request. This is consistent with the historic practice of the JBC of using the current year estimate in the budget data books for each governing board.

	FY 2007-08 Long Bill	Estimate in FY 2008-09 Request	Difference	Percent
Adams	271.5	285.3	13.8	5.1%
Mesa	452.2	474.8	22.6	5.0%
Metro	1,056.3	1,124.0	67.7	6.4%
Western	230.9	241.5	10.6	4.6%
CSU System	3,852.4	4,070.7	218.3	5.7%
Fort Lewis	432.3	449.3	17.0	3.9%
CU Regents	6,441.1	6,507.6	66.5	1.0%
Mines	629.4	653.6	24.2	3.8%
UNC	1,015.0	954.9	(60.1)	-5.9%
Community Colleges	4,576.4	4,720.0	143.6	3.1%
	18,957.5	19,481.7	524.2	2.8%

6) LOCAL DISTRICT JUNIOR COLLEGES

Description: This line item provides funding for grants to Aims Community College and Colorado Mountain College.

Request: The Department submitted decision item #2 for an increase of \$444,690 General Fund or 3.0 percent for the Local District Junior Colleges. At the hearing the Department explained that it requested a smaller percentage increase for the Local District Junior Colleges than for the Community Colleges or the Area Vocational Schools because the cumulation of funding decisions between FY 2002-03 and FY 2007-08 restored funding levels for the Local District Junior Colleges to a pre-recession level. Also, the Department indicated that an inflationary adjustment measured by the Consumer Price Index would enable the colleges to maintain existing programs.

Recommendation: Staff recommends a 7.2 percent or \$1,067,256 General Fund increase to match the average percentage increase in stipends and fee-for-service contracts for the Governing Boards. Another reasonable approach would be to index the appropriation to the Community Colleges, since they are the most analogous governing board. The staff recommendation is based on trying to reduce the number of moving parts if the JBC has trouble deciding on a General Fund distribution formula and the percentage increase for the Community Colleges changes.

The Department has testified several times to the JBC that they feel any distribution formula for the higher education system needs to look forward rather than dwelling on perceptions of past inequities. The Department's request for the Local District Junior Colleges seems strangely inconsistent with this philosophy. The increases provided by the JBC for the Local District Junior Colleges between FY 2005-06 and FY 2007-08 were in part to reduce a gap in state funding per student FTE between the Local District Junior Colleges and the Community Colleges that predated the recession. If the distribution philosophy for FY 2008-09 is to maintain the relative funding positions of all the institutions, then staff believes that funding for the Local District Junior Colleges should increase at the same rate as the average of the other governing boards, rather than penalizing the Local District Junior Colleges in FY 2008-09 due to some perceived advantage they received in prior years. Also, the Departments goal of maintaining existing programs for the Local District Junior Colleges contrasts with the goal of closing the peer gap for the state-operated institutions.

7) ADVISORY COMMISSION ON FAMILY MEDICINE

During figure setting for the Department of Health Care Policy and Financing, the JBC approved moving this appropriation from the Department of higher Education to the Department of Health Care Policy and Financing. Therefore, this division will not appear in the FY 2008-09 Long Bill.

8) DIVISION OF OCCUPATIONAL EDUCATION

The Division is administratively located within the State Board for the Community Colleges and Occupational Education State System Community Colleges and has responsibility for approving programs and maintaining standards for public vocational programs (the Division of Private Occupational Schools in CCHE oversees proprietary schools). The Division also distributes state and federal funds for occupational education.

A) Administrative Costs

Description: These FTE are responsible for approving the programs and distributing funds. The source of cash funds exempt is indirect cost recoveries.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends continuation level funding.** The administrative responsibilities of the Division are not changing. Expenditures were below the appropriation in FY 2005-06 and FY 2006-07 due to transitions in procedures and staffing to comply with recommendations from the State Auditor. Any remaining indirect cost recoveries after covering all of the costs of the Department Administrative Office will be applied to offset the need for General Fund in this line item.

B) Colorado Vocational Act Distributions pursuant to Section 23-8-102, C.R.S.

Description: The appropriation provides state support for secondary students enrolled in vocational programs in school districts across the state. These funds help the school districts offset, in part, the higher cost of vocational education. State statutes and regulations from the Division define the eligible costs for which K-12 schools may apply for reimbursement. The source of cash funds exempt is a transfer from the Department of Education. This is one of the categorical programs covered by Amendment 23.

Request: The Department requested continuation level funding.

Recommendation: **The staff recommendation is pending calculations of the impact of the JBC's actions during figure setting for the Department of Education.** Staff will reflect the amount calculated by the Department of Education analyst once it is available and will not bring this issue back to the JBC.

C) Area Vocational School Support

Description: This line provides state support for the four area vocational schools to provide post-secondary vocational training. In addition to the General Fund shown in the Long Bill, the AVS charge minimal tuition and fees to students. Also, the AVS provide some vocational training to secondary students with funds from their local school districts, which may include Colorado Vocational Act dollars. The distribution of General Fund is determined by the Division in consultation with the AVS.

Request: The Department requested Budget Amendment #1a and Decision Item #3 for a net increase of \$804,660, or 7.7 percent.

Recommendation: **Staff recommends a 7.2 percent or \$752,410 increase to match the average percentage increase in stipends and fee-for-service contracts for the Governing Boards.** Another reasonable approach would be to index the appropriation to the Community Colleges, since they are the most analogous governing board. The staff recommendation is based on trying to reduce the number of moving parts if the JBC has trouble deciding on a General Fund distribution formula and the percentage increase for the Community Colleges changes. The recommendation here is similar to the recommendation for the Local District Junior Colleges. Rather than using the 7.7 percent General Fund increase for the stipends and fee-for-service contracts as an index, staff used

the effective increase in stipends and fee-for-service contracts for the governing boards after compensating for the one-time appropriation from the balance of the College Opportunity Fund in FY 2007-08.

D) Sponsored Programs

These are federally funded occupational education programs.

Administration

Description: The FTE review educational programs to ensure compliance with federal Perkins requirements and approve courses eligible for federal funds. They also provide training and technical assistance to educators and students.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends a decrease in federal funds of \$42,204 to reflect the most recent estimate from the Community Colleges of the amount of revenue that will be received.**

Programs

Description: These funds are federal "Carl Perkins" funds, and are distributed to Community Colleges, Local District Junior Colleges, Area Vocational Schools, and K-12 districts.

Request: The Department requests continuation level funding.

Recommendation: **Staff recommends a decrease of \$277,565 federal funds to reflect the most recent estimate from the Community Colleges of the amount of revenue that will be received.**

E) Colorado First Customized Job Training

Description: These are General Fund dollars transferred from the Governor's Office for community colleges to provide training to employees of new companies or expanding firms.

Request: The Department's request is for continuation level funding.

Recommendation: **During figure setting for the Governor's Office, the JBC approved continuation level funding.**

F) Existing Industry Training

Description: These are General Fund dollars transferred from the Governor's Office for community colleges to provide training to employees of companies already located in Colorado that are experiencing major technological changes. Funding was eliminated in FY 2003-04, but statutes allow moneys appropriated for the Colorado First Customized Training Program to be used for Existing Industry Training.

Request: The Department did not request funding.

Recommendation: **Staff recommends no funding.**

9) AURARIA HIGHER EDUCATION CENTER

Administration

Description: The Auraria Higher Education Center collects funds from the institutions with programs on the Auraria campus for operation and maintenance of the campus. While there is some impact on AHEC's budget when enrollment changes on the campus, much of the expenses are for fixed costs related to maintaining the buildings and coordinating activities of the co-tenants. The source of cash funds is payments by enterprises and the source of cash funds exempt is payments by non-enterprises.

Request: The Department requested Budget Amendment #8a for \$2,085,277 cash funds spending authority for sales and services to outside entities. Pursuant to statute, when higher education institutions earn cash funds that are subject to TABOR, there has to be a corresponding spending authority in the Long Bill.

The Department also requested Budget Amendment #8b for a six percent increase in the operating budget funded by the three tenant institutions, in order to cover utility expenses and mandated salary and benefit increases.

Recommendation: **Staff recommends budget amendment #8b, but not #8a.** Budget Amendment #8a will no longer be necessary if the JBC's bill S.B. 08-126 is adopted. The bill passed House 3rd reading on February 29, 2008. The requested six percent increase in budget amendment #8b is not unreasonable given the increases proposed for the tenant institutions of the campus.

Auxiliary Enterprises

Description: This line item provides spending authority for revenues from business ventures that are not exempt from TABOR.

Request: The Department requests continuation level funding.

Recommendation: **Staff recommends eliminating the line item.** The line item will no longer be necessary if the JBC's bill S.B. 08-126 is adopted. The bill passed House 3rd reading on February 29, 2008.

10) COUNCIL ON THE ARTS

Description: This line item funded the personal services, operating, and grants associated with the Council on the Arts. In FY 2006-07, the Council on the Arts was transferred to the Governor's Office.

Request: The Department did not submit a request.

Recommendation: **Staff recommends no funding.**

11) STATE HISTORICAL SOCIETY OF COLORADO

The State Historical Society collects, preserves, exhibits and interprets properties and artifacts of historical significance. In addition to operating museums and historical sites throughout the state, the Society distributes gaming funds for preservation projects.

(A) Cumbres-Toltec Railroad Commission

Description: This line item funds the state's portion of a cooperative agreement with New Mexico to operate the Cumbres-Toltec Railroad.

Request: The Department requested continuation level funding.

Recommendation: **Staff recommends the requested continuation funding.**

(B) Sponsored Programs

Description: This line item provides spending authority for a variety of programs supported through restricted donations, federal funds and other dedicated sources. Examples of activities include special exhibits, and artifact conservation and processing.

Request: The Department requested continuation level funding based on projected revenues.

Recommendation: **Staff recommends the requested amount, based on expected revenues.**

(C) Auxiliary Programs

Description: This line item provides spending authority for various self-supporting activities of the Historical Society. Included in this line are the museum shop, public education and membership/publications. There are 14.5 FTE associated with this line item.

Request: The Department requested continuation level funding based on projected revenues.

Recommendation: Staff recommends slightly higher than the Department requested based on the Joint Budget Committee's common policies for annualizing salary survey and performance based pay increases.

(D) Gaming Revenues

The voter-approved amendment to Colorado's constitution that permitted limited gaming included a formula allocation of the tax revenues generated from gaming activities. This constitutional formula has been further modified by statute. The table below shows the projected FY 2008-09 allocation of limited gaming funds according to the constitutional and statutory provisions.

Limited Gaming Fund Distribution	Constitutional Percent	Statutory Percent	FY 07-08 Projected
<u>Distributions to Cities and Counties - Unrestricted Use</u>	<u>22.0%</u>	<u>22.0%</u>	<u>\$24,823,444</u>
Gilpin and Teller Counties	12.0%	12.0%	\$13,540,061
Cripple Creek, Central City, Black Hawk	10.0%	10.0%	\$11,283,384
<u>State Historical Fund (SHF) - Preservation and Restoration</u>	<u>28.0%</u>	<u>28.0%</u>	<u>\$31,593,475</u>
Cripple Creek, Central City, Black Hawk (20% of SHF)	5.6%	5.6%	\$6,318,695
Statewide Grants and Society Operations (80% of SHF)	22.4%	22.4%	\$25,274,780
<u>Purposes Determined by General Assembly</u>	50.0%	<u>50.0%</u>	<u>\$56,416,919</u>
Local Government Limited Gaming Impact Fund		6.5%	\$7,334,199
Colorado Travel and Tourism Promotion Fund		set amount	\$20,875,116
Sate Council on the Arts Cash Fund		set amount	\$1,648,035
Film Incentives Cash Fund		set amount	\$659,214
Bioscience Discovery Evaluation Fund		set amount	\$3,500,000
New Jobs Incentives Cash Fund		set amount	\$3,296,071
Clean Energy Fund		Remainder	\$19,104,284
Total:	100.0%	100.0%	\$112,833,838

The 28 percent of limited gaming moneys deposited in the State Historical Fund support activities of the State Historical Society. The total amount for the State Historical Fund is determined by the constitution and revenues, but within the amount allocated for statewide grants and society operations, the General Assembly can influence how much is allocated for grants versus operations.

Gaming Cities Distribution

Description: A portion of the revenue generated from gaming is returned to the gaming cities as defined in Section 12-47.1-701, C.R.S.

Request: The Department requested continuation level funding.

Recommendation: The staff recommendation is based on the more recent revenue estimate detailed in the table above.

Statewide Preservation Grant Program

Description: The majority of the revenue generated from gaming is used for the preservation and restoration of historical sites and municipalities throughout the state. The Historical Society has statutory authority to expend some of these funds to cover the "reasonable costs" of administration.

Request: The Department's request reflects expected revenues less funding for Decision Items #1 and #2 and Budget Amendment #1a that the Department proposes spending on Society Museum and Preservation Operations.

Recommendation: The staff recommendation is based on a more recent revenue estimate and the following calculation of remaining funds after all other obligations:

Historic Preservation Grant Program	
Item	Dollars
Projected Gaming Revenue to the State Historical Fund	\$31,593,475
Gaming Cities Distribution	(6,318,695)
Society Museum and Preservation Operations continuation	(5,331,322)
DI #1 Salary Survey Adjustment	(199,330)
BA #1a Chief Operating Officer	(47,864)
DI #2 Information Technology	(75,100)
Indirect Cost Assessment	(154,268)
Estimated "Pots" Expenditures	(800,000)
Remaining for Statewide Preservation Grant Program	\$18,666,896

Some of the money in the State Historical Fund is used for centrally appropriated "pots" in the Executive Director's Office, like Health, Life and Dental or Short-Term Disability. The actual amounts for some of the potted items are pending a JBC common policy. The table shows an estimate of the pots and other obligations that will need to be paid before the remaining money can be granted out for preservation projects.

The recommendations on decision items #1 and #2 and budget amendment #1a are discussed with the next line item.

Society Museum and Preservation Operations

Description: This line item funds the administrative staff for the division and the staff for the museums and associated operating expenses. The primary sources of cash funds are museum admission fees and user charges. The cash funds exempt come from gaming revenues deposited in the State Historical Fund.

Request: The Department's request includes decision item #1 and #2 and budget amendment #1a. The source of funds for all three is limited gaming moneys deposited in the State Historical Fund. Moneys from this source that are not spent on the administration of the Historical Society will become part of the statewide preservation grants.

Decision item #1 requests \$199,330 to increase salaries for the Historical Society. The request was submitted in response to a May 2006 report by the State Auditor that recommended higher education institutions need to better justify pay rates for non-classified staff with salary surveys. The Historical Society contracted with Mountain States Employers Council to conduct the survey. The Historical Society reports that 21 people left in 2006, or 16.5 percent out of the 126.9 authorized FTE. The Historical Society experienced similar turnover rates in 2005 and 2004.

Budget amendment #1a is for \$47,864 (\$46,871 in this line item) to annualize a supplemental approved by the JBC. The supplemental converted an accounting technician position to chief operating officer for the Historical Society.

Decision item #2 is for \$75,100 to extend the Historical Society's computer network to regional museums and storage facilities. The Historical Society is currently using dial-up access or paper transcription to communicate with the central administration. Part of the request will include wiring remote access to existing security cameras to improve custody and control of the artifacts. Of the requested amount \$59,500 is for one-time expenditures for hardware and software and the remaining \$15,600 is for on-going telecommunications costs.

Recommendation: **Staff recommends all three decision items.** The JBC already approved the first year of funding for Budget Amendment #1a in a supplemental. The budget amendment merely annualizes the costs. The requested technology upgrades in decision item #2 will significantly improve the efficiency of staff and the ability of the Historical Society to remotely monitor security.

Staff has some concerns that the salary increases requested in decision item #1 are not consistent with the JBC's common policies for providing salary increases. If the JBC approves the request, other higher education institutions or state departments may attempt to follow the precedent, or complain that the Historical Society was given favorable treatment. However, the Historical Society's request was the direct result of a recommendation by the State Auditor to conduct a salary survey. The Historical Society worked with the same consultant the state uses to prepare the salary survey for classified employees. The market data appears to be comparable in quality to other salary surveys used by the state, and the compensation plan developed by the Historical Society appears to be based on best practices recommended by human resources experts. Staff speculates that the salary recommendations from the Department of Personnel and the common policies adopted by the JBC in prior years have not adequately addressed the pay raises required for the Historical Society to keep pace with the market primarily due to the unusual number of non-classified employees. The Department of Personnel has not in the past surveyed market rates for the specific types of employees used by the Historical Society.

In the old budget format, appropriations from gifts and from the State Historical Fund were classified as cash funds exempt, since the revenue is exempt from TABOR. In the new budget format appropriations of this type will be classified as cash funds.

The components of the staff recommendation are summarized in the table below. Staff is unsure why the Department's request is so much higher than the staff calculation using the JBC's common policies.

Department Administrative Office				
Item	TOTAL	Admission fees, user charges, and other cash revenue	State Historical Fund	Federal Funds
FY 2007-08 Long Bill	\$6,189,164	\$692,748	\$4,843,309	\$653,107
Supplemental	15,601	0	15,601	0
Salary Survey	145,195	0	129,912	15,283
Performance-based Pay Awards	73,768	0	66,003	7,765
-1.0 percent base personal services reduction	(50,020)	0	(44,804)	(5,216)
DI #1 Salary Survey Adjustment	199,330	0	199,330	0
BA #1a Chief Operating Officer	46,871	0	46,871	0
DI #2 Information Technology	75,100	0	75,100	0
Total	\$6,695,009	\$692,748	\$5,331,322	\$670,939

Indirect Cost Recoveries

Description: The Department charges cash, cash exempt, and federal funded programs for their portion of statewide overhead costs, such as human resources in the Department of Personnel, and for Department overhead costs for CCHE. The revenues generated, called indirect cost recoveries, are then used to offset the need for General Fund.

Request: The table below shows how the Department will assess indirect costs.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>Difference</u>
Adams	87,480	76,982	(10,498)
Mesa	96,846	105,165	8,319
Western	49,530	48,430	(1,100)
Metro	279,046	308,437	29,391
CSU System	601,166	658,245	57,079
Fort Lewis	100,750	105,647	4,897

	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>Difference</u>
University of CO	850,484	1,130,320	279,836
Mines	120,915	127,585	6,670
Northern CO	275,346	279,153	3,807
Community Colleges	1,344,354	1,597,247	252,893
AHEC	29,677	24,125	(5,552)
Private Oc. Schools	5,345	7,271	1,926
CollegeInvest	29,137	41,683	12,546
College Assist	127,340	99,819	(27,521)
Historical	180,629	154,268	(26,361)
Other	<u>339</u>	<u>327</u>	<u>(12)</u>
TOTAL	4,178,384	4,764,704	586,320

Typically, the share of indirect costs allocated to the General Fund are not collected, because it is unnecessary to collect from the General Fund in order to pay the General Fund. A large portion of the cash funds each institution collects is just a transfer of General Fund from the College Opportunity Fund Program. However, if higher education institutions were not charged for a share of centrally provided services, like those provided by the Department of Personnel, then these services would need to be considered a state grant for purposes of determining the enterprise status of the institutions, and so it is necessary and appropriate that the higher education institutions are assessed indirect on revenue earned from stipend payments and fee-for-service contracts.

In the old budget format, indirect collections from enterprises were characterized as cash funds and indirect collections from non-enterprises were categorized as cash funds exempt. In the new budget format, all of the indirect recoveries will be characterized as reappropriated funds except the recoveries from CollegeInvest and College Assist. Those two agencies are not otherwise appropriated in the Long Bill, and so the indirect cost recoveries from them are not a double count.

Recommendation: Staff recommends approval of the Department's indirect cost recovery plan.

The allocation of indirect cost recoveries to offset General Fund is pending JBC decisions on several centrally appropriated pots. If the distribution of indirect cost recoveries within the Department of Higher Education needs to be adjusted after the common policies are set by the JBC, staff will apply the adjustment to the Division of Occupational Education, Administration line item to fit the available indirect collections. If the total indirect cost recoveries exceed the administration-related line items in the Department of Higher Education the excess will be applied to offset General Fund in the Department of Personnel.

FOOTNOTES

Section 23-18-202 (3) (b), C.R.S. requires that a footnote to the Long Bill describe the tuition increases from which the General Assembly derived the total cash spending authority for each governing board. The following three footnotes were used to satisfy this requirement last year:

- 46 **Department of Higher Education, Governing Boards, Trustees of Adams State College; Trustees of Mesa State College; Trustees of Metropolitan State College of Denver; Trustees of Western State College; Trustees of Fort Lewis College** -- Undergraduate resident tuition credit hour rate increases are limited to 5%. However, for four-year institutions, governing boards have the option to set tuition levels within a 5% total tuition revenue limit, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.
- 47 **Department of Higher Education, Governing Boards, Board of Governors of the Colorado State University System; Regents of the University of Colorado; Trustees of the Colorado School of Mines; University of Northern Colorado** -- Undergraduate resident tuition credit hour rate increases are limited to 7%. However, for research institutions, governing boards have the option to set tuition levels within a 7% total tuition revenue limit, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.
- 49 **Department of Higher Education, Governing Boards, State Board for Community Colleges and Occupational Education State System Community Colleges** -- Undergraduate resident tuition credit hour rate increases are limited to 3.5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative

session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

For FY 2008-09 the Department proposed rate caps of 9.0 percent for the research institutions, 7.0 percent for the other 4-year institutions, and 5.0 percent for the community colleges. The Department suggested footnote language that is reproduced below. This particular example is for the research institutions.

Staff has some concern that the wording of the first sentence limits tuition rates to 9% per student **OR** 9% per credit hour. Later the footnote attempts to address any ambiguity by stating, "The effective 9% rate limit constrains all tuition increases, including any closure of an institution's so-called full time window." Staff believes this can be stated more efficiently.

Also, staff is uncomfortable with the instructions that appear in lines 10 through 15 for how to hold rate increases for students with financial need to less than five percent. These instructions are at once excessively detailed to the point that they may administer the appropriation, and exceedingly vague in referencing the intent of the FY 2007-08 footnote (which was not consistently interpreted by the governing boards). Staff proposes some changes to the wording of the footnote in struck type and small caps:

1 It is the intent of the General Assembly that ~~any effective increase in the resident~~
2 ~~tuition rate not exceed 9% per student or 9% per credit hour~~ at the University of
3 Colorado System, the Colorado State University System, the Colorado School of
4 Mines, and the University of Northern Colorado ~~provided~~ NO RESIDENT STUDENT
5 SHALL PAY IN FY 2008-09 MORE THAN 9.0 PERCENT OVER WHAT THEY WOULD HAVE
6 PAID IN FY 2007-08 FOR THE SAME CREDIT HOURS AND COURSE OF STUDY.
7 FURTHERMORE, IT IS THE INTENT OF THE GENERAL ASSEMBLY that students with
8 demonstrated financial need (i.e., Pell Levels I, II, and III) receive sufficient financial
9 aid to limit increases in their effective tuition rates above ~~5%~~ 5.0 PERCENT per
10 student. ~~or per credit hour. For any student eligible for the 5% effective rate limit,~~
11 ~~the base tuition amount for FY 2008-09 against which any future years' tuition~~
12 ~~increases are calculated shall be that effective FY 2008-09 tuition amount (as~~
13 ~~adjusted to the 5% effective rate limit) similar to the intent of the FY 2007-08~~
14 ~~footnote. The effective 9% rate limit constrains all tuition increases, including any~~
15 ~~closure of an institution's so-called full time window.~~ It is the intent of the General
16 Assembly that the institutions may increase ~~all~~ nonresident tuition rates to reflect
17 market conditions and that any additional spending authority necessary to cover
18 nonresident tuition rate increases will be addressed through a supplemental

1 appropriation during the 2009 legislative session. The General Assembly will not
2 back-fill for nonresident tuition revenue lost if a nonresident tuition increase results
3 in a net reduction in nonresident tuition revenue.

The Committee may also want to consider whether the promise of a supplemental during the 2009 session in the sentence beginning on line 15 is an obligation of a future General Assembly.

Staff recommends continuation of the following footnotes, with additions shown in small caps and deletions in struck type.

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

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

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

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

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

Comment: This footnote expresses legislative intent that the Department not automatically transfer the full appropriation to the Department of Military Affairs, but rather that the Department transfer only the funds necessary to comply with Section 23-5-111.4, C.R.S.

The footnote also provides flexibility for the Department to transfer unused funds to other need based financial aid programs.

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

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

Staff recommends that the following footnotes be **discontinued as footnotes and reflected in a letter as formal information requests/expressions of legislative intent, with the modifications shown:**

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

Comment: *The Governor vetoed this footnote* on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. As discussed at the briefing, the Department failed to fully comply with the footnote. However, staff assumes that the General Assembly still wants the information, and so the staff recommendation is to continue requesting the information. The Committee received a partial response at the hearing.

- 40 **Department of Higher Education, Colorado Commission on Higher Education, Administration** -- The Department is requested to submit a report to the Joint Budget

Committee by November 1 each year documenting the base level of institutional financial aid at each institution and demonstrating that at least 20 percent of any increase in undergraduate resident tuition revenues in excess of inflation is being devoted to need-based financial assistance pursuant to section 23-18-202 (3) (c), C.R.S.

Comment: See the comment under footnote 38.

- 41 **Department of Higher Education, Colorado Commission on Higher Education, Administration** -- The Department is requested to submit a report to the House and Senate Education Committees and the Joint Budget Committee by ~~November 1, 2007~~ November 1, 2008, analyzing the impact of need based financial aid programs on the recruitment, retention, and academic performance of under-served students, and making recommendations for improvement.

Comment: See the comment under footnote 38.

Staff recommends eliminating the following footnotes:

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

Comment: The JBC approved phasing out the Governor's Opportunity Scholarship in FY 2007-08

- 48 **Department of Higher Education, Governing Boards, Regents of the University of Colorado** -- Of the amount appropriated to the Regents of the University of Colorado, it is the intent of the General Assembly that \$104,189,992 shall be for the University of Colorado Health Sciences Center, including \$1,223,762 from student stipend payments, \$61,329,192 from fee-for-service contracts, \$38,157,595 from the students' share of tuition, and \$3,479,443 from academic fees and academic facility fees.

Comment: Staff believes that this footnote administers the appropriation and is inconsistent with statutory directives that delegate to the governing boards the authority to set the budgets for individual institutions (within the total appropriation provided by the General Assembly).

Summary of the Department's Request for Stipends and Fee-for-service Spending Authority by Governing Board

	Rate	Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
FY 2007-08 Appropriation												
1		122,154.8	1,412.0	4,527.0	15,242.0	1,448.0	19,189.0	2,558.0	27,369.0	2,710.0	8,733.0	38,966.8
		Stipend-eligible SFTE										
	\$2,670	\$ 326,153,316	\$ 3,770,040	\$ 12,087,090	\$ 40,696,140	\$ 3,866,160	\$ 51,234,630	\$ 6,829,860	\$ 73,075,230	\$ 7,235,700	\$ 23,317,110	\$ 104,041,356
3		\$ 301,501,042	\$ 9,854,040	\$ 10,289,250	\$ 3,948,770	\$ 7,489,531	\$ 82,555,299	\$ 4,824,075	\$ 121,911,110	\$ 14,501,571	\$ 17,839,060	\$ 28,288,336
		Fee-for-service contracts										
4		\$ 627,654,358	\$ 13,624,080	\$ 22,376,340	\$ 44,644,910	\$ 11,355,691	\$ 133,789,929	\$ 11,653,935	\$ 194,986,340	\$ 21,737,271	\$ 41,156,170	\$ 132,329,692
		SUBTOTAL COF Program										
5		\$ 1,013,735,525	\$ 7,253,000	\$ 21,825,869	\$ 47,567,973	\$ 8,739,778	\$ 186,829,052	\$ 23,108,440	\$ 485,133,363	\$ 49,817,709	\$ 49,973,000	\$ 133,487,341
		Tuition est. (LCS February 2008)										
6		\$ 1,641,389,883	\$ 20,877,080	\$ 44,202,209	\$ 92,212,883	\$ 20,095,469	\$ 320,618,981	\$ 34,762,375	\$ 680,119,703	\$ 71,554,980	\$ 91,129,170	\$ 265,817,033
		TOTAL										
Requested Changes												
7		569.2	61.0	(217.0)	(246.0)	(31.0)	(418.0)	(73.0)	413.0	(102.0)	(339.0)	1,521.2
		Stipend-eligible SFTE										
8	\$2,670	\$ 1,519,764	\$ 162,870	\$ (579,390)	\$ (656,820)	\$ (82,770)	\$ (1,116,060)	\$ (194,910)	\$ 1,102,710	\$ (272,340)	\$ (905,130)	\$ 4,061,604
		Enrollment changes @										
9	\$90	\$ 11,045,160	\$ 132,570	\$ 387,900	\$ 1,349,640	\$ 127,530	\$ 1,689,390	\$ 223,650	\$ 2,500,380	\$ 234,720	\$ 755,460	\$ 3,643,920
		Rate increase @										
10		\$ 12,564,924	\$ 295,440	\$ (191,490)	\$ 692,820	\$ 44,760	\$ 573,330	\$ 28,740	\$ 3,603,090	\$ (37,620)	\$ (149,670)	\$ 7,705,524
		Stipend changes										
11	7.2%	\$ 32,499,898	\$ 682,752	\$ 1,798,084	\$ 2,512,630	\$ 770,565	\$ 9,032,625	\$ 807,998	\$ 10,396,693	\$ 1,598,330	\$ 3,104,633	\$ 1,795,588
		Fee-for-service contracts for										
12		\$ 45,064,822	\$ 978,192	\$ 1,606,594	\$ 3,205,450	\$ 815,325	\$ 9,605,955	\$ 836,738	\$ 13,999,783	\$ 1,560,710	\$ 2,954,963	\$ 9,501,112
		SUBTOTAL COF Program										
13		7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
		Percent change										
14		\$ 85,694,957	\$ 535,676	\$ 3,126,118	\$ 4,537,561	\$ 545,761	\$ 17,936,304	\$ 1,599,941	\$ 40,306,869	\$ 5,432,592	\$ 2,249,575	\$ 9,424,560
		Tuition (Dept rates but LCS rev est)										
15		\$ 130,759,779	\$ 1,513,868	\$ 4,732,712	\$ 7,743,011	\$ 1,361,086	\$ 27,542,259	\$ 2,436,679	\$ 54,306,652	\$ 6,993,302	\$ 5,204,538	\$ 18,925,672
		SUBTOTAL										
16		8.0%	7.3%	10.7%	8.4%	6.8%	8.6%	7.0%	8.0%	9.8%	5.7%	7.1%
		Percent change										
FY 2008-09 Request												
17		122,724.0	1,473.0	4,310.0	14,996.0	1,417.0	18,771.0	2,485.0	27,782.0	2,608.0	8,394.0	40,488.0
		Stipend-eligible SFTE										
18	\$2,760	\$ 338,718,240	\$ 4,065,480	\$ 11,895,600	\$ 41,388,960	\$ 3,910,920	\$ 51,807,960	\$ 6,858,600	\$ 76,678,320	\$ 7,198,080	\$ 23,167,440	\$ 111,746,880
		State-operated stipends @										
19		\$ 334,000,940	\$ 10,536,792	\$ 12,087,334	\$ 6,461,400	\$ 8,260,096	\$ 91,587,924	\$ 5,632,073	\$ 132,307,803	\$ 16,099,901	\$ 20,943,693	\$ 30,083,924
		Fee-for-service contracts										
20		\$ 672,719,180	\$ 14,602,272	\$ 23,982,934	\$ 47,850,360	\$ 12,171,016	\$ 143,395,884	\$ 12,490,673	\$ 208,986,123	\$ 23,297,981	\$ 44,111,133	\$ 141,830,804
		SUBTOTAL COF Program										
21		\$ 1,099,430,482	\$ 7,788,676	\$ 24,951,987	\$ 52,105,534	\$ 9,285,539	\$ 204,765,356	\$ 24,708,381	\$ 525,440,232	\$ 55,250,301	\$ 52,222,575	\$ 142,911,901
		Tuition (Dept rates but LCS rev est)										
22		\$ 1,772,149,662	\$ 22,390,948	\$ 48,934,921	\$ 99,955,894	\$ 21,456,555	\$ 348,161,240	\$ 37,199,054	\$ 734,426,355	\$ 78,548,282	\$ 96,333,708	\$ 284,742,705
		TOTAL										

Staff Recommendation for Stipend and Fee-for-service Spending Authority by Governing Board

	Rate	Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
FY 2007-08 Appropriation												
1		122,154.8	1,412.0	4,527.0	15,242.0	1,448.0	19,189.0	2,558.0	27,369.0	2,710.0	8,733.0	38,966.8
2	Stipend-eligible SFTE											
2	State-operated stipends @ \$2,670	\$ 326,153,316	\$ 3,770,040	\$ 12,087,090	\$ 40,696,140	\$ 3,866,160	\$ 51,234,630	\$ 6,829,860	\$ 73,075,230	\$ 7,235,700	\$ 23,317,110	\$ 104,041,356
3	Fee-for-service contracts	\$ 301,501,042	\$ 9,854,040	\$ 10,289,250	\$ 3,948,770	\$ 7,489,531	\$ 82,555,299	\$ 4,824,075	\$ 121,911,110	\$ 14,501,571	\$ 17,839,060	\$ 28,288,336
4	SUBTOTAL COF Program	\$ 627,654,358	\$ 13,624,080	\$ 22,376,340	\$ 44,644,910	\$ 11,355,691	\$ 133,789,929	\$ 11,653,935	\$ 194,986,340	\$ 21,737,271	\$ 41,156,170	\$ 132,329,692
5	Tuition est. (LCS February 2008)	\$ 1,013,735,525	\$ 7,253,000	\$ 21,825,869	\$ 47,567,973	\$ 8,739,778	\$ 186,829,052	\$ 23,108,440	\$ 485,133,363	\$ 49,817,709	\$ 49,973,000	\$ 133,487,341
6	TOTAL State + Tuition	\$ 1,641,389,883	\$ 20,877,080	\$ 44,202,209	\$ 92,212,883	\$ 20,095,469	\$ 320,618,981	\$ 34,762,375	\$ 680,119,703	\$ 71,554,980	\$ 91,129,170	\$ 265,817,033
Recommended Changes												
7	Stipend-eligible SFTE	1,637.2	(33.0)	(37.0)	670.0	2.0	3.0	10.0	720.0	(18.0)	(833.0)	1,153.2
8	Enrollment changes @ \$2,670	\$ 4,371,324	\$ (88,110)	\$ (98,790)	\$ 1,788,900	\$ 5,340	\$ 8,010	\$ 26,700	\$ 1,922,400	\$ (48,060)	\$ (2,224,110)	\$ 3,079,044
9	Rate increase @ \$90	\$ 11,141,280	\$ 124,110	\$ 404,100	\$ 1,432,080	\$ 130,500	\$ 1,727,280	\$ 231,120	\$ 2,528,010	\$ 242,280	\$ 711,000	\$ 3,610,800
10	Stipend changes	\$ 15,512,604	\$ 36,000	\$ 305,310	\$ 3,220,980	\$ 135,840	\$ 1,735,290	\$ 257,820	\$ 4,450,410	\$ 194,220	\$ (1,513,110)	\$ 6,689,844
11	Fee-for-service for overall 8.5%	\$ 29,552,219	\$ 1,151,708	\$ 233,125	\$ (12,882)	\$ 942,652	\$ 3,990,921	\$ 788,497	\$ 9,908,154	\$ (481,849)	\$ 6,501,485	\$ 6,530,408
12	SUBTOTAL COF Program	\$ 45,064,823	\$ 1,187,708	\$ 538,435	\$ 3,208,098	\$ 1,078,492	\$ 5,726,211	\$ 1,046,317	\$ 14,358,564	\$ (287,629)	\$ 4,988,375	\$ 13,220,252
13	Percent change	7.2%	8.7%	2.4%	7.2%	9.5%	4.3%	9.0%	7.4%	-1.3%	12.1%	10.0%
14	Tuition	\$ 94,764,310	\$ 590,799	\$ 3,227,128	\$ 4,647,469	\$ 633,430	\$ 21,587,150	\$ 1,915,071	\$ 43,580,472	\$ 6,383,360	\$ 2,774,871	\$ 9,424,560
15	TOTAL State + Tuition	\$ 139,829,133	\$ 1,778,507	\$ 3,765,563	\$ 7,855,567	\$ 1,711,922	\$ 27,313,361	\$ 2,961,388	\$ 57,939,036	\$ 6,095,731	\$ 7,763,246	\$ 22,644,812
16	Percent change	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
FY 2008-09 Recommendation												
17	Stipend-eligible SFTE	123,792.0	1,379.0	4,490.0	15,912.0	1,450.0	19,192.0	2,568.0	28,089.0	2,692.0	7,900.0	40,120.0
18	State-operated stipends @ \$2,760	\$ 341,665,920	\$ 3,806,040	\$ 12,392,400	\$ 43,917,120	\$ 4,002,000	\$ 52,969,920	\$ 7,087,680	\$ 77,525,640	\$ 7,429,920	\$ 21,804,000	\$ 110,731,200
19	Fee-for-service contracts	\$ 331,053,261	\$ 11,005,748	\$ 10,522,375	\$ 3,935,888	\$ 8,432,183	\$ 86,546,220	\$ 5,612,572	\$ 131,819,264	\$ 14,019,722	\$ 24,340,545	\$ 34,818,744
20	SUBTOTAL COF Program	\$ 672,719,181	\$ 14,811,788	\$ 22,914,775	\$ 47,853,008	\$ 12,434,183	\$ 139,516,140	\$ 12,700,252	\$ 209,344,904	\$ 21,449,642	\$ 46,144,545	\$ 145,549,944
21	Tuition	\$ 1,108,499,835	\$ 7,843,799	\$ 25,052,997	\$ 52,215,442	\$ 9,373,208	\$ 208,416,202	\$ 25,023,511	\$ 528,713,835	\$ 56,201,069	\$ 52,747,871	\$ 142,911,901
22	TOTAL State + Tuition	\$ 1,781,219,016	\$ 22,655,587	\$ 47,967,772	\$ 100,068,450	\$ 21,807,391	\$ 347,932,342	\$ 37,723,763	\$ 738,058,739	\$ 77,650,711	\$ 98,892,416	\$ 288,461,845
23	Difference from Department COF	\$ 1	\$ 209,516	\$ (1,068,159)	\$ 2,648	\$ 263,167	\$ (3,879,744)	\$ 209,579	\$ 358,781	\$ (1,848,339)	\$ 2,033,412	\$ 3,719,140
24	Difference from Department Total	\$ 9,069,354	\$ 264,639	\$ (967,149)	\$ 112,556	\$ 350,836	\$ (228,898)	\$ 524,709	\$ 3,632,384	\$ (897,571)	\$ 2,558,708	\$ 3,719,140

Staff Recommendation for Tuition Spending Authority by Governing Board

		Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
FY 2007-08 Appropriation												
1	Resident	\$ 581,240,239	\$ 5,016,918	\$ 17,192,846	\$ 41,490,868	\$ 4,161,099	\$ 92,122,373	\$ 7,625,247	\$ 243,164,790	\$ 25,986,286	\$ 39,503,974	\$ 104,975,838
2	Nonresident	\$ 404,067,827	\$ 1,481,887	\$ 4,276,695	\$ 4,448,466	\$ 4,976,766	\$ 80,304,781	\$ 15,685,572	\$ 238,990,810	\$ 19,811,123	\$ 13,329,979	\$ 20,761,748
3	Tuition	\$ 985,308,066	\$ 6,498,805	\$ 21,469,541	\$ 45,939,334	\$ 9,137,865	\$ 172,427,154	\$ 23,310,819	\$ 482,155,600	\$ 45,797,409	\$ 52,833,953	\$ 125,737,586
Revised Estimate (LCS February 2008)												
4	Resident	\$ 599,173,903	\$ 4,630,000	\$ 17,338,961	\$ 42,182,498	\$ 4,227,909	\$ 97,897,276	\$ 7,562,269	\$ 251,674,520	\$ 27,306,597	\$ 36,400,000	\$ 109,953,873
5	Nonresident	\$ 414,561,622	\$ 2,623,000	\$ 4,486,908	\$ 5,385,475	\$ 4,511,869	\$ 88,931,776	\$ 15,546,171	\$ 233,458,843	\$ 22,511,112	\$ 13,573,000	\$ 23,533,468
6	Tuition	\$ 1,013,735,525	\$ 7,253,000	\$ 21,825,869	\$ 47,567,973	\$ 8,739,778	\$ 186,829,052	\$ 23,108,440	\$ 485,133,363	\$ 49,817,709	\$ 49,973,000	\$ 133,487,341
Difference												
7	Resident	\$ 17,933,664	\$ (386,918)	\$ 146,115	\$ 691,630	\$ 66,810	\$ 5,774,903	\$ (62,978)	\$ 8,509,730	\$ 1,320,311	\$ (3,103,974)	\$ 4,978,035
8	Nonresident	\$ 10,493,795	\$ 1,141,113	\$ 210,213	\$ 937,009	\$ (464,897)	\$ 8,626,995	\$ (139,401)	\$ (5,531,967)	\$ 2,699,989	\$ 243,021	\$ 2,771,720
9	Tuition	\$ 28,427,459	\$ 754,195	\$ 356,328	\$ 1,628,639	\$ (398,087)	\$ 14,401,898	\$ (202,379)	\$ 2,977,763	\$ 4,020,300	\$ (2,860,953)	\$ 7,749,755
Percent Difference in Projected Revenues from the FY 2007-08 Appropriation (this is not a percent change from FY 2006-07 revenues or a percent change in rates)												
10	Resident	3.1%	-7.7%	0.8%	1.7%	1.6%	6.3%	-0.8%	3.5%	5.1%	-7.9%	4.7%
11	Nonresident	2.6%	77.0%	4.9%	21.1%	-9.3%	10.7%	-0.9%	-2.3%	13.6%	1.8%	13.4%
12	Tuition	2.9%	11.6%	1.7%	3.5%	-4.4%	8.4%	-0.9%	0.6%	8.8%	-5.4%	6.2%
Enrollment adjustment												
13	Resident	\$ 9,516,680	\$ (55,521)	\$ 1,024,589	\$ 1,121,577	\$ 148,635	\$ 2,039,088	\$ 67,704	\$ 4,057,868	\$ 484,821	\$ (1,139,844)	\$ 1,767,763
14	Nonresident	\$ 14,037,973	\$ 133,174	\$ 563,557	\$ 109,929	\$ (128,405)	\$ 2,339,385	\$ 210,315	\$ 9,141,081	\$ 1,258,083	\$ (440,614)	\$ 851,468
15	Tuition	\$ 23,554,653	\$ 77,653	\$ 1,588,146	\$ 1,231,506	\$ 20,230	\$ 4,378,473	\$ 278,019	\$ 13,198,949	\$ 1,742,904	\$ (1,580,458)	\$ 2,619,231
Department targeted rate increases												
16	Resident		7.0%	7.0%	7.0%	7.0%	9.0%	7.0%	9.0%	9.0%	9.0%	5.0%
17	Nonresident		7.0%	7.0%	7.0%	7.0%	9.0%	7.0%	9.0%	9.0%	9.0%	5.0%
Rate adjustment												
18	Resident	\$ 48,748,316	\$ 320,214	\$ 1,285,449	\$ 3,031,285	\$ 306,358	\$ 8,994,273	\$ 534,098	\$ 23,015,915	\$ 2,501,228	\$ 3,173,414	\$ 5,586,082
19	Nonresident	\$ 22,461,341	\$ 192,932	\$ 353,533	\$ 384,678	\$ 306,842	\$ 8,214,404	\$ 1,102,954	\$ 7,365,608	\$ 2,139,228	\$ 1,181,915	\$ 1,219,247
20	Tuition	\$ 71,209,657	\$ 513,146	\$ 1,638,982	\$ 3,415,963	\$ 613,200	\$ 17,208,677	\$ 1,637,052	\$ 30,381,523	\$ 4,640,456	\$ 4,355,329	\$ 6,805,329
21	TOTAL Tuition	\$ 94,764,310	\$ 590,799	\$ 3,227,128	\$ 4,647,469	\$ 633,430	\$ 21,587,150	\$ 1,915,071	\$ 43,580,472	\$ 6,383,360	\$ 2,774,871	\$ 9,424,560
FY 2008-09 Recommendation												
22	Resident	\$ 657,438,899	\$ 4,894,693	\$ 19,648,999	\$ 46,335,360	\$ 4,682,902	\$ 108,930,637	\$ 8,164,071	\$ 278,748,303	\$ 30,292,646	\$ 38,433,570	\$ 117,307,718
23	Nonresident	\$ 451,060,936	\$ 2,949,106	\$ 5,403,998	\$ 5,880,082	\$ 4,690,306	\$ 99,485,565	\$ 16,859,440	\$ 249,965,532	\$ 25,908,423	\$ 14,314,301	\$ 25,604,183
24	Tuition	\$ 1,108,499,835	\$ 7,843,799	\$ 25,052,997	\$ 52,215,442	\$ 9,373,208	\$ 208,416,202	\$ 25,023,511	\$ 528,713,835	\$ 56,201,069	\$ 52,747,871	\$ 142,911,901

MEMORANDUM

TO: Joint Budget Committee

FROM: Eric Kurtz, JBC Staff (303-866-4952)

SUBJECT: Higher Education supplemental request from CCHE for stipends

DATE: March 10, 2008

The Department of Higher Education submitted a supplemental request to provide an additional \$4,170,836 General Fund in FY 2007-08 for stipends. Part of the request would fund projected increases in the stipend eligible population over the forecast used for the FY 2007-08 appropriation, and part of the request would compensate for the Department spending more from the College Opportunity Fund than expected in FY 2006-07, resulting in the Department starting the FY 2007-08 fiscal year without enough money in the College Opportunity Fund to support all of the appropriations out of the fund.

In order to balance to the six percent limit on General Fund appropriations in FY 2006-07 and FY 2007-08, the JBC decided to appropriate \$3,035,676 General Fund to the College Opportunity Fund in FY 2006-07 that was intended for expenditure in FY 2007-08. However, at the end of FY 2006-07 the Department used \$1,201,366 of this amount to make stipend payments. Thus, the Department started FY 2007-08 with \$1,201,366 less in the Fund than the appropriations out of the Fund. The Department requests \$1,201,366 General Fund to make the College Opportunity Fund whole again.

After making the fund whole, the Department requests \$2,969,470 for stipends for Metropolitan State College of Denver, the University of Colorado, the Community Colleges, and the private institutions, which are all projected to earn more in stipends than currently budgeted in FY 2007-08. All other institutions are projected to earn less than the current stipend appropriation. But, the Department does not request any decrease in appropriations for the governing boards projected to earn less in stipends. Instead, the Department proposes that these institutions will use the statutory flexibility provided in Section 23-18-102 (1) (c), C.R.S. to convert up to three percent of the stipend authorization to fee-for-service contracts.

Recommendation: **Staff recommends no supplemental increase in General Fund.** The problem at the end of FY 2006-07 was not that the stipend-eligible enrollment came in higher than the forecast. In total the actual FY 2006-07 stipend-eligible population was down 2,172.5 SFTE, or \$5,605,109 from the FY 2006-07 appropriation. Staff believes that the problem was that the Department allowed governing boards that were below their stipend authorization to convert too much of their stipend spending authority into a fee-for-service contract, through the process allowed

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in Section 23-18-102 (1) (c), C.R.S., and the Department didn't hold enough back in the College Opportunity Fund to cover the stipends for Metro and the private institutions that ended up bringing in more stipend-eligible students.

The Department's actions in FY 2006-07 controvert what the Department told the JBC it was going to do. During figure setting last year the JBC had a forecast that the FY 2006-07 stipend-eligible population was going to be higher than the FY 2006-07 appropriation at Metro and lower at all of the other institutions. The Department specifically did not request a supplemental adjustment. The Department provided a detailed explanation to the JBC, which was summarized in the JBC staff figure setting document last year, for how they would handle the stipend overages and underages administratively. The Department planned to first apply any stipend underage that was more than 3.0 percent to cover the overage at Metro. Then, the Department planned to prorate the amount that each governing board under the stipend appropriation could convert into a fee-for-service contract in order to ensure that there was enough money in the College Opportunity Fund for the remaining overage at Metro. To be fair, in communications to the JBC the Department reserved the right to request a supplemental for FY 2006-07 if the actual stipend enrollment was significantly different than the forecast at that time. However, the actual stipend enrollment did not differ significantly from the forecast. Staff is unsure why the Department suddenly changed its mind and decided to borrow from money set aside for FY 2007-08 in order to increase the amount for stipends and fee-for-service contracts in FY 2006-07.

To bring the College Opportunity Fund into balance for FY 2007-08, staff recommends reducing the FY 2007-08 fee-for-service contracts in the manner that they should have been reduced in FY 2006-07, and redirecting the General Fund from those fee-for-service contracts to rebuilding the balance in the College Opportunity Fund.

As for dealing with the projected changes in the stipend-eligible population for FY 2007-08, staff believes that the options remain similar to last year. In the first option the JBC could increase stipend spending authority for the institutions that are projected to exceed the appropriation, as proposed by the Department. This would be consistent with the statutory framework for the stipend program that rewards enrollment. However, following this same logic, staff would recommend that the JBC also reduce stipend spending authority for the institutions that are projected to earn fewer stipends, resulting in a net savings to the General Fund of \$776,436. The main reason not to take this approach is that the FY 2007-08 appropriation was not based on an independent calculation of the stipends and fee-for-service contracts. Instead, the appropriation was based on a targeted combined stipend and fee-for-service increase. The proportion of money awarded through stipends versus fee-for-service contracts was based on a projection of the stipend-eligible population at each institution. If the stipends are adjusted up or down based on a variance from that forecast, but the

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fee-for-service contracts are not adjusted at the same time, then the result will be to reward some institutions and punish others arbitrarily, based on whether the forecast was too high or too low.

The second option would be to adjust both the stipends and fee-for-service contracts based on the new enrollment forecast. This option is most consistent with the way the appropriation for FY 2007-08 was generated, but it is not as consistent with the statutory framework for the stipend program. This option could be described as a "hold harmless" approach.

The third option would be to let the Department handle the increases and decreases in the stipend-eligible population administratively. The way this would work is described above in the discussion of what the Department said it would do in FY 2006-07 (but didn't end up doing). This option represents a compromise between the first and second options. It rewards schools that enroll more stipend-eligible students than the forecast, at the expense of schools that enroll fewer than the forecast, but still allows a portion of the unearned stipend spending authority to be converted to a fee-for-service contract, mitigating the losses for institutions that enrolled fewer students.

To address FY 2007-08 variances between the appropriated stipends and actual stipend-eligible enrollment, staff recommends the third option to let the Department handle the increases and decreases administratively. This was the option approved by the JBC last year. The Department has not provided any arguments for why the JBC should change its approach this year.

	TOTAL	Privates	Gov Board Subtotal	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs	
FY 2006-07 Appropriation:														
1	Estimated stipend-eligible SFTE	124,124.0	600.0	123,524.0	1,511.0	4,491.0	14,342.0	1,509.0	19,216.0	2,578.0	28,248.0	2,704.0	8,945.0	39,980.0
2	Stipends	\$ 319,465,920	\$ 774,000	\$ 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
3	Fee-for-service contracts	\$ 260,032,610	\$ -	\$ 260,032,610	\$ 8,664,032	\$ 9,045,856	\$ 4,163,555	\$ 6,577,560	\$ 73,786,913	\$ 4,094,553	\$ 106,912,038	\$ 13,067,037	\$ 14,870,911	\$ 18,850,155
4	SUBTOTAL COF Program	\$ 579,498,530	\$ 774,000	\$ 578,724,530	\$ 12,562,412	\$ 20,632,636	\$ 41,165,915	\$ 10,470,780	\$ 123,364,193	\$ 10,745,793	\$ 179,791,878	\$ 20,043,357	\$ 37,949,011	\$ 121,998,555
Actual:														
5	Stipend-eligible SFTE	122,003.6	704.3	121,299.3	1,436.2	4,373.1	14,933.8	1,425.7	19,062.8	2,560.9	27,343.7	2,654.7	8,761.2	38,747.3
6	Stipend payments	\$ 313,860,811	\$ 908,552	\$ 312,952,259	\$ 3,705,276	\$ 11,282,662	\$ 38,529,170	\$ 3,678,183	\$ 49,182,146	\$ 6,607,080	\$ 70,546,808	\$ 6,849,036	\$ 22,603,916	\$ 99,967,982
7	Fee-for-service contracts	\$ 266,892,085	\$ -	\$ 266,892,085	\$ 8,780,983	\$ 9,349,974	\$ 4,163,555	\$ 6,694,357	\$ 74,182,047	\$ 4,138,713	\$ 109,098,433	\$ 13,194,321	\$ 15,345,095	\$ 21,944,607
8	SUBTOTAL COF Program	\$ 580,752,896	\$ 908,552	\$ 579,844,344	\$ 12,486,259	\$ 20,632,636	\$ 42,692,725	\$ 10,372,540	\$ 123,364,193	\$ 10,745,793	\$ 179,645,241	\$ 20,043,357	\$ 37,949,011	\$ 121,912,589
Difference:														
9	Stipend-eligible SFTE	(2,120.4)	104.3	(2,224.7)	(74.8)	(117.9)	591.8	(83.3)	(153.2)	(17.1)	(904.3)	(49.3)	(183.8)	(1,232.7)
10	Stipend payments	\$ (5,605,109)	\$ 134,552	\$ (5,739,661)	\$ (193,104)	\$ (304,118)	\$ 1,526,810	\$ (215,037)	\$ (395,134)	\$ (44,160)	\$ (2,333,032)	\$ (127,284)	\$ (474,184)	\$ (3,180,418)
11	Fee-for-service contracts	\$ 6,859,475	\$ -	\$ 6,859,475	\$ 116,951	\$ 304,118	\$ -	\$ 116,797	\$ 395,134	\$ 44,160	\$ 2,186,395	\$ 127,284	\$ 474,184	\$ 3,094,452
12	SUBTOTAL COF Program	\$ 1,254,366	\$ 134,552	\$ 1,119,814	\$ (76,153)	\$ -	\$ 1,526,810	\$ (98,240)	\$ -	\$ -	\$ (146,637)	\$ -	\$ -	\$ (85,966)
Department's original method for balancing														
13	Unearned stipends - shortfall more than 3.0%	\$ (406,996)	\$ -	\$ (406,996)	\$ (76,153)	\$ -	\$ -	\$ (98,240)	\$ -	\$ -	\$ (146,637)	\$ -	\$ -	\$ (85,966)
14	Additional reversion for Metro/Privates (prorated)	\$ (1,254,366)	\$ -	\$ (1,254,366)	\$ (17,360)	\$ (51,596)	\$ -	\$ (17,337)	\$ (220,768)	\$ (29,618)	\$ (324,535)	\$ (31,066)	\$ (102,767)	\$ (459,321)
15	Increased stipend payments to Metro/Privates	\$ 1,661,362	\$ 134,552	\$ 1,526,810	\$ -	\$ -	\$ 1,526,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Stipends converted to fee-for-service contracts	\$ (5,605,109)	\$ -	\$ (5,605,109)	\$ (99,592)	\$ (252,522)	\$ -	\$ (99,460)	\$ (174,366)	\$ (14,542)	\$ (1,861,861)	\$ (96,218)	\$ (371,417)	\$ (2,635,131)
17	Stipend change	\$ (5,605,109)	\$ 134,552	\$ (5,739,661)	\$ (193,104)	\$ (304,118)	\$ 1,526,810	\$ (215,037)	\$ (395,134)	\$ (44,160)	\$ (2,333,032)	\$ (127,284)	\$ (474,184)	\$ (3,180,418)
18	Fee-for-service contract change	\$ 5,605,109	\$ -	\$ 5,605,109	\$ 99,592	\$ 252,522	\$ -	\$ 99,460	\$ 174,366	\$ 14,542	\$ 1,861,861	\$ 96,218	\$ 371,417	\$ 2,635,131
	SUBTOTAL COF Program	\$ -	\$ 134,552	\$ (134,552)	\$ (93,512)	\$ (51,596)	\$ 1,526,810	\$ (115,577)	\$ (220,768)	\$ (29,618)	\$ (471,171)	\$ (31,066)	\$ (102,767)	\$ (545,287)
Difference in Fee-for-service contracts between original method and actual (This is also the staff recommended change to the FY 2007-08 fee-for-service contracts to cover the cost of making the College Opportunity Fund whole again. The \$1.3 million savings would be appropriated directly to the College Opportunity Fund with no corresponding increase in appropriations from the fund.)														
20		\$ (1,254,366)	\$ -	\$ (1,254,366)	\$ (17,359)	\$ (51,596)	\$ -	\$ (17,337)	\$ (220,768)	\$ (29,618)	\$ (324,534)	\$ (31,066)	\$ (102,767)	\$ (459,321)

	Rate	Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
FY 2007-08 Appropriation												
1		122,155	1,412	4,527	15,242	1,448	19,189	2,558	27,369	2,710	8,733	38,967
2	State-operated stipends @ \$2,670	\$ 326,153,316	\$ 3,770,040	\$ 12,087,090	\$ 40,696,140	\$ 3,866,160	\$ 51,234,630	\$ 6,829,860	\$ 73,075,230	\$ 7,235,700	\$ 23,317,110	\$ 104,041,356
February 2008 forecast												
3		121,864	1,391	4,305	15,498	1,400	18,776	2,545	27,657	2,652	8,154	39,486
4	State-operated stipends @ \$2,670	\$ 325,376,880	\$ 3,713,970	\$ 11,494,350	\$ 41,379,660	\$ 3,738,000	\$ 50,131,920	\$ 6,795,150	\$ 73,844,190	\$ 7,080,840	\$ 21,771,180	\$ 105,427,620
Option 1 - Supplemental increase/(decrease) to stipends:												
5		(291)	(21)	(222)	256	(48)	(413)	(13)	288	(58)	(579)	519
6	State-operated stipends @ \$2,670	\$ (776,436)	\$ (56,070)	\$ (592,740)	\$ 683,520	\$ (128,160)	\$ (1,102,710)	\$ (34,710)	\$ 768,960	\$ (154,860)	\$ (1,545,930)	\$ 1,386,264
7	Percent change from original estimate	-0.2%	-1.5%	-4.9%	1.7%	-3.3%	-2.2%	-0.5%	1.1%	-2.1%	-6.6%	1.3%
Option 2 - Adjust fee-for-service contracts to "hold harmless":												
8		(776,436)	(56,070)	(592,740)	683,520	(128,160)	(1,102,710)	(34,710)	768,960	(154,860)	(1,545,930)	1,386,264
9	Fee-for-service contracts	\$ 776,436	\$ 56,070	\$ 592,740	\$ (683,520)	\$ 128,160	\$ 1,102,710	\$ 34,710	\$ (768,960)	\$ 154,860	\$ 1,545,930	\$ (1,386,264)
10	Total Change	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Option 3 - Let the Department use existing statutory and appropriation flexibility to address variances:												
11	Unearned stipends - shortfall more than 3.0%	\$ (1,088,719)	\$ -	\$ (230,127)	\$ -	\$ (12,175)	\$ -	\$ -	\$ -	\$ -	\$ (846,417)	\$ -
12	Additional reversion for Metro, CU, CC (prorated)	\$ (1,750,025)	\$ (56,070)	\$ (205,191)	\$ -	\$ (65,632)	\$ (869,758)	\$ (34,710)	\$ -	\$ (122,833)	\$ (395,831)	\$ -
13	Increased stipend payments to Metro, CU, CC	\$ 2,838,744	\$ -	\$ -	\$ 683,520	\$ -	\$ -	\$ -	\$ 768,960	\$ -	\$ -	\$ 1,386,264
14	Stipends converted to fee-for-service contracts	\$ (776,436)	\$ -	\$ (157,422)	\$ -	\$ (50,353)	\$ (232,952)	\$ -	\$ -	\$ (32,027)	\$ (303,682)	\$ -
15	Stipend change	\$ (776,436)	\$ (56,070)	\$ (592,740)	\$ 683,520	\$ (128,160)	\$ (1,102,710)	\$ (34,710)	\$ 768,960	\$ (154,860)	\$ (1,545,930)	\$ 1,386,264
16	Fee-for-service contract change	\$ 776,436	\$ -	\$ 157,422	\$ -	\$ 50,353	\$ 232,952	\$ -	\$ -	\$ 32,027	\$ 303,682	\$ -
17	SUBTOTAL COF Program	\$ -	\$ (56,070)	\$ (435,318)	\$ 683,520	\$ (77,807)	\$ (869,758)	\$ (34,710)	\$ 768,960	\$ (122,833)	\$ (1,242,248)	\$ 1,386,264

MEMORANDUM

TO: Joint Budget Committee

FROM: Eric Kurtz (303-866-4952)

SUBJECT: Department of Higher Education Figure Setting
Staff recommendation for Academic and Academic Facility Fees

DATE: March 10, 2008

The original JBC staff figure setting document for the Department of Higher Education, dated March 6, 2008, left the recommendation for Academic and Academic Facility Fees pending. The higher education institutions submitted the following revenue estimates, and staff needed more information about why some of the institutions were projecting such large percentage increases before making a recommendation.

	FY 2007-08 Approp	FY 2008-09 Estimate	Difference	Percent
Adams	\$96,240	\$443,000	\$346,760	360.3%
Mesa	360,000	425,000	\$65,000	18.1%
Metro	750,000	900,000	\$150,000	20.0%
Western	26,000	26,000	\$0	0.0%
CSU System	4,250,000	5,015,000	\$765,000	18.0%
Ft. Lewis	1,150,000	1,000,000	(\$150,000)	-13.0%
CU	20,762,313	22,498,380	\$1,736,067	8.4%
Mines	150,000	150,000	\$0	0.0%
UNC	756,467	797,337	\$40,870	5.4%
Com Colleges	5,618,026	5,845,740	\$227,714	4.1%
TOTAL	\$33,919,046	\$37,100,457	\$3,181,411	9.4%

The explanations provided by the institutions were strong enrollment growth in courses with student fees and errors in classifying funds that caused institutions to underestimate the FY 200708 revenue when the institutions were forecasting last year for the FY 2007-08 Long Bill. For example, last year when Adams State College estimated only \$96,240 in revenue, they failed to include \$334,000 associated with an off-campus delivery fee. When the FY 2008-09 forecast is compared to the current FY 2007-08 revenue estimate, the percentage increases appear much more reasonable and well within the range of the tuition increases proposed by the Governor, except at Adams, which is projecting a large percentage increase even after factoring in the accounting change to capture the off-campus delivery fee.

Academic and Academic Facility Fees

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Estimate	FY 2008-09 Estimate
Adams	87,283	410,430	\$430,000	\$443,000
Mesa	4,800	341,057	397,502	425,000
Metro	680,787	764,075	870,807	900,000
Western	288,200	20,930	26,000	26,000
CSU System	4,510,300	4,674,015	4,800,000	5,015,000
Ft. Lewis	1,121,051	858,450	1,000,000	1,000,000
CU	18,233,113	18,016,317	22,332,584	22,498,380
Mines	153,266	12,378	150,000	150,000
UNC	735,586	750,936	777,890	797,337
Com Colleges	6,096,039	4,234,839	5,816,657	5,845,740
TOTAL	\$31,910,425	\$30,083,427	\$36,601,440	\$37,100,457
		FY 2006-07 Actual	FY 2007-08 Estimate	FY 2008-09 Estimate
Adams		370.2%	4.8%	3.0%
Mesa		7005.4%	16.6%	6.9%
Metro		12.2%	14.0%	3.4%
Western		-92.7%	24.2%	0.0%
CSU System		3.6%	2.7%	4.5%
Ft. Lewis		-23.4%	16.5%	0.0%
CU		-1.2%	24.0%	0.7%
Mines		-91.9%	1111.8%	0.0%
UNC		2.1%	3.6%	2.5%
Com Colleges		-30.5%	37.4%	0.5%
TOTAL		-5.7%	21.7%	1.4%

Staff has concerns that the institutions are still having trouble classifying fees and figuring out which ones are subject to appropriation and which are not. The appropriation for academic and academic facility fees was created in FY 2005-06 when the governing boards gained enterprise status. Prior to that the General Assembly appropriated spending authority based on whether revenues were subject to TABOR. However, this methodology resulted in the General Assembly setting budget policy for a lot of activities that the General Assembly would have preferred to delegate to the institutions, such as concessions, fines, interest, honoraria, and conference rentals. Also, appropriating funds on the basis of TABOR status didn't make a lot of sense in the enterprise environment. Academic and Academic Facility Fees are a subset of the fees that were controlled by the General Assembly prior to the institutions gaining enterprise status. The JBC decided to appropriate Academic and Academic Facility Fees after the governing boards gained enterprise status to minimize the potential for a balloon effect, where efforts by the General Assembly to control tuition result in an increase in fees.

Academic and Academic Facility Fees means fees that: 1) support the education mission of the institution, as opposed to an auxiliary function; 2) are generally under the control of the institution rather than the students (although this can be misleading, because students vote on many of the fees charged by the institution, and the governing boards oversee all student fees); 3) are not optional for

Academic and Academic Facility Fees

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the particular line of study chosen by the student; and 4) are not penalties for failure to comply with reasonable rules and regulations. Academic and Academic Facility Fees do not include all fees, or even the majority of fees. Most fee revenue collected by institutions is associated with auxiliary activities. Auxiliary fees were not controlled through appropriation by the General Assembly prior to the institutions gaining enterprise status, and they are still not controlled through appropriation. If the General Assembly attempted to control auxiliary fees through appropriations, it might impact the bond ratings for some auxiliaries. Also, it might interfere with student government control of student auxiliaries.

Initially, many institutions interpreted academic and academic facility fees to mean instructional course fees, and didn't realize that they needed to report other fees that support the educational mission, such as application fees and matriculation fees. The staff recommendation for Academic and Academic Facility Fees the last few years took into account the learning curve associated with a new budget format and was lenient when schools projected large variances due to the schools figuring out what should and should not be included. However, staff is frustrated that four years after the line item was created institutions are still not interpreting the fees that have to be reported consistently. For example, the large increase in projected revenue for Adams is primarily attributable to the institution deciding that an on-line course fee meets the definition for an academic fee and should be reported when in prior years it was not reported.

Perhaps the definition from the General Assembly needs to be more specific, but staff is unsure how to modify it to be more clear. Staff believes that part of the problem has to do with the interpretation of what fees support the education mission. There is a great deal of variety in the way institutions structure fees and there are a number of fees that fall into a grey area where a case by case judgement needs to be made about whether the fee is an appropriated fee or not. Also, some of the fees are created, set, and controlled at a department level rather than an institution level, and so budget staff for the institutions don't necessarily have a good handle on the revenues from fees that meet the General Assembly's definition until after the fact. Staff believes CCHE needs to take a greater leadership role in providing guidance to the institutions about what constitutes an academic fee, and ensuring that institutions report academic fees consistently. Neither the Controller nor the Department appears to be holding institutions to the appropriated fee level or investigating variances from the appropriation.

In order to prepare the Long Bill for introduction in FY 2008-09, staff recommends that the JBC use the projected revenues for Academic and Academic Facility Fees provided by the institutions. The large percentage variances from the FY 2007-08 appropriation are attributable to errors in the estimates used to set the FY 2007-08 appropriation, rather than plans by the governing boards for large fee increases in FY 2008-09.

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The staff recommendation is intended to solve the short-term problem of having a bill to introduce. Staff believes that the longer-term problem of inconsistent fee reporting and lack of accounting controls could benefit from analysis by the State Auditor. Also, staff believes the State Auditor might be able to provide insight and recommendations on whether there are sufficient procedures in place at the department and institution level to ensure that fees are kept to a minimum, that the revenues match the cost of the associated service and do not cross-subsidize other programs, and that fees are not used as a replacement for tuition. For these reasons, **staff recommends sending a letter to the Legislative Audit Committee requesting that they consider a performance audit of the Department's fee policies and procedures.**

While staff believes an audit of fees would be appropriate and helpful, staff also doesn't want to overstate the magnitude of the issue. Relative to tuition, the amount of fee revenue reported by the institutions in the state's accounting system is quite small. At most institutions, it would require a very large increase in fees to replace just a 1.0 percent increase in tuition. The table on the next page shows the appropriated fees and nonappropriated fees reported in COFRS. It is possible that there are some charges that could be considered a fee that are not showing up in this report. For example, Western reports a student center charge to CCHE as a fee, but in COFRS it is booked as auxiliary revenue. Similarly, some of the Community Colleges have parking fees and some of those parking fees are reported in COFRS as a fee while others are reported as auxiliary revenue.

CCHE tracks fees for a different purpose than the appropriation of Academic Fees and Academic Facility Fees. The purpose of the appropriation of Academic Fees and Academic Facility Fees is to minimize the potential that fees are used to replace tuition. The purpose of CCHE's tracking is to identify the actual costs to students, and to make national comparisons. CCHE tracks "mandatory" fees, meaning fees that are charged to all students and are not optional. At the hearing, CCHE testified to the JBC that they track all appropriated mandatory fees, and that they specifically do not track auxiliary related fees such as those associated with parking, recreational centers, healthcare centers, student government, and student activities. This testimony was incorrect and in fact most of the fees that CCHE tracks are associated with auxiliary activities. There is very little overlap between the appropriated fees and the "mandatory" fees tracked by CCHE. In addition to showing the appropriated and nonappropriated fee revenue reported in COFRS, the table on the next page shows the itemized revenue from mandatory fees that the schools indicate they report to CCHE.

Staff believes some of the mandatory fees reported to CCHE, such as the technology fee, support the education mission, are essentially a replacement for tuition, and should be included in the appropriated Academic Fees and Academic Facility Fees, if not rolled into tuition. However, it makes sense to staff that other fees, such as student government fees, are included in CCHE's tracking for the purpose of showing student costs, but are not included in the appropriated fees

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controlled by the General Assembly, as there would not likely be a balloon effect on these fees if tuition and/or General Fund spending authority were restricted by the General Assembly. Staff believes it would be valuable for the State Auditor to look at the fees that are tracked by CCHE as well as the fees that are appropriated by the General Assembly. Given that the Department does not appear to know what it is asking schools to report, staff has concerns about the accuracy of the Department's tracking of student fees.

Student Fees FY 2006-07

	Total	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
Appropriated Student Fees (COFRS)	\$30,083,426	410,430	341,057	764,075	20,930	4,674,015	858,450	18,016,317	750,936	12,377	4,234,839
NonAppropriated Student Fees (COFRS)	\$98,268,386	1,791,305	530,059	10,058,163	831,964	25,158,761	2,728,363	36,535,593	8,417,148	5,766,766	6,450,264
TOTAL Fees (COFRS)	\$128,351,812	2,201,735	871,116	10,822,239	852,894	29,832,776	3,586,812	54,551,910	9,168,084	5,779,143	10,685,103
Revenue from a 1.0 percent tuition increase	\$8,765,304	73,307	234,140	487,995	87,600	1,912,075	233,865	3,375,725	515,606	483,925	1,361,066
Equivalent percentage increase in fees	6.8%	3.3%	26.9%	4.5%	10.3%	6.4%	6.5%	6.2%	5.6%	8.4%	12.7%
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Mandatory Fees reported to CCHE		\$1,138	\$192	\$601	\$886	Ft. Collins \$1,259	\$1,061	Boulder \$1,217	\$1,286	\$713	\$114-\$570
Revenue from Mandatory Fees	\$113,192,668	1,675,337	530,059	10,987,640	1,642,589	33,205,560	3,268,918	40,373,143	7,602,948	4,023,757	9,882,717
<u>Itemized:</u>											
Activity Fees	\$20,760,419	256,241	484,942			635,799	538,219	18,845,218			
Auxiliary (student center, health center, campus rec, counseling center, career center)	\$15,065,432					15,065,432					Data not provided
Technology Fees	\$12,471,046	436,666		2,653,884	174,983	1,238,646	506,611	6,940,076		520,179	Data not provided
Various Student Services	\$8,783,976							1,294,275	5,911,738	1,577,963	provided
Facility Fees	\$8,145,900					8,145,900					
Athletics	\$6,368,420					3,912,183	554,388	1,509,076		392,773	
Student Center	\$3,536,032	344,475			810,625	109,585		2,271,347			
Student Organizations/Governments	\$3,510,709	132,062			265,860	3,112,786					Data not provided
Bus/Mass Transit Fee	\$4,548,368		45,117	1,391,883				3,111,368			Data not provided
Student Capital Fee	\$2,871,255							2,871,255			provided
AHEC Bond Fee	\$2,563,490			2,563,490							
Student Affairs	\$2,229,044			2,229,044							
Intercollegiate Athletics	\$2,021,788	267,218		1,147,470	357,418			249,682			
Health Services /Counseling	\$1,916,125			767,113		206,764	290,158	279,259		372,832	Data not provided
Student Rec Center	\$1,723,234	230,315				96,145	940,542			456,232	Data not provided
Student Information System Fee	\$1,085,362							1,085,362			provided
Sports & Rec Facilities Debt	\$999,657								999,657		
Student Recreation	\$669,339	8,360						660,979			
Recreation Debt Reduction	\$629,022								629,022		
Associated Student Fee (includes activities, organizations, intramural sports etc.)	\$583,378									583,378	Data not provided
Matriculation	\$518,100							518,100			Data not provided
Bond Fee	\$496,233					496,233					provided
Career Service	\$441,004						33,945	407,059			
Safety & Transit Fee	\$328,533							328,533			
Auxiliary Facility	\$298,101						298,101				
Family Development Center	\$207,192							207,192			Data not provided
Registration Fees	\$191,276			191,276							Data not provided
Special Event Fee	\$155,073					155,073					provided
Health Care Debt Reduction	\$130,431								130,431		
Student Assistance Fee (Public Safety)	\$120,400									120,400	
Cultural Events	\$109,271							109,271			
Student Newspaper Fee	\$109,271							109,271			Data not provided
Club Sports	\$106,955						106,955				provided
Performance Fee	\$61,628							61,628			provided
COPIRG	\$53,865							53,865			
Continuing Education	\$52,584							52,584			
Clean Energy Fee	\$43,480			43,480							
Women's Resource Center Debt	\$43,461								43,461		Data not provided
Child Care Scholarship Fee	\$31,015					31,015					provided
Campus Development	\$16,890				16,890						provided
Campus Sustainability	\$16,812				16,812						
Summer Adjustment (deferral)	(\$111,361)								(111,361)		